Cost Classification and Cost Recovery

Executive Board Joint Informal Consultation with UNDP, UNFPA, UNICEF & UN-Women 1 November 2019

Contents

- Cost recovery recent history
- Follow up on the Executive Board decisions on cost classification
 - Revised Recommendation 3
 - Agencies' mock-up for Recommendations 1 and 2 and revised Recommendation 3
- Cost recovery principles and challenges
- Feedback, guidance & Executive Board discussion

Today's informal is intended to foster an exchange of views regarding the work of the past years and the next steps in the process.

Cost Recovery Recent History

- A new policy on cost recovery was implemented in 2014 as per EB's decision 2013/5 (UNICEF), decision 2013/9 (UNDP/UNFPA).
- The Executive Boards requested the agencies to recommend adjustments to the approved cost-recovery rates, as required, to be presented at the annual session 2016 of the Executive Board.
- Independent consultants' report was prepared and shared with the Boards.
- Agencies were requested to continue consultations with Member States with regards to the cost-recovery policy and to present evidence-based proposals for harmonized cost-recovery policies.

Cost Recovery Recent History (Cont'd)

- In 2018, several proposals were put forward by the agencies. The Boards requested additional work to jointly review existing cost classifications with a view to further harmonizing their approaches.
- The outcome of this work, including recommendations for further harmonization, were presented and 2 recommendations were approved in Sep 2019.
- Building on the above, the agencies were requested by the Boards to
 present a preliminary comprehensive proposal on the cost recovery policy
 at the first regular session 2020.
- A final comprehensive proposal will be presented for decision at the second regular session 2020.

Revised proposal for Recommendation 3

Building on the feedback received from the Executive Boards during the second regular session in 2019, the agencies revised their proposal for recommendation 3 and recommend the following:

- To keep the RC cost-sharing contributions in the same cost classification line item as initially approved, i.e. UN Development Coordination;
- To separately show a new cost classification category called 'Independent Oversight and Assurance Activities' in the Institutional Budget comprising of:
 - Audit and Investigations; and
 - Corporate Evaluation
- Each Agency will present this new proposed cost classification line in the same manner within their Integrated Resource Plan/Integrated Budgets
- This is presented in the following detailed mock-ups.

Mock-Up of Application of Recommendations 1-2 and Revised Recommendation 3: UNICEF

