



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

**Executive Board of the  
United Nations Children's Fund**

**Executive Board of the  
United Nations Entity for Gender Equality  
and the Empowerment of Women**

Distr.: General  
7 August 2020

Original: English

Executive Board of UNDP, UNFPA and UNOPS  
**Second regular session 2020**  
31 August–4 September 2020, New York  
Item 5 of the provisional agenda

Executive Board of UN-Women  
**Second regular session 2020**  
15–16 September 2020, New York  
Item 3 of the provisional agenda

Executive Board of UNICEF  
**Second regular session 2020**  
8–11 September 2020, New York  
Item 15 of the provisional agenda

## **Joint comprehensive proposal on the cost-recovery policy**

### *Summary*

In decision 2018/21 of the Executive Board of the United Nations Development Programme/United Nations Population Fund, decision 2018/21 of the Executive Board of the United Nations Children's Fund and decision 2018/6 of the Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the Executive Boards directed the agencies to: (a) present a preliminary comprehensive proposal on the cost-recovery policy for consideration by the Executive Boards at their first regular sessions in 2020, with a view to present a final comprehensive proposal for decision of the Executive Boards at their second regular sessions in 2020; (b) review in a comprehensive manner cost-recovery rates, as part of the comprehensive proposal; and (c) present an assessment of the reasons why full cost recovery is not currently being achieved, as part of the comprehensive proposal. The present joint comprehensive policy on cost recovery responds to the above requests with the aim to present the policy that can be used as a reference by other agencies in the United Nations system.

The present joint policy is premised on a harmonized cost-classification framework adopted by the agencies and a harmonized cost-recovery framework.

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



---

<b>Contents</b>	<i>Page</i>
I. Introduction .....	3
II. Context .....	3
III. Cost recovery: basis and principles .....	4
IV. Cost recovery: cost-classification categories .....	5
V. Cost recovery: methodology .....	5
VI. Cost recovery: rates .....	7
VII. Waivers .....	10
VIII. Elements of a decision .....	11
<b>Annexes</b>	
I. Historical context of cost recovery .....	13
II. Details of the cost-classification categories at the granular level .....	15
III. Detailed calculations of the notional cost-recovery rates .....	23
IV. Glossary .....	24

## I. Introduction

1. In decision 2018/21 of the Executive Board of the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), decision 2018/21 of the Executive Board of the United Nations Children's Fund (UNICEF) and decision 2018/6 of the Executive Board of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the Executive Boards directed the agencies to: (a) jointly review existing cost definitions and classifications of activities and associated costs, with a view to further harmonize their approaches by determining common definitions of cost categories and corresponding activities and functions at a granular level, while taking into account the different business models of individual agencies; (b) present a preliminary comprehensive proposal on the cost-recovery policy for consideration by the Executive Boards at their first regular sessions in 2020, and to present a final comprehensive proposal for decision of the Executive Boards at their second regular sessions in 2020; (c) review, in a comprehensive manner, cost-recovery rates, as part of the comprehensive proposal; and (d) present an assessment of the reasons why full cost recovery is not currently being achieved, as part of the comprehensive proposal. Based on the Executive Board decisions of the respective four agencies and subsequent extensive deliberations, the agencies developed the joint comprehensive policy on cost recovery. Annex I provides a brief historical context of cost recovery.

2. The policy is premised on a harmonized cost-classification and cost-recovery framework and aims to be transparent and straightforward to implement.

## II. Context

3. A harmonized cost-recovery policy is premised on a harmonized cost-classification framework, and thus is not purely a budget exercise. Cost recovery is about 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. Basic costs 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.

4. 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.

5. 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 gradual and relative escalation of contributions to other resources. Nonetheless, the harmonized policy remains guided by the QCPR.

6. 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. The cost-recovery policy also indicates what is covered by direct costs and what is covered by indirect costs.

### III. Cost recovery: basis and principles

7. Cost recovery refers to the requirement of an organization to ensure that regular resources are not used to subsidize the implementation of programmes funded from other resources. It is essential that the organization recover all of its costs if it is to remain sustainable. 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.

8. The overarching principles the agencies observed in defining the cost-recovery approaches 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; and (d) continuing to be efficient, transparent and competitive within the overall development cooperation context.

