Mr. President,
Dear Colleagues,

I am making this statement on behalf of Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Estonia, France, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, The Netherlands, Norway, Republic of Moldova, Mongolia, Republic of Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America and my own country, Germany.

We would like to thank the management of UNDP, UNFPA, UNICEF and UN-Women very much for the revised joint Cost Recovery Policy. We would also like to thank all involved parties for their tireless efforts in this process.

The journey to get here was long and sometimes painful. However, we believe it was worth the effort. The policy presented for approval today is promising, and much improved in many regards. It is set to minimize cross-subsidization of non-core by core, improve harmonization, transparency, efficiency, collaboration and ultimately also impact within the four participating agencies.

As we have stated at the beginning of this year, the four agencies deserve our full and continued support for “leading the way” on harmonizing cost-recovery within the UN development system.
We would like to specifically recognize the strong progress on harmonizing cost classifications and the more rigid and transparent handling of waivers. Furthermore, the policy is a big step forward on transparency, providing a full picture of the complex cost-recovery framework and superseding the previous policy and related board decisions. With regards to the system of differentiated rates, we appreciate the specificity but would like to continue the discussion and improve our understanding on the underlying reasons.

Looking to the future: We would like to suggest focusing on two things: Expanding a harmonized policy within the broader United Nations Development System, and establishing a solid review mechanism.

- **On the expansion**: Against the backdrop of further harmonization, the time is now ripe to look beyond the four agencies. This is what we as Member States decided to do in Resolution 72/279. The joint policy of the four agencies may serve as a useful model in this regard. And doing so would also contribute to reaching important UN commitments in the Funding Compact. Being the “frontrunners” that they are, we expect the four agencies to argue in favor of the expansion in internal UN fora.

- **On the review mechanism**: The revised policy is an important milestone, but there is no time for complacency. The UN Development System is operating in a fluctuating context. The COVID-19 pandemic and an evolving funding landscape affecting funding portfolios are but two key factors. We therefore suggest monitoring and in regular intervals reviewing the policy to ensure its continued relevance and usefulness for the agencies. We specifically ask the agencies to provide harmonized, transparent annual reporting to the Boards, including on cost recovery rates, incomes and their use, as well as in integrated resource plans and budgets. We should use the next few years to improve the evidence-base regarding application, effects and impact of the
policy, and in particular the differentiated rates, which should demonstrably serve the purpose of incentivizing high quality flexible funding while minimizing cross-subsidization.

In implementing and operationalizing the cost-recovery policy, we continue to be guided by:

- First, the notion of **full-cost recovery**, as called for in the QCPR and “repositioning” resolutions. Full-cost recovery should be continuously pursued by the agencies, noting that it will, by default, not be achievable in every instance.

- Second, the necessity of compliance of UN agencies, Member States and other contributors with the revised policy. Results to these effects should be carefully monitored over the coming years. We welcome reporting on waivers and the resulting financial loss to the Boards in this regard. We remind agencies of the respective Funding Compact commitment which monitors the implementation of cost recovery policies and rates.

- Third, a harmonized approach to the differentiated rates across agencies, which incentivizes collaboration while avoiding harmful competition, in line with the Secretary-General’s reform agenda.

We would like to thank you again for all the efforts. We will continue to closely observe the implementation of the new policy and welcome further dialogue in this regard, including at Structured Funding Dialogues and the annual reports of agencies. We look forward to adopting the proposed policy.

Thank you.