



UNITED NATIONS POPULATION FUND

Integrated budget, 2018-2021 revision

Annex 2

Cost recovery

Detailed information based on the current cost recovery methodology

Summary

The present document provides detailed descriptions of UNFPA costs under each cost classification category approved by the Executive Board.

It also provides information on the integrated budget revision, 2018-2021, based on the current cost recovery methodology, as approved by the Executive Board in decision 2013/9.

I. Cost classification

A. Definitions

1. Costs arising from various activities are classified according to the framework, approved by the Executive Board (decision 2013/9). The classification of activities and corresponding cost categories are:

- (a) *Development activities*. These comprise costs associated with ‘programmes’ and ‘development effectiveness’ activities that contribute to the effective delivery of development results:
 - (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*. Cost associated with activities of a policy, advisory, technical and implementation nature that are needed for achievement of 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 and associated costs supporting the coordination of development activities of the United Nations system.
- (c) *Management*. 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, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources. Management costs are classified as recurrent or non-recurrent.
- (d) *Special purpose*. Activities and associated costs of a cross-cutting nature that involve material capital investments; or do not represent a cost related to the management activities of the organization.

B. Overview of UNFPA institutional budget costs under each cost classification category

Development effectiveness	
Headquarters	<p><i>Programme Division</i> – (except Humanitarian and Fragile Context Branch personnel whose work contributes directly to strategic plan development outcomes)</p> <p><i>Technical Division</i> – (leadership and operations support of the Directorate and each branch)</p> <p><i>Procurement Services Branch</i> – (leadership and operations support)</p> <p><i>Division for Management Services-Quality Management Unit</i> – (primarily dealing with the harmonized approach to cash transfers and national execution)</p>
Regional offices	<p><i>Deputy regional directors</i> performing an overall programme development, oversight and guidance role</p> <p><i>Programme posts</i> dealing with overall programme support to country offices, including monitoring and evaluation</p>
Country offices	<p><i>Deputy representatives</i> (or national equivalents, assistant representatives) performing an overall programme development, oversight and guidance role</p>
United Nations development coordination	
Corporate	UNFPA share of the resident coordinator system costs
Management	
Headquarters	<p>Office of the Executive Director</p> <p>Office of Internal Audit and Investigations</p> <p>Evaluation Office</p> <p>Ethics Office</p> <p>Legal Office</p> <p>Office of the Security Coordinator</p> <p>Division for Communications and Strategic Partnerships, including liaison offices</p> <p>Division for Governance and Multilateral Affairs, including liaison offices</p> <p>Division of Human Resources</p> <p>Division for Management Services,</p> <p>Information Technology Solutions Office</p>
Regional offices	<p>Regional directors</p> <p>Resource mobilization, communications, security and human resources functions</p> <p>Office operations support functions</p>
Country offices	<p>Representatives</p> <p>Office operations support functions</p>
Special purpose	
Corporate	<p>Premises capital plan (comparable)</p> <p>ICT transformation (non-comparable)</p>

II. Calculation of cost recovery rate based on the approved methodology

(in millions of dollars)

	Use of resources	Total 2018-2021 (Revised)
A1	Regular resources	1,444.1
A2	Other resources, gross (subject to cost recovery)	2,325.1
	Total	3,769.2
	1. Calculate the proportionate percentage share of RR and OR in the planned use of resources	
B1	Proportionate share regular resources	38%
B2	Proportionate share other resources	62%
	2. Calculate the sum of management and comparable special purpose costs (and remove costs related to critical, cross-cutting management functions)	
C	Institutional budget	701.1
	Less:	
C1	Development effectiveness activities	(133.6)
	Headquarters	(47.5)
	Regional offices	(24.5)
	Country offices	(61.6)
C2	United Nations development coordination activities	(9.4)
C3	Critical cross-cutting management functions	(177.8)
	Headquarters	(60.3)
	Regional offices	(9.9)
	Country offices	(107.6)
C4	Non-comparable special purpose activities (ICT transformation)	(20.0)
	3. Take the amount calculated in step 2 and split it proportionally according to the levels of total planned core and non-core use of resources	
	D=C-(C1:C4) Institutional budget subject to cost recovery based on approved methodology	360.3
	E1=B1*D Regular resources proportional share of institutional budget	138.2
	E2=B2*D Other resources proportional share of institutional budget	222.1
	F=E2/(A2-E2) Notional rate	10.6%

Critical cross-cutting management functions

This concept reflects the idea that there needs to be an assured level of core resources to ensure the provision of resources to support the mandate, integrity and resource mobilization platform. Certain functions that are integral to the mandate of the organization must be carried out, irrespective of the volume of programme implementation; therefore, their funding must be assured from the regular resources.

As an illustration of the scope of these functions, the estimates of critical cross-cutting functions represent key leadership functions and include the cost of all heads of office at headquarters and in the field. The notion is limited to key leadership functions, and is not extended to wider areas of the organization's work, which are essentially volume driven. These key leadership positions are estimated by using the standard posts costs plus 30 per cent added for general operational expenses, as a proxy of the associated direct costs.

Critical cross-cutting management functions	
Headquarters	Executive Director and Deputy Executive Directors Directors of Divisions Chiefs of Offices and Chiefs of Branches
Regional offices	Regional Directors
Country offices	Representatives