9. A harmonized approach to cost recovery can include harmonization of cost-recovery methodology, cost classifications and cost-recovery rates. This cost-recovery policy encompasses all three in an effort to reduce competition between agencies based on rates and to lower thresholds for collaboration among United Nations agencies in line with the Secretary-General's funding compact.

10. 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). Direct costs are recovered from regular resources or other resources depending on the funding source of the programme or project. Examples of direct costs relating to programmes/projects include:

- (a) Costs of missions and travel incurred specifically to carry out or support programme/project activities;
- (b) Cost of staff and consultants hired for the programme/project;
- (c) Cost of policy-advisory or technical services (fully costed: staff costs, share of office rent, utilities, communications, supplies, office security);
- (d) Cost of processing transactional services (finance, administration, procurement, human resources, logistics);
- (e) Equipment, including information technology equipment, maintenance, licences and support for the programme/project;
- (f) Programme/project audit and evaluation fees.

11. 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:

- (a) Corporate executive management;
- (b) Corporate resource mobilization, partnership relations and corporate advocacy and communications;

- (c) Corporate accounting and financial management staff;
- (d) Institutional legal support;
- (e) Corporate human resources management;
- (f) Country office, regional or corporate management;
- (g) Internal audit and investigation function at headquarters and unit level.

#### IV. Cost recovery: cost-classification categories

12. Cost recovery requires the organizations to classify costs following a commonly approved structure to ensure that similar elements are appropriately grouped to enhance further harmonization, transparency and comparability across agencies as well as their contribution to the results. Costs are classified and defined as below:

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

(i) **Programmes:** activities and associated costs traced to specific programme components or projects, which contribute to delivery of development 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 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) **Management activities:** activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, information technology, finance, administration, security and human resources. Management costs are classified as recurrent or non-recurrent;

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

(e) **Special-purpose activities;** activities and associated costs of: (i) capital investments; and (ii) services for other United Nations organizations.

13. More details for each of the agencies are provided in annex II.

#### V. Cost recovery: methodology

14. Cost recovery refers to the requirement of the organization to ensure that regular resources are not subsidizing the implementation of programmes funded from other resources. The cost-recovery methodology recognizes that certain functions that are integral to the existence and advancement of the mandate of an organization must be

carried out regardless of the volume of programme implementation. Therefore, funding for these functions must be assured from regular resources.

15. The methodology ensures more 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.

16. Costs that are considered eligible for indirect cost recovery are those that are indirectly linked to the delivery of development results. Costs directly linked to the delivery of development results will be directly funded from regular resources or other resources, depending on where the cost originates.

17. The current indirect cost-recovery methodology starts by identifying the following functions as integral to the mandate of the organization and as such are to be covered solely from regular resources as part of the organizations' institutional budgets. For UNDP and UNICEF, some of these functions may also be directly funded from programmes/projects:

- (a) Development effectiveness activities;
- (b) United Nations development coordination;
- (c) Critical cross-cutting management functions;
- (d) Critical cross-cutting independent oversight and assurance functions;
- (e) Non-comparable special-purpose activities.

18. The remaining balance of the institutional budget is covered by the indirect cost-recovery rate, proportionally between regular and other resources.

19. The methodology to calculate the 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 (para. 17). 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.

20. The evidence-based financial implications of the application of the current cost-recovery policy model to the Executive Board-approved integrated budgets for 2018–2019 or 2018–2021 for each agency are shown in table 1. Annex III provides detailed calculations of the indirect cost-recovery rates calculated by applying the cost-recovery methodology to the respective integrated resource plans and integrated budgets for 2018–2021 for UNDP, UNICEF, UNFPA and UN-Women, taking into account the implementation of the recommendations on cost classification endorsed by the Executive Boards at their respective second regular sessions in 2019. Hence, this provides a forward perspective on the cost-recovery rates. For both UNDP and UNICEF, the indirect cost-recovery rates are 6.2 per cent and 6.6 per cent,

respectively, which is below the standard rate of 8 per cent. For UNFPA and UN-Women, the opposite is true: the cost-recovery rates are above the standard rate, at 10.3 per cent and 9.4 per cent respectively.