-									1 6									
Integrate	d Resource Plan - APPROVED (E/ICEF/2017/AB/L4)				2018-2021					ntegrated Resource Plan -MOCK-UP					2018-2021			
		Regular ı	resources	Other r	esources	Total re	sources	Trust funds				Regular ı	resources	Other re		Total re	sources	Trust funds
					Cost										Cost			
				Programme										Programme				
1. Resour	rces available	\$m	%	\$m	\$m	\$m	%	\$m		. Resources available		\$m	%	\$m	\$m	\$m	%	\$m
	Opening balance	562.3		1,235.9	-	1,798.2		727.0		Opening balance		562.3		1,235.9	-	1,798.2		727.0
	Income Contributions	5.801.9		16,512.5	-	22,314.4				Income	ontributions	5.801.9		16,512.5	-	22,314.4		
	Other income	5,801.9		10,512.5	-	22,314.4 500.0		-			ther income	5,801.9		10,512.5	-	22,314.4 500.0		
	Total income	6,301.9		16,512.5	-	22,814.4		-		Total income		6,301.9		16,512.5		22,814.4		
	Tax reimbursement adjustment	(80.0)		10,512.5	-	(80.0)				Tax reimbursement adjustment		(80.0)		10,512.5		(80.0)		
	Trust fund receipts	(00.0)			_	(00.0)		7,148.0		Trust fund receipts		(00.0)			-	-		7,148.0
	Total available	6.784.1		17,748.4	-	24,532.5		7,875.0		Total available		6,784.1		17,748.4	-	24,532.5		7,875.0
								,				., .		, -		,		1
2. Use of	resources									2. Use of resources								
] [
Α.	Development								4	A. Development								
A.1	Programmes	4,360.0	67.9%	15,917.3	-	20,277.3	84.6%	7,116.0	4	A.1 Programmes		4,360.0	67.9%	15,917.3	-	20,277.3	84.6%	7,116.0
	Country Programmes	4,140.0	64.5%	15,107.1	-	19,247.1	80.3%			Country Programmes		4,140.0	64.5%	15,107.1	-	19,247.1	80.3%	
	Global programme	220.0	3.4%	810.2	-	1,030.2	4.3%			Global programme		220.0	3.4%	810.2	-	1,030.2	4.3%	
A.2	Development effectiveness	589.0	9.2%	133.0	-	721.9	3.0%	74460		A.2 Development effectiveness		589.0	9.2%	133.0	-	721.9	3.0%	74460
Subtotal:	Development	4,949.0	77.1%	16,050.3	-	20,999.3	87.6%	7,116.0		ubtotal: Development		4,949.0	77.1%	16,050.3	-	20,999.3	87.6%	7,116.0
В.	United Nations development coordination	23.3	0.4%	25.9	-	49.3	0.2%	-	6	3. United Nations development coordinatio	on	23.3	0.4%	25.9	-	49.3	0.2%	-
									1 C									
C.	Management	459.9	7.2%	6.4	1,138.0	1,604.3	6.7%		(C. Management		446.1	6.9%	6.4	1,103.9	1,556.5	6.5%	
									┥┝									
										 Independent Oversight and Assurance Ac Audit and Investigations 	ctivities	11.0	0.2%		27.4	20.4	0.20/	
										D.1 Audit and Investigations D.2 Corporate Evaluation		11.0	0.2%		27.1 6.9	38.1 9.7	0.2% 0.0%	
										D.2 Corporate Evaluation Subtotal: Independent Oversight and Assurance Ac	tivitios	2.8 13.8	0.0%		6.9 34.1	9.7 47.8	0.0%	
												13.0	0.270		34.1	47.0	0.270	
D.	Special purpose								E E	. Special purpose								
D.1	Capital investments	23.0	0.4%	-	57.0	80.0	0.3%	-	E	.1 Capital investments		23.0	0.4%	-	57.0	80.0	0.3%	-
D.2	Private fundraising and partnerships,								,	Private fundraising and partnerships,								
D.2	direct/investment costs	725.1	11.3%	273.0	-	998.3	4.2%	-		direct/investment costs		725.1	11.3%	273.0	-	998.3	4.2%	-
D.3	Other	240.0	3.7%	-	-	240.0	1.0%	-		.3 Other		240.0	3.7%	-	-	240.0	1.0%	-
Subtotal:	Special purpose	988.1	15.4%	273.0	57.0	1,318.4	5.5%	-	2	Subtotal: Special purpose		988.1	15.4%	273.0	57.0	1,318.4	5.5%	-
									┥┝		r							
Institutio	nal budget (A.2+B+C+D.1)	1,095.2	17.1%	165.3	1,195.0	2,455.5	10.2%	-	┥┞	nstitutional budget (A.2+B+C+D+E.1)		1,095.2	17.1%	165.3	1,195.0	2,455.5	10.2%	-
Integrate	d budget (A+B+C+D)	6 420 2	100.0%	46 355 6	1 105 0	22.074.0	100.001	7 4 4 6 6	┥┟	ntegrated budget (A+B+C+D+E)		6 420 2	100.000	46 355 6	4 405 6	22.074.0	100.0%	7446.6
integrate	ט שטעקבי (אדשדעדש)	6,420.3	100.0%	16,355.6	1,195.0	23,971.0	100.0%	7,116.0	╡┞	וווכבו מוכע שעטצפו (אדשדנדשדב)		6,420.3	100.0%	16,355.6	1,195.0	23,971.0	100.0%	7,116.0
3. Closing	balance of resources	363.8		197.8		561.6		759.0		B. Closing balance of resources		363.8		197.8		561.6		759.0
																		6

