

Executive Board Presentation on Cost Recovery

24 January 2013

Background

- UN Women prepared its 2012-13 Institutional Budget in a format aligned with the other agencies
- Cost classifications are therefore harmonised (Development activities(Programme and Development Effectiveness); UN Development Coordination; Management Activities; and Special Purpose)
- Historically the base cost recovery rate has also been harmonised across the agencies – currently 7%
- Aim of cost recovery is to try and achieve a level of balance between activities funded by core resources and those funded by non core resources.
- Currently within UN Women cost recovery funds Management Activities and Development effectiveness
- November Session – EB Decision 2012/7 requested UN Women to submit principles harmonised with the other agencies, covering transitional arrangements etc.
- QCPR in December 2012 (A/RES/67/226) reiterated its focus on full cost recovery and complementarity between core and non-core resources.

Key Principles

- The key principles around which cost recovery proposals are based are:
 - Aim to ensure full cost recovery within the organisation
 - To ensure full proportionality and transparency in recovering costs
 - Costs are fully recovered through direct (attribution) and indirect methodologies
 - Full funding of critical cost-cutting functions and UN Development Coordination from regular/core resources

Cost categories

Development Activities

Activities that are essential to the delivery of development results should be directly charged to programmes and projects – funded from regular and other resources

UN Development Coordination

Activities and associated costs supporting the core mandate of UN Women on gender equality and women's empowerment of the UN system

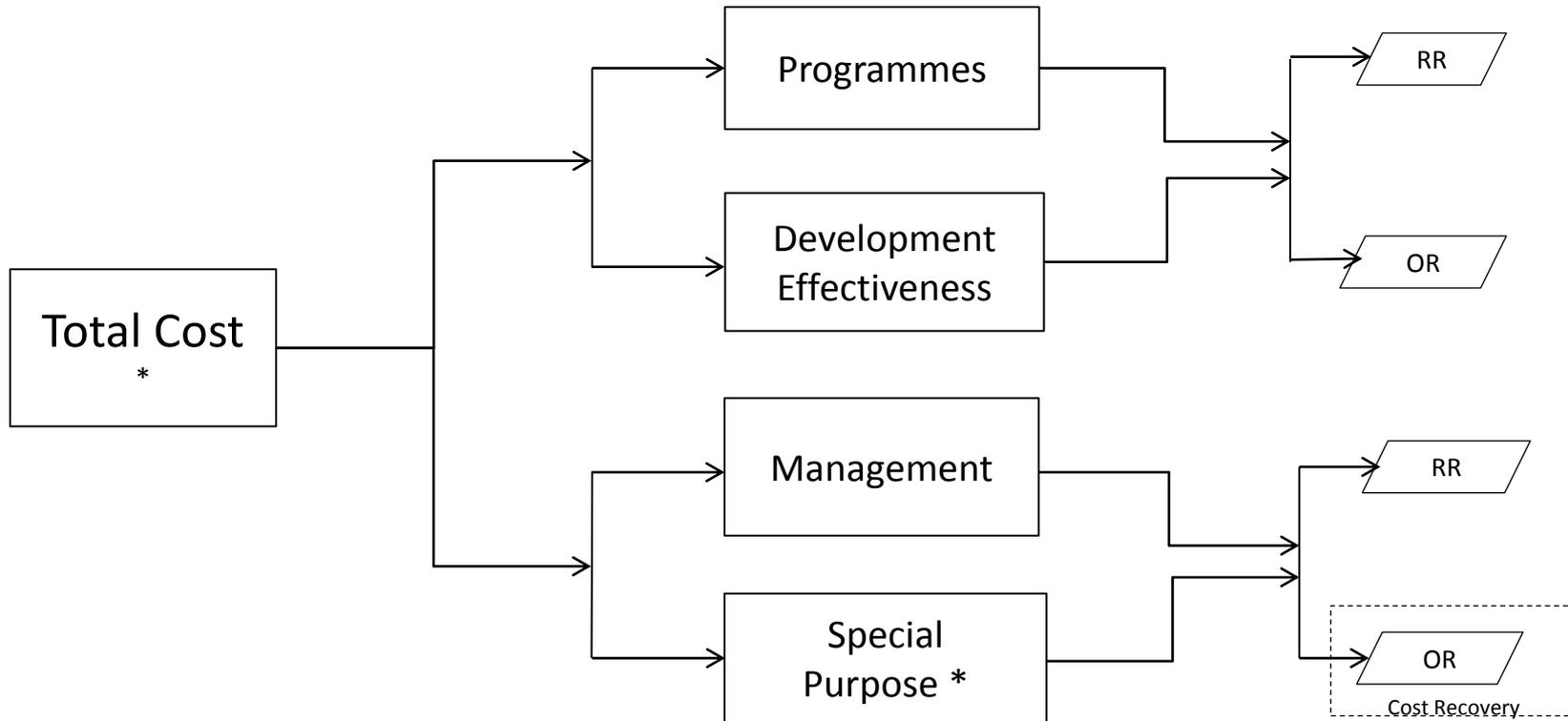
Management Activities

Activities supporting the identity and direction of an organisation (the overall management infrastructure)

Special Purpose Activities

Capital investments (and services to other UN orgs)

Harmonized conceptual framework



Implications:

- Development effectiveness will now be funded directly from regular (core) and other (non-core programme) resources
- Only Special Purpose (n/a currently for UNW) and Management Activities are funded from cost recovery

UN Women methodology and calculation

	UNW
<ul style="list-style-type: none"> (i) Calculate the sum of management and comparable Special Purpose costs and remove costs related to critical, cross-cutting functions 	2012-2013 institutional budget 140.8
<ul style="list-style-type: none"> (ii) Take the amount calculated in step (i) and split it proportionally according to the levels of total planned core (47%) and non-core expenditures (53%); 	<i>Less - Development effectiveness activities</i> (24.6) <i>Less - Non-comparable special purpose activities</i> <i>Less - UN development coordination activities</i> (20.9) <i>Less - Attribution of centrally managed costs to programmes/projects</i> <i>Less - Critical cross-cutting functions</i> (40.0)
<ul style="list-style-type: none"> (iii) Take the amount calculated in step (ii) to be recovered from non-core resources and calculate it as a percent of total planned non-core development expenditures 	Total - 2012-2013 institutional budget cost subject to cost recovery <i>Regular resources proportional share</i> 26.0 <i>Other resources proportional share (A)</i> 29.3
<ul style="list-style-type: none"> (iv) The amount in step (iii) equals the notional cost-recovery rate on non-core resources. 	2012-2013 planned use of other donor resources (B) 364.2 Cost recovery rate (C)= (A)/(B) 8.05%

Proposed cost recovery rate

The Agencies propose a revised and harmonized rate of **8%** for non-core contributions

- Moving in the direction of more equitable funding of organisational cost between core and non-core.
- Provision of regular resources to fulfill critical cross-cutting functions to support the mandate, integrity, and resource mobilization platform.
- Harmonized rates provide incentive for joint programming (JP) and coherence.
- Differentiated rates are proposed for a number of scenarios, including:
 - Volume
 - Government cost sharing
 - Thematic trust funds etc

Next steps

- Joint informal 25th January
- Harmonised draft decision through joint facilitation
- Preparation of next Integrated Budget in line with decision
- Finalisation of cost classification categories within this Integrated Budget – maintaining the minimum critical mass required for UN Women as a new entity