Table 1

**Overview of indirect cost-recovery rates calculated on 2018–2021 integrated resources plans and integrated budgets**

	<i>UNDP</i>	<i>UNICEF</i>	<i>UNFPA</i>	<i>UN-Women</i>
Indirect cost-recovery rate	6.2%	6.6%	10.3%	9.4%

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children’s Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

21. As UNDP indicated in the midterm review of the integrated resources plan/integrated budget (DP/2020/9), from 2019 onwards, management costs include costs related to activities that previously (i.e., in 2018 and prior years, when UNDP managed the resident coordinator system) were part of the “backbone” services provided by the resident coordinator/UNDP resident representative and UNDP country office to the United Nations system coordination and representation functions. This resulted in an adjustment for UNDP of the critical cross-cutting management functions, which now includes the full cost of the UNDP representative. This is in alignment with the approach applied by UNFPA, UNICEF and UN-Women with respect to critical cross-cutting management functions.

## VI. Cost recovery: rates

22. During 2014–2019, the agencies remained compliant with their respective Executive Board decisions on cost recovery.<sup>1</sup> Table 2 summarizes the actual financial performance for the six-year period 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. Definitions of cost-recovery rates are provided in annex IV.

Table 2

**Effective average indirect cost-recovery rate for each agency, 2014–2019**

<i>Effective average indirect cost-recovery rates</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2014–2019 (weighted average)</i>
UNDP	6.1%	6.3%	6.4%	6.1%	6.2%	6.4%	6.2%
UNFPA	7.07%	7.1%	7.27%	7.33%	7.26%	7.25%	7.2%
UNICEF	6.3%	6.5%	6.6%	6.5%	6.3%	7.0%	6.5%
UN-Women	7.12%	7.0%	7.14%	7.25%	7.0%	6.85%	7.0%

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children’s Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

23. Table 3 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)

<sup>1</sup> For the United Nations Development Programme, this includes Executive Board-approved transitional measures of \$199 million during 2014–2017, in accordance with Executive Board decision 2013/28.

programme government preferential rates. In addition, the impact of the waivers is presented.

Table 3

**Financial impact of the differentiated cost-recovery rates, by agency, 2014–2019***(In millions of United States dollars)*

<i>Financial impact by agency and category</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2014–2019 (average)</i>
<b>UNDP<sup>a</sup></b>							
Thematic contributions	1.1	1.0	0.5	0.3	0.4	0.3	0.6
Agreements with multilateral partners	9.1	7.9	6.8	9.3	6.5	6.7	7.7
Preferential rates (programme country)	32.9	33.9	30.4	37.6	40.2	32.7	34.6
Waivers	21.7	18.9	20.6	29.2	19.4	23.5	22.2
<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>65.1<sup>b</sup></b>
<b>UNFPA<sup>c</sup></b>							
Thematic trust funds	1.90	1.51	1.31	1.24	1.40	1.51	1.48
Umbrella agreements	1.00	1.20	1.30	1.14	1.33	2.04	1.34
Preferential rates (programme government and South-South contributions)	0.45	0.68	0.53	0.83	1.71	1.28	0.92
Legacy agreements	0.90	0.65	0.28	0.11	0.00	0.00	0.32
Multilateral agreements with inherited reduced indirect cost rate						0.18	0.03
Waivers	0.12	0.18	0.07	0.18	0.36	0.37	0.21
<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>4.30</b>
<b>UNICEF<sup>d</sup></b>							
Thematic funding	11.19	8.49	7.67	8.17	8.59	6.10	8.37
Umbrella agreements	7.21	7.77	7.23	6.71	6.98	7.98	7.31
Preferential rates (programme government and private sector, South-South contributions)	5.70	8.72	9.45	8.75	13.09	14.15	9.98
Waivers	0.01	1.60	0.00	18.40 <sup>e</sup>	0.90 <sup>f</sup>	13.90 <sup>g</sup>	5.80
<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>31.46</b>
<b>UN-Women</b>							
Various umbrella agreements	0.25	0.28	0.24	0.49	0.41	1.10	0.45
Programme Government preferential rates	0.02	0.02	0.00	0.02	0.02	0.04	0.02
Legacy agreements	0.27	0.23	0.02	0.02	0.01	0.00	0.09
Waivers	0.00	0.03	0.02	0.00	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>0.57</b>

<sup>a</sup> Financial impact in line with details provided on differentiated rates and waivers provided in [DP/2019/10](#), annex 5.