Mock-Up of Application of Recommendations 1-2 and Revised Recommendation 3: UNFPA

	Integrat	ed budget, 201	8-2021 - DI	P/FPA/201	Integrated budget, 2018-2021 (restated)							
	Regular	Other res	ources Total		Percentage		Other resources			Percentage		
1. Resources available	re sources	Programme		re sourc es	of total	re sourc es	Programme		resources	oftotal		
o :	48.5	458.8	recov ery	507.3		48.5	458.8	recovery	507.3			
Opening balance "	-0.5	400.0		507.5		-0.5	400.0	-	507.5			
Income												
Contribution-gross	1,400.0	2,100.0	-	3,500.0		1,400.0	2,100.0	-	3,500.0			
Other b'	19.9	-	-	19.9		19.9	-	-	19.9			
Total income	1,419.9	2,100.0	-	3,519.9		1,419.9	2,100.0	-	3,519.9			
Less tax reimbursement °	(23.8)	-	-	(23.8)		(23.8)	-	-	(23.8)			
Total available	1,444.6	2,558.8		4,003.4		1,444.6	2,558.8	-	4,003.4			
2. Use of resources												
A. Development activities						-	-	-				
A.1 Programme	716.5	2,325.1	(155.6)	2,886.0	76.6%	716.5	2,325.1	(155.6)	2,886.0	76.6%		
A.2 Global and regional interventions	152.5			152.5	4.0%	152.5	-	-	152.5	4.0%		
A.3 Emergency fund	22.5			22.5	0.6%	22.5	-	-	22.5	0.6%		
A.4 Development effectiveness	139.4			139.4	3.7%	140.3	-	-	140.3	3.7%		
Total development	1,030.8	2.325.1	(155.6)	3200.3	84.9%	1,031.7	2.325.1	(155.6)	3,201.2	84.9%		
B. United Nations development coordination	16.6			16.6	0.4%	16.6	-	-	16.6	0.4%		
C. Management activities												
C.1 Recurring costs	372.6	0.0	152.5	525.1	13.9%	338.9	-	141.7	480.6	12.8%		
C.2 Non-recurring costs	4.1		3.1	7.2	0.2%	-	0.0		0.0	0.0%		
Total management	376.7	-	155.6	532.3	14.1%	338.9	-	141.7	480.6	12.8%		
D. Independent oversight and assurance activities												
D1. Corporate evaluation						9.0	-	3.8	12.7	0.3%		
D2. Audit and investigation						24.3	-	10.2	34.5	0.9%		
Total independent oversight and assurance						33.3	-	13.9	47.2	1.3%		
E. Special purpose												
E.1 Premises capital plan and MOSS	-	-	-	-	0.0%	3.6	-	-	3.6	0.1%		
E.2 ICT transformation	20.0			20.0	0.5%	20.0	-	-	20.0	0.5%		
Total special purpose	20.0	-	-	20.0	0.5%	23.6	-	-	23.6	0.6%		
Total use of resources (A+B+C+D+E)	1,444.1	2,325.1	-	3,769.2	100.0%	1,444.1	2,325.1	-	3,769.2	100.0%		
3. Net amounts from/(to) reserves "	0.5	-	-	0.5		0.5	-	-	0.5			
4. Balance of resources (1-2+3)	1.1	233.7	-	234.7		1.1	233.7	-	234.7			
Total institutional budget (A.4+B+C+D+E)	552.6	-	155.6	708.2	18.8%	552.6	-	155.6	708.2	18.8%		

