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UNITED NATIONS POPULATION FUND

UNFPA integrated budget, 2022-2025

(DP/FPA/2021/9)

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 UNFPA integrated budget, 2022-2025 (DP/FPA/2021/9), based on the cost recovery methodology approved by the Executive Board in decision 2020/12.

I. Cost classification

A. Definitions

1. Costs arising from various activities are classified according to the framework, approved by the Executive Board (decision 2020/12). The classification of activities and corresponding cost categories are:

(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 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.

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

Development effectiveness	
Headquarters	<i>Policy and Strategy Division</i> – (except personnel whose work contributes directly to strategic plan development outcomes); <i>Humanitarian Office</i> – (leadership and operations support); <i>Technical Division</i> – (leadership and operations support of the Directorate and each branch); <i>Division for Management Services-Quality Management Unit</i> – (primarily dealing with the harmonized approach to cash transfers and national execution).
Regional offices	<i>Deputy regional directors</i> performing an overall programme development, oversight and guidance role; Functions dealing with <i>overall monitoring and evaluation</i> as well as administrative support to the deputy regional directors.
Country offices	<i>Deputy representatives</i> (or national equivalents, heads of office as well as assistant representatives) performing an overall programme development, oversight and guidance role.
United Nations development coordination	
Corporate	UNFPA share of the resident coordinator system costs
Management	
Headquarters	Office of the Executive Director; Ethics Office; Legal Office; Office of the Security Coordinator; Division for Communications and Strategic Partnerships, including representative offices; Division of Human Resources, including positions embedded with regional offices; Division for Management Services; Information Technology Solutions Office.
Regional offices	Regional directors; Resource mobilization, communications; Office operations support functions.
Country offices	Representatives; Office operations support functions.
Independent oversight and assurance activities	
Headquarters	Office of Internal Audit and Investigations; Evaluation Office.
Special purpose	
Corporate	Security risk management measures for country offices (comparable); Individual giving programme (comparable); ICT transformation (non-comparable).

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

Calculation of cost recovery rate based on approved methodology (in millions of dollars)

	Use of resources	Total 2022-2025
A1	Regular resources	1,664.4
A2	Other resources, gross (subject to cost recovery)	3,506.8
	Total	5,171.2
	1. Calculate the proportionate percentage share of RR and OR in the planned use of resources	
B1	Proportionate share regular resources	32%
B2	Proportionate share other resources	68%
	2. Calculate the sum of management and comparable special purpose costs (and remove costs related to critical cross-cutting functions)	
C	Institutional budget	839.9
	Less:	
C1	Development effectiveness activities	(157.9)
	Headquarters	(59.2)
	Regional offices	(16.4)
	Country offices	(79.9)
C2	United Nations development coordination activities	(17.1)
C3	Critical cross-cutting management functions	(204.9)
	Headquarters	(57.9)
	Regional offices	(10.1)
	Country offices	(136.9)
C4	Critical cross-cutting oversight and assurance functions	(9.1)
	Headquarters	(9.1)
C5	Non-comparable special purpose activities (ICT transformation)	(2.0)
	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:C5)	Institutional budget subject to cost recovery based on approved methodology	448.9
E1=B1*D	Regular resources proportional share of institutional budget	145.4
E2=B2*D	Other resources proportional share of institutional budget	303.5
F=E2/(A2-E2)	Notional rate	9.5%

Critical cross-cutting management and independent oversight and assurance functions

2. 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 organization, and must be carried out, irrespective of the volume of programme implementation; therefore, their funding must be assured from regular resources.

3. 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 and independent oversight and assurance 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