<sup>b</sup> For UNDP, the financial impact for 2019 of the differentiated cost-recovery rates represented 1.3 per cent of the total resources. The majority of the impact relates to preferential rates for programme country government cost sharing, and the impact of a small number of waivers.

<sup>c</sup> For the period 2014–2017 as reported in [DP/FPA-ICEF-UNW/2018/1](#); 2018 as reported in [DP/FPA/2019/4 \(Part1/Add1\)](#); and 2019 as reported in [DP/FPA/2020/4/\(Part1/Add1\)](#).

<sup>d</sup> After further analysis and based on the actual expenditures, UNICEF revised the impact of differentiated rates for thematic contributions, umbrella agreements and preferential rates for programme government, private sector and South-South contributions for the period 2014–2018.

<sup>e</sup> \$18.4 million represents two waivers in 2017 on two agreements signed for the total value of \$327.8 million.

<sup>f</sup> 2018 waivers and their impact were reported in the annual report for 2018 of the Executive Director of UNICEF ([E/ICEF/2019/10](#)).

<sup>g</sup> 2019 waivers and their impact were reported in the annual report for 2019 of the Executive Director of UNICEF ([E/ICEF/2020/8](#)).

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children’s Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

24. Table 3 reflects the financial impact of the differentiated cost-recovery rates for the agencies. It provides empirical evidence over the six-year period during which the present policy has been in effect that broadly, the financial impact of cost-recovery waivers and legacy agreements has been declining in terms of net dollar value. While not conclusive, the data indicate that preferential rates have been useful in acknowledging different sources of funds.

25. It is important to emphasize that there is no direct correlation between cost-recovery rates and resource mobilization incentives. In the agencies’ experience, contributions are premised on an organization’s given mandate, business model and operational efficiency, and the quality of results/outcomes delivered. Only after these criteria have been rigorously reviewed and evaluated does the question of a given agency’s cost recovery generally arise.

26. However, there is indicative evidence that in certain instances, differentiated rates have been a useful tool to acknowledge and diversify among funding sources. For instance, in the case of UNDP, differentiated rates in the Latin America and the Caribbean region have provided additional incentives for many countries to participate financially in their own development priorities. With 63 per cent of UNDP funding coming from partner countries, the differentiated rate opens great opportunities for partner engagement as well as a broader array of substantive and operational cooperation in the region. To this effect, Latin America and the Caribbean has made significant development strides in recent decades, from the consolidation of democratic Governments and continued advances in health, education and reducing poverty and inequality, to more recent progress in protecting the environment. Those efforts over the past decades have enabled it to become a middle-income region. However, more is required to consolidate middle-class societies, among other priorities of the 2030 Agenda for Sustainable Development.

27. To this end, the current model with differentiated rates is broadly serving its purpose in terms of contributing to incentives for more support from programme countries, hence broadening the funding base. In another area, 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.

28. These discussions have been part of the ongoing structured funding dialogues between agencies and Member States. An indirect cost-recovery rate is not meant to be an instrument to incentivize fundraising; rather it provides a budgetary mechanism for an organization to recover the indirect costs that it has incurred, which is important for organizational sustainability. The updated cost-recovery policy retains the schema of differentiated rates at current levels as shown in table 4. In harmonization with

UNDP, UNFPA, UNICEF and UN-Women will also apply a differentiated rate of 7 per cent on thematic contributions.

Table 4

**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>	No preferential rate <sup>c</sup>		5%
Programme government cost-sharing contributions	Minimum of 3%	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.

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children's Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

## VII. Waivers

29. Waivers to the Executive Board-approved rates are 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.

30. Waivers may be granted by the Executive Director/Administrator in an exceptional circumstance and on a case-by-case basis, considering specific priorities and furthering of the agency's mandate. Each waiver will be reported transparently to the Executive Board on an annual basis, as part of the annual report of the Executive Director/Administrator. The reporting will include information on the programme/project, indirect cost-recovery rate applied, funding partner and financial impact of the reduced cost-recovery rate as well as a brief justification for granting the waiver.

31. Note that the number of waivers granted has declined considerably over the past six years and is limited to exceptional cases at the discretion of each agency's senior management and reported to the Executive Board annually. Table 5 shows the number of waivers granted by the agencies in the period 2014–2019 and table 3 reflects the financial impact of these waivers.