Mock-Up of Application of Recommendations 1-2 : UNDP

	2018-2021 estimates Regular resources Other resources Cost recovery Total resources					2018-2	021 Adjusted for						
	•	Other resources	Cost recovery	Total resources				Regular resources	Other resources	Cost recovery	Total resources		
- 4 4/4					% of Total	10-11-						9/ of Total]
ed expenditures I. Development activities					1 otai	Estin	nated expenditures I. Development activities					% of Total	Differen
	1,633.4	19,409.6		21,043.0				1,718.0	19,473,1		21,191.1		C1 10
I.A - Programme	356.1	96.7	322.2	775.0			I.A - Programme	327.6	96.7	279.4	703.7		\$148m,
I.B - Development effectiveness					00.00/		I.B - Development effectiveness			279.4		01.10/	\$(71)m
Total - I. Development activities	1,989.5	19,506.3	322.2	21,818.0	90.8%		Total - I. Development activities	2,045.6	19,569.8	2/9.4	21,894.8	91.1%	\$77m,
													-
II. United Nations development coordination activities							II. United Nations development coordination activities						
Total - II. United Nations development coordination activities	126.0	-	-	126.0	0.5%		Total - II. United Nations development coordination activities	126.0	-	-	126.0	0.5%	,
													-
III. Management activities							III. Management activities						
III.A - recurring (excluding Independent Evaluation Office, Office of	601.9	_	1,022.4	1,624.3			III.A - recurring (excluding Independent Evaluation Office, Office of	545.8		991.7	1,537.5		\$ (0-T)
Audit and Investigations and Ethics Office)	32.6		9.5	42.1			Audit and Investigations and Ethics Office)	343.8	-	991.7	42.1		\$(87)m
III.B - Independent Evaluation Office		-	9.5	69.5			III.B - Independent Evaluation Office	50.7	-	9.5	42.1 69.5		
III.C- Office of Audit and Investigations	50.7	-	18.8				III.C- Office of Audit and Investigations		-	18.8			
III.D - Ethics Office	3.6	-	-	3.6			III.D - Ethics Office	3.6	-	-	3.6		
Subtotal recurring	688.8	-	1,050.7	1,739.5			Subtotal recurring	632.7	-	1,020.0	1,652.7		
III.B - non-recurring	28.0	-	-	28.0			III.B - non-recurring	28.0	-	-	28.0		4
Total - III. Management activities	716.8	-	1,050.7	1,767.5	7.4%		Total - III. Management activities	660.7	-	1,020.0	1,680.7	7.0%	,
								-					٦
IV. Special purpose activities							IV. Special purpose activities						
IV.A - Capital investments	-	-	29.9	29.9			IV.A - Capital investments	-	-	39.9	39.9		\$10m, (
IV.B1 - Non-UNDP operations - United Nations Volunteers	42.4	-	41.2	83.6			IV.B1 - Non-UNDP operations - United Nations Volunteers	42.4	-	41.2	83.6		
IV.B2 - Non-UNDP operations - United Nations Capital Development Fund	12.2	-		12.2			IV.B2 - Non-UNDP operations - United Nations Capital Development	12.2	-	-	12.2		
IV.B3 - Non-UNDP operations - services for United Nations partner	. 2.2						Fund IV.B3 - Non-UNDP operations - services for United Nations partner						
organizations	-	-	190.4	190.4			organizations	-	-	190.4	190.4		
IV.B - Subtotal non-UNDP operations administered by UNDP	54.6	-	231.6	286.2			IV.B - Subtotal non-UNDP operations administered by UNDP	54.6	-	231.6	286.2		
Total - IV. Special purpose activities	54.6	-	261.5	316.1	1.3%		Total - IV. Special purpose activities	54.6	-	271.5	326.1	1.4%	,
Total institutional components	1,093.9		1,634.4	2,728.3			Total institutional components	1,009.3		1,570.9	2,580.2		
	1,093.9	19,506.3	1,034.4	21,299.3			*	1,009.5	19,569.8	1,570.5	· · ·		
Total programmatic components	1,/93.0	19,500.3	-	21,299.3			Total programmatic components	1,8/7.0	19,509.8	-	21,447.4		
	2,886.9	19,506.3	1 624 4	24.027.6	100.00/	The state		2,886.9	10 560 0	1 570 0	24.027.6	100.00/	1
timated expenditures (I + II + III + IV)	2,886.9	19,506.3	1,634.4	24,027.6	100.0%	Total	Estimated expenditures (I + II + III + IV)	2,886.9	19,569.8	1,570.9	24,027.6	100.0%	2

Programme; +\$148m (plus \$75m for operational support at CO level with a direct link to projects & programmes, plus \$73m for overall programmatic support at the CO-level); Development Effectiveness; a \$2m increase for HACT from Management less \$73m in operational support to projects at the CO-level which is moving to Programme, Management; \$87m decrease due to minus \$75m due operational support at the CO level projects + minus \$2m HACT Capital Investment; and a \$10m capital expenditure for MOSS

Mock-Up of Application of Revised Recommendations 3: UNDP

	2018-2	2021 Adjusted for	Recommen	dations 1 & 2	
	Regular resources	Other resources	Cost recovery	Total resources	
mated expenditures					% of Tota
I. Development activities					
I.A - Programme	1,718.0	19,473.1		21,191.1	
I.B - Development effectiveness	327.6	96.7	279.4	703.7	
-	2.045.6	19,569.8	279.4	21,894.8	91.1
Total - I. Development activities		,		21,034.0	<i>7</i> 1.1
	-	-	-		
II. United Nations development coordination activities	-	-	-	10(0	
Total - II. United Nations development coordination activities	126.0	-	-	126.0	0.5
III. Management activities	-		-		
III.A - recurring (excluding Independent Evaluation Office, Office of	-	-	-	1	-
Audit and Investigations and Ethics Office)	545.8	-	991.7	1,537.5	
III.B - Independent Evaluation Office	32.6	-	9.5	42.1	
III.C- Office of Audit and Investigations	50.7	-	18.8	69.5	1
III.D - Ethics Office	3.6	-	-	3.6	1
Subtotal recurring	632.7	-	1,020.0	1,652.7	1
III non-recurring	28.0	-	-	28.0	1
Total - III. Management activities	660.7	-	1,020.0	1,680.7	7.0
	-	-	-		
IV. Special purpose activities	-	-	-	_	
IV.A - Capital investments	-	-	39.9	39.9	
IV.B1 - Non-UNDP operations - United Nations Volunteers	42.4	-	41.2	83.6	1
IV.B3 - Non-UNDP operations - services for United Nations partner	-		190.4	190.4	1
organizations IV.B - Subtotal non-UNDP operations administered by UNDP	54.6		231.6	286.2	
Total - IV. Special purpose activities	54.6	-	271.5	326.1	1.4
Total institutional components	1,009.3	-	1,570.9	2,580.2	
Total programmatic components	1,877.6	19,569.8	-	21,447.4	J
					-
mated expenditures (I + II + III + IV)	2,886.9	19,506.3	1,634.4	24,027.6	100.0

	2018-2021	Adjusted for revised reco				
	Regular resources	Other resources	Cost recovery	Total resources		
stimated expenditures					% of Total	Difference, %
I. Development activities						
I.A - Programme	1,718.0	19,473.1	-	21,191.1		
I.B - Development effectiveness	327.6	96.7	279.4	703.7		
Total - I. Development activities	2,045.6	19,569.8	279.4	21,894.8	91.1%	
II. United Nations development coordination activities						
Total - II. United Nations development coordination activities	126.0	-	-	126.0	0.5%	
III. Management activities						
III.A - recurring (excluding Ethics Office)	545.8	-	991.7	1,537.5		
	545.8	-	991./	1,557.5		
	<u> </u>					
III.B - Ethics Office	3.6	-	-	3.6		
Subtotal recurring	549.4	-	991.7	1,541.1		
III non-recurring	28.0	-	-	28.0		
Total - III. Management activities	577.4	-	991.7	1,569.1	6.5%	\$(111), -0.5%
						+(),,
IV. Special purpose activities						
IV.A - Capital investments	-	-	39.9	39.9		
IV.B1 - Non-UNDP operations - United Nations Volunteers	42.4	-	41.2	83.6		
IV.B3 - Non-UNDP operations - services for United Nations partner						
organizations	-	-	190.4	190.4		
IV.B - Subtotal non-UNDP operations administered by UNDP	54.6	-	231.6	286.2		
Total - IV. Special purpose activities	54.6	-	271.5	326.1	1.4%	
V. Independent Ovesight and Assurance activities			a =			
V.A Independent Evaluation Office	32.6	-	9.5	42.1		
V.B Office of Audit and Investigations	50.7		18.8	69.5	0.504	Ф 444 - 0 501
Total - V. Independent Oversight and Assurance activities	83.3	-	28.3	111.6	0.5%	\$111, +0.5%
					1	
Total institutional components	1,009.3	-	1,570.9	2,580.2		
Total programmatic components	1,877.6	19,569.8	-	21,447.4		
stimated expenditures (I + II + III + IV + V)	2,886.9	19,506.3	1,634.4	24,027.6	100.0%	
					<u>u</u>	