Table 5  
Waivers granted, by agency, 2014–2019

Number of waivers	2014	2015	2016	2017	2018	2019	Total
UNDP	24	9	12	6	5	3	59
UNFPA <sup>a</sup>	4	4	4	7	10	3	32
UNICEF	1	9	0	2	5	8	17
UN-Women	1	1	6	1	0	1	10

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

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children's Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

## VIII. Elements of a decision

32. The Executive Board may wish to:

(a) *Take note* of the joint comprehensive cost-recovery policy (DP/FPA-ICEF-UNW/2020/1);

(b) *Approve* the cost-classification categories, and their definitions outlined in the policy, effective 1 January 2022, as follows:

(i) Development activities, which comprise programmes and development-effectiveness activities;

(ii) United Nations development coordination activities;

(iii) Management activities, which comprise recurring and non-recurring activities;

(iv) Independent oversight and assurance activities;

(v) Special-purpose activities;

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

Contribution type	UNDP	UNFPA	UN-Women	UNICEF
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>	No preferential rate <sup>c</sup>		5%
Programme Government cost-sharing contributions	Minimum of 3%	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.

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children's Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

(d) *Resolve* that the comprehensive cost-recovery policy as outlined in document DP/FPA-ICEF-UNW/2020/1 supersedes the previous cost-recovery policy and rates.

## Annex I

### Historical context of cost recovery

1. In 2009, the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children’s Fund (UNICEF) were requested to present a road map to achieve harmonized integrated budgets by 2014 in the context of new strategic plans. This required the three organizations to address and better harmonize their actions to the extent feasible in three major areas:

(a) Alignment of planned results presented in budgetary documents to the respective strategic plans and clear linkage between planned results and budgetary allocations;

(b) Classification of activities and their associated costs;

(c) Assessment of the impact of the approved cost definitions and classifications of the harmonized cost-recovery rates.

2. With respect to the first area, alignment of planned results, harmonization was achieved in 2011 (Joint informal note of UNDP, UNFPA and UNICEF on the road map to an integrated budget: cost classification and results-based budgeting, prepared in response to decision 2010/32 of the UNDP/UNFPA Executive Board and decision 2010/20 of the UNICEF Executive Board and containing: (a) information on differences in the categorization of costs into cost classifications; and (b) an informal mock-up illustrating the format of key budget tables and accompanying explanations) as part of decision 2011/10 of the UNDP/UNFPA Executive Board and decision 2011/32 of the UNICEF Executive Board.

3. With respect to the second area, classification of activities and their associated costs:

(a) Harmonization was achieved in 2010 (Executive Board document [\(DP-FPA/2010/1-E/ICEF/2010/AB/L.10\)](#) as part of decision 2010/32 of the UNDP/UNFPA Executive Board and decision 2010/20 of the UNICEF Executive Board;

(b) The cost classifications endorsed in 2010 were the result of a joint review undertaken by the agencies in response to decision 2010/2 of the UNDP/UNFPA Executive Board and decision 2010/5 of the UNICEF Executive Board, which requested the agencies to jointly review the then-existing cost definitions and classifications of activities and associated costs of 1997 ([\(DP/1997/10, DP/1997/10/Add.1, E/ICEF/1997/AB/L.3 and E/ICEF/1997/AB/L.3/Add.1\)](#));

(c) Further, the Executive Boards in decisions 2018/21 (UNDP/UNFPA and UNICEF) and 2018/6 (UN-Women) requested the agencies to “jointly review existing cost definitions and classifications of activities and associated costs, with a view to further harmonize their approaches by determining common definitions of cost categories and corresponding activities and functions at a granular level, while taking into account the different business models of the individual agencies”. The joint document, [DP/FPA-ICEF-UNW/2019/1](#), provided recommendations for the further harmonization of cost classifications. Executive Board decisions 2019/21 (UNDP/UNFPA), 2019/28 (UNICEF) and 2019/12 (UN-Women) endorsed two of the three recommendations proposed by the agencies, resulting in further harmonization.

4. With respect to the third area, cost recovery:

(a) Harmonization was achieved in 2013, as described in Executive Board documents [DP-FPA/2012/1-E/ICEF/2012/AB/L.6](#) and [DP-FPA/2013/1-E/ICEF/2013/8](#)

and approved through Executive Board decisions 2013/9 (UNDP/UNFPA), 2013/5 (UNICEF) and 2013/2 (UN-Women). This harmonization was a result of a thorough joint review undertaken by the agencies derived from:

(i) Benchmarking with international organizations for comparative purposes and best practices;

(ii) Analysis of the agencies' business models in the context of the integrated budget and new strategic plans from 2014 onwards;

(iii) Development of a harmonized conceptual framework for defining and attributing organizational costs and cost-recovery calculation methodology;

(b) In 2017, the Executive Boards (UNDP/UNFPA decisions 2017/11 and 2017/14, UNICEF decisions 2017/7 and 2017/14 and UN-Women decision 2017/2) asked the agencies to continue consultations with Member States regarding the cost-recovery policy and to present said proposals for consideration. The joint document [DP/FPA-ICEF-UNW/2018/1](#) was presented in response to that request;

(c) In 2018, the Executive Boards (UNDP/UNFPA and UNICEF decisions 2018/21 and UN-Women decision 2018/6) asked the agencies to:

(i) Present a preliminary comprehensive proposal on the cost-recovery policy for consideration by the Executive Boards at their first regular sessions in 2020, with a view to present a final comprehensive proposal for decision of the Executive Boards at their second regular sessions in 2020;

(ii) Review, in a comprehensive manner, cost-recovery rates, as part of the comprehensive proposal;

(iii) Present an assessment of the reasons why full cost recovery is not currently being achieved, as part of the comprehensive proposal.

## Annex II

## 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 activities</b>				
<b>Programme activities</b>	<p><b>At the 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 the 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 programme/project administrative and operations support; direct programmatic support and oversight of country offices and programmes; cross-country capacity-building and knowledge-sharing</p>	<p><b>At the 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; direct programme/project administrative and operations support</p> <p><b>At the regional level:</b> Advocacy and policy dialogue with regional and subregional entities and in multi-country settings</p> <p>Regional inter-agency collaboration and coordination; provision of technical advisory support to country programmes and intergovernmental regional processes; direct programmatic support and oversight of country offices and programmes; cross-country capacity-building and</p>	<p><b>At the 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 the 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 the 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 mechanisms and liaising closely with</p>

<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
<p><b>At the 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</p>	<p>knowledge-sharing; regional programme coordination and implementation, including knowledge management; direct programme/ project administrative and operations support; direct programme/ project communication and media functions</p> <p><b>At the 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; Global monitoring of implementation of the Sendai Framework for Disaster Risk Reduction; 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: Technical Division; Humanitarian Office; Policy and Strategy Division; Division for Communications and</p>	<p>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; Division of Data, Analytics, Planning and Monitoring; Supply; Evaluation; Emergency Programmes; and Communication</p>	<p>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</p> <p><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</p>



	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
Development effectiveness activities	<p><b>At the country level:</b> Country office presence focusing on strategic country programming (CPD formulation and participation in the United Nations Development Assistance Framework process); Programme quality assurance</p> <p><b>At the 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 the 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 harmonized approach to cash transfers (HACT)-related activities</p>	<p>Strategic Partnerships; Procurement Services Branch; Liaison Office in Addis Ababa</p> <p><b>At the country level:</b> Deputy Representatives (or national equivalents, assistant representatives) performing an overall programme development, oversight and guidance role</p> <p><b>At the 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 the headquarters level:</b> Policy and Strategy Division, except personnel whose work contributes directly to strategic plan development outcomes; Humanitarian Office (leadership and operations support); Technical Division (leadership and operations support of the Directorate and each branch); Procurement Services Branch (leadership and operations support); Quality Management Unit in the Division for Management Services, which is primarily dealing with HACT to</p>	<p><b>At the country level:</b> Deputy Representatives performing an overall programme development, oversight and guidance role; Communication officers; select monitoring and evaluation officers</p> <p><b>At the regional level:</b> Deputy Regional Directors performing an overall programme development, oversight and guidance role; Technical advisers</p> <p><b>At the headquarters level:</b> Programme Division; Division of Data, Analytics, Planning and Monitoring; Office of Global Insight and Policy; Office of Emergency Programmes; Supply Division; Office of Innovation; Office of Research-Innocenti</p>	<p><b>At the country level:</b> Deputy Representatives (or national equivalents, assistant representative) performing an overall programme development, oversight and guidance role; Programme/project posts performing an overall programme oversight and guidance role</p> <p><b>At the 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 the headquarters level:</b> Programme Division; Policy Division; Humanitarian Office; Civil Society, Procurement Unit</p>