Mock-Up of Application of Recommendations 1, partial 2 and Revised

Recommendation 3: UN Women

Financial Framework- Based on 2018-2019 Integrated Budget- doubled to represent a 4 year budget for comparability (Millions of United States dollars)

	• • • •				1 r					
			/ed						UP	
	Other Res	ources				-	Other Reso	ources		
Dogular		Cost				Dogular		Cost		
0	Programme		Total	%		0	Programme		Total	%
		<u> </u>			1. Resources available					
115.0	379.6	56.8	551.4		Opening balance	115.0	379.6	56.8	551.4	23.8%
					Income					
800.0	897.2	62.8	1,760.0		Contributions	800.0	897.2	62.8	1,760.0	75.9%
6.0			6.0		Other Income and reimburements	6.0			6.0	0.3%
921.0	1,276.8	119.6	2,317.4		Total available	921.0	1,276.8	119.6	2,317.4	100.0%
					2 Use of resources					
465.2	1 027 2		1 492 4		*	465.2	1 027 2		1 492 4	
	1,027.2	12.6	· · ·				1,027.2	12.6		
	1 027 2			84 0%			1 027 2			84.1%
552.1	1,027.2	12.0	1,372.3	04.070	Subtotal Development Activities	554.0	1,027.2	12.0	1,574.0	04.170
54.4			54.4	2.9%	B. United Nations development Coordination Activities	54.4			54.4	2.9%
167.4		50.2	217.6							
13.5			13.5							
11.9			11.9							
192.8	-	50.2	243.1	12.8%	C. Management Activities	162.9		50.2	213.1	11.2%
					D. Independent Oversight and Assurance Activities					
						11.0			11.0	
					Sub Total Independent Assurance	25.4	-		25.4	1.3%
					E. Special-purpose activities					
2.0	-	-	2.0			2.4	-	-	2.4	
	_						_	_		
4.0		_	4.0					_		
					D.3 IC1 Trasmormation	4.0			4.0	
6.0	-	-	6.0	0.3%	Subtotal Special Purpose Activities	8.4	-	-	8.4	0.4%
340.8	-	62.8	403.6		Total Institutional Budget (A.2+B+C+D+E)	340.8	-	62.8	403.6	
806.0	1,027.2	62.8	1,896.0	100.0%	Total Use of resources (A+B+C+D+E)	806.0	1,027.2	62.8	1,896.0	100.0%
115.0	249.6	56.8	421.4		Balance of resources (1-2)	1	249.6			
	800.0 6.0 921.0 465.2 87.5 552.7 54.4 167.4 13.5 11.9 192.8 2.0 4.0 6.0 6.0 340.8 806.0	Regular resources Programme 115.0 379.6 800.0 897.2 6.0 1,276.8 921.0 1,276.8 465.2 1,027.2 87.5 1,027.2 552.7 1,027.2 167.4 - 167.4 - 115.9 - 1200 - 1201 - 1202 - 1203 - 1204 - 1205 - 1206 - 1207.2 - 1207.2 - 1201 - 1201 - 1202 - 1203 - 1204 - 1205 - 1206 - 1207 - 1208 - 1209 - 1200 - 1200 - 1200 -	Regular resources Other Resources 115.0 379.6 Sost Recovery 115.0 379.6 56.8 800.0 897.2 62.8 6.0 119.6 119.6 921.0 1,276.8 119.6 465.2 1,027.2 12.6 552.7 1,027.2 12.6 552.7 1,027.2 12.6 167.4 50.2 13.5 11.9 - 50.2 13.5 - 50.2 1467.4 - 50.2 167.4 - 50.2 13.5 - 50.2 13.5 - 50.2 13.5 - - 140. - - 2.0 - - 4.0 - - 6.0 - - 6.0 - - 340.8 - 62.8	Regular resources Programme Programme Cost Recovery Total 115.0 379.6 56.8 551.4 800.0 897.2 62.8 1,760.0 6.0 11276.8 119.6 2,317.4 465.2 1,027.2 12.6 1,492.4 87.5 1,027.2 