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
		implementing partners and partner implementation		
<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>				
Leadership and corporate direction	Executive Office; Ethics Office; Office of the Secretary of the Executive Board, excluding fully reimbursable Executive Board secretariat services provided to other United Nations agencies	Office of the Executive Director; Ethics Office; Legal Office	Office of the Executive Director, including Ethics Office and Legal Office	Headquarters leadership posts in management and administration and resource mobilization and strategic partnerships
Corporate financial, information and communications technology( ICT) and administrative management	Bureau of Management Services (BMS), including Office of Financial Resources Management, Global Shared Services Unit, 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), information technology (IT) Solutions Office	Division of Financial and Administrative Management; Division of Information and Communications Technology.	Division of Management and Administration includes ICT, legal, finance, budget, facilities. Centrally managed costs related to IT and administration
Corporate human resources management	Cost of Office of Human Resources in relation to the UNDP corporate	Division for Human Resources	Division of Human Resources	Division of Human Resources

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
	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			
Corporate external relations and partnerships, communications and resources mobilization	Bureau for External Relations and Advocacy	Division for Communications and Strategic Partnerships; Executive Board Branch; UNFPA Liaison 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 Nations Department of Safety and Security and other United Nations security management entities	Security Office, minimum operating security standards (MOSS) compliance
Field/country office oversight, management and operations support	<b>At the 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	<b>At the country level:</b> full cost of: representatives, driver and personal assistant to the representative office operations support functions not directly linked to programme support (e.g., operations manager/ international operations manager, finance/administrative, some IT and human resources support posts)	<b>At the 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)	<b>At the 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); Includes a portion of direct

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
	<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 the regional level:</b> full cost of: Regional directors, driver and personal assistant to the director, plus special assistant; 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><b>At the 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 the headquarters level:</b> full cost of: Global Shared Services Centre</p>	<p>programme/project administrative and operations support.</p> <p><b>At the regional level:</b> Regional directors and driver posts (50 per cent); Full cost of: operations management functions not directly linked to project/programme support (e.g., operations manager, finance, administration, procurement posts)</p>
Non-recurring costs	<p><b>At the 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
<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; Evaluation Office; Board of Auditors, Joint Inspection Unit	Office of Internal Audit and Investigation; Evaluation Office	Independent Evaluation and Audit Services Office; Board of Auditors
<b>V. Special-purpose activities</b>				
Capital investments	MOSS compliance	ICT transformation, Security Investments to ensure MOSS compliance	Technology-supported organizational solutions; Allocations to offices to support compliance with MOSS; Eco-	ICT transformation

	<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
Private sector fundraising			<p>efficiency initiatives and capital expenditure linked to premises management</p> <p>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.</p>	
Other, including procurement services			<p>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.</p>	
Non-agency-specific operations		<p><b>Support to other United Nations agencies:</b>  institutional budget support to United Nations Volunteers, United Nations Capital Development Fund; 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 the 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</p>		

<i>UNDP</i>	<i>UNFPA</i>	<i>UNICEF</i>	<i>UN-Women</i>
<p>representative function, following the delinking of the resident coordinator role</p> <p><b>At the headquarters level:</b> Fully reimbursable headquarters-level support to other United Nations agencies; excludes cost of the 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>			

*Abbreviations:* UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children's Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

## Annex III

### Detailed calculations of the notional cost-recovery rates

(In thousands of United States dollars)