12.6 1,592.5 54.4 50.2 217.6 13.5 11.9 11.9 119.4 50.2 217.6 13.5 11.9 11.9 192.8 - 50.2 243.1 2.0 - - 2.0 4.0 - 50.2 243.1 11.9 11.9 11.9 11.9 192.8 - 50.2 243.1 10.0 - - 2.0 4.0 - - 6.0 340.8 - 62.8 403.6	Regular resources Other Resources Total % 115.0 379.6 56.8 551.4 800.0 897.2 62.8 1,760.0 6.0 119.6 2,317.4 465.2 1,027.2 12.6 100.1 552.7 1,027.2 12.6 1,592.5 115.9 50.2 217.6 12.9% 167.4 50.2 217.6 12.8% 115.9 50.2 217.6 13.5 11.9 11.9 11.9 12.8% 2.0 - 50.2 243.1 12.8% 2.0 - 50.2 243.1 12.8% 102.8 - 50.2 243.1 12.8% 103.5 11.9 11.9 11.9 12.8% 2.0 - - 2.0 4.0 4.0 - - 0.3% 340.8 - 62.8 403.6	Regular resources Other Resources Regular resources Programme Recovery Cost Recovery Total % 115.0 379.6 56.8 551.4 Opening balance Income Contributions 800.0 897.2 62.8 1,760.0 Other Income and reinburgements 921.0 1,276.8 119.6 2,317.4 Total and reinburgements 465.2 1,027.2 1,492.4 Total and reinburgements A. Development activities A. Programme 52.7 1,027.2 12.6 100.1 Subtotal Development fectiviness Subtotal Development Activities 54.4 50.2 217.6 B. United Nations development Coordination Activities 167.4 50.2 217.6 B. United Nations development Coordination Activities 115.9 11.9 12.8% C. Management Activities 1.02.0 . 2.0 D. Independent Oversight and Assurance 2.0 . . 2.0 D. Corporate Evaluation Sub Total Independent Assurance 2.0 . . 4.0 D.1 Capital Investigation Sub Total Independent Assurance	Other Resources Other Resources Total % 115.0 379.6 56.8 551.4 Programme Regular resources 115.0 379.6 56.8 551.4 Opening balance 115.0 800.0 897.2 62.8 1,760.0 Opening balance 115.0 921.0 1,276.8 119.6 2,317.4 Opening balance 6.0 465.2 1,027.2 1,492.4 . Opening balance 6.0 552.7 1,027.2 12.6 1592.5 84.0% N. Development activities 465.2 552.7 1,027.2 12.6 1592.5 84.0% B. United Nations development Activities 554.4 167.4 50.2 217.6 B. United Nations development Activities 16.9 115.9 13.5 13.5 13.5 13.5 13.5 119.9 - 50.2 243.1 12.8% Expectal-purpose activities 16.9 2.0 - - 2.0 D. Independent Oversight and Assurance Act	$ \begin{array}{ c c c c c c } \hline \hline$	$ \begin{array}{ c c c c c c } \hline \hline$	Regular resources Other Resources Other Resources Other Resources 115.0 379.6 56.8 551.4 Regular Cost Programme Recovery Total % 115.0 379.6 56.8 551.4 Goard and a control of the recovery Total % Total % Total % 1 Regular Regular Regular Regular Regular Regular Regular Regular Total % 115.0 379.6 56.8 551.4 Goard and control of the recover and control of the recove

*Recommendation 2 is linked to the outcome of UN Women change management initiative entailing a review of functions at HQ, RO and CO, hence this cannot be presented under the mock up for the time being.

Cost Recovery - Overarching Principles/Objectives Have Been Established

- Continue a harmonized approach across the agencies
- Maximize allocation of regular resources to programmatic activities
- Minimize cross subsidization between regular and other resources
- Continue to be cost-effective and competitive within the overall development cooperation system

Cost Recovery - Challenges Identified

- Due to different mandates and economies of scale, the calculation of a **single notional cost recovery rate** for the four agencies is mathematically impossible
- Where the harmonized standard rate is *lower* than the required cost recovery rate, the shortfall would be funded from regular (core) resources

Where the harmonized standard rate is *higher* than the required cost recovery rate, there would be a net 'subsidy' from other (non-core) resources

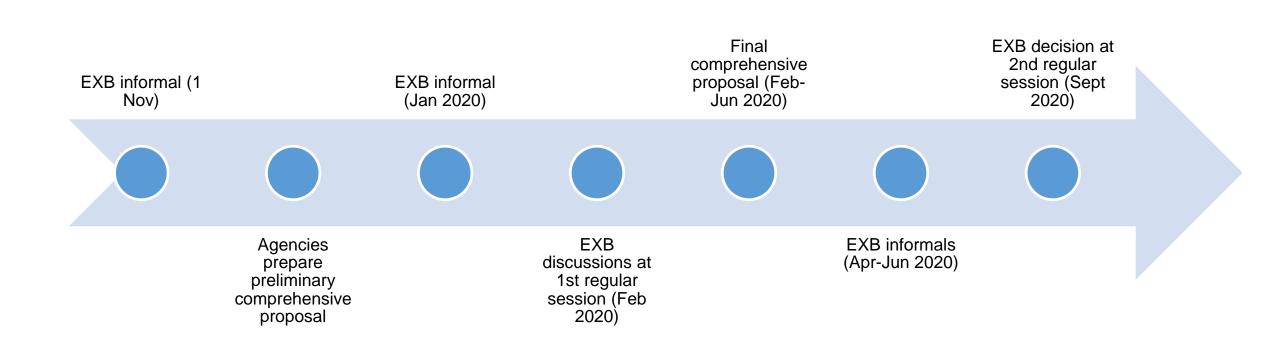
• Nevertheless, agencies agree that there are advantages in continuing to have a harmonized rate for comparable activities. Key benefits are presented in the next slide.

- A harmonized rate is essential in the context of the call for agencies to work even closer together to help achieve the 2030 Agenda
- It is also an integral dimension to UN reform, particularly at the country level
- It provides the right incentives for **Joint programming**
- It reduces the competition among the 4 agencies (not necessarily UN-wide)
- It simplifies negotiation and reduces the transaction costs

Recap & Discussion

- Significant progress has been made in harmonizing cost recovery policy
- This work has also led to significant cost classification harmonization between the agencies. Recommendation 1 & 2 have been approved by the Executive Board and will be reflected in the Integrated Resources Plan/Integrated Budget from 2022 onward
- A mock-up for revised Recommendation 3 has been presented today in this presentation
- The agencies will continue the harmonization work with other agencies through the SG's Funding Compact proposal, F&B Network and HLCM
- Building on the work conducted and the Executive Boards' reflections on the current cost recovery methodology, the agencies will revert with a preliminary comprehensive proposal on cost recovery at the first regular session 2020
- Executive Board feedback, guidance & discussion is welcome

Next steps



Questions

Cost Classification and Cost Recovery 1 November 2019