		UNDP	UNICEF	UNFPA	UN-Women
	Use of resources	2018–2021	2018–2021	2018–2021	2018–2019
A1	Regular resources (RR)	2 749.8	6 420.3	1 444.1	800.0
A2	Other resources (OR)	21 140.7	17 550.6	2 325.1	960.0
	Total	23 890.5	23 970.9	3 769.2	1 760.0
<b>1. Calculate the proportionate percentage share of RR and OR in the planned use of resources</b>					
B1	Proportionate share of RR	<b>12%</b>	<b>27%</b>	<b>38%</b>	<b>45%</b>
B2	Proportionate share of OR	<b>88%</b>	<b>73%</b>	<b>62%</b>	<b>55%</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	2 443.1	2 455.5	708.2	405.6
	<i>Less</i>				
C1	Development effectiveness activities	(507.0)	(721.9)	(140.3)	(104.4)
C2	Non-comparable special-purpose activities	(275.7)		(23.6)	(7.6)
C3	United Nations development coordination activities	(86.0)	(49.3)	(16.6)	(54.4)
C4	Critical cross-cutting management functions	(171.8) <sup>a</sup>	(198.6) <sup>b</sup>	(167.9) <sup>c</sup>	(86.6)
C5	Critical cross-cutting oversight and assurance functions	(7.2)	(4.0)	(8.1)	(2.1)
	<b>Total - institutional budget (IB) subject to cost recovery</b>	<b>1 395.4</b>	<b>1 481.7</b>	<b>351.7</b>	<b>150.5</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	1 395.4	1 481.7	351.7	150.5
E1=B1*D	RR proportional share of IB	160.6	396.9	134.8	68.4
E2=B2*D	OR proportional share of IB	1 234.8	1 084.8	217.0	82.1
F=E2/(A2-E2)	<b>Notional rate</b>	<b>6.2%</b>	<b>6.6%</b>	<b>10.3%</b>	<b>9.4%</b>

<sup>a</sup> Regular resources in connection to critical cross-cutting management functions finance leadership and management relating to the following activities: (i) at the country level: leadership and representation (i.e., the full-time resident representative function); (ii) at the regional level: leadership and representation (i.e., regional bureaux); and (iii) at the headquarters level: leadership and corporate direction (Executive and Ethics Offices); corporate financial, information and communications technology, legal, procurement oversight, administrative, human resources management, and staff and premises security (Bureau for Management Services); corporate external relations and partnerships, communications and resources mobilization (Bureau for External Relations and Advocacy).

<sup>b</sup> This amount represents the level of regular resources used to fund critical cross-cutting management functions which include key leadership functions: all heads of offices/divisions in headquarters, classified as management, and all heads of offices in regional and country offices.

<sup>c</sup> UNFPA regularly provides detailed information on cost classification and critical cross-cutting functions as part of its integrated budget (latest information available in DP/FPA/2020/5, annex 2).

Abbreviations: UNDP: United Nations Development Programme; UNFPA: United Nations Population Fund; UNICEF: United Nations Children's Fund; UN-Women: United Nations Entity for Gender Equality and the Empowerment of Women.

## Annex IV

### Glossary

#### Cost-classification categories

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

(i) **Programmes.** Activities and associated costs traced to specific programme components or projects, which contribute to delivery of development results contained in country/regional/global programme documents or other programming arrangements;

(ii) **Development effectiveness activities.** The 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 results and are not included in specific programme components or projects in country, regional, or global programme documents;

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

(c) **Management activities.** This comprises activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, information technology, finance, administration, security and human resources. Management costs are classified as recurrent or non-recurrent;

(d) **Independent oversight and assurance activities.** This comprises activities and associated costs supporting the independent audit and investigations and corporate evaluation functions;

(e) **Special-purpose activities.** This covers activities and associated costs of: (i) capital investments; and (ii) services for other United Nations organizations.

**Critical cross-cutting functions.** The cost-recovery methodology considers that a limited portion of management and independent oversight and assurance functions are integral to the existence and the advancement of the mandate of the organizations must be carried out, irrespective of the volume of programme implementation, and therefore their funding must be assured from the regular resources. They are referred to as critical cross-cutting functions.

To estimate the amount of the critical cross-cutting functions in a straightforward manner, the agencies use the key leadership positions, at headquarters, regional and country level, that are part of the management and independent oversight and assurance cost-classification categories.

**Notional indirect cost-recovery rate.** The rate as calculated by applying cost recovery methodology on planned budget and/or actual expenditures.

**Standard indirect cost-recovery rate.** The base rate approved by the Executive Board as the percentage fee to be applied to direct costs.

**Differentiated indirect cost recovery rate.** The rate approved by the Executive Board as percentage to be applied to direct costs, based on the funding source.



**Effective indirect cost-recovery rate.** The actual cost-recovery rate realized after taking into account the effect of differentiated rates, including pre-existing preferential rates and waivers granted each year.

---