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Items 3 (UNDP) and 5 (UNFPA) of the provisional agenda

Executive Board of UNICEF
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Executive Board of UN-Women
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Item 3 of the provisional agenda

Annual joint report of UNDP, UNFPA, UNICEF and UN-Women on the implementation of the joint cost- recovery policy, including differentiated cost-recovery rates and approved waivers

Summary

In decisions 2024/24 (DP/2025/2), 2024/25 (E/ICEF/2024/33), and 2024/10 (UNW/2024/9), the respective Executive Boards of the United Nations Development Programme (UNDP)/the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) approved the joint comprehensive cost-recovery policy (DP/FPA-ICEF-UNW/2024/1). This policy encompassed cost-classification categories, effective 1 January 2026, along with the cost-recovery methodology and applicable rates.

The respective Executive Boards requested UNDP, UNFPA, UNICEF and UN-Women to present a joint harmonized report for discussion under the agenda item concerning the structured dialogue on financing the results of their respective strategic plans, to be convened during the second regular session each year.

The present joint harmonized report is submitted in response to the requests made by the respective Executive Boards. It provides consolidated information on the progress of the implementation of the cost-recovery policy, including the financial impact stemming from the harmonized differentiated cost-recovery rates and any waivers granted. Additionally, in response to decisions of the Executive Boards of UNDP and UNFPA (2025/29 and 2025/25), UNICEF (2025/20) and UN-Women (2025/11), this paper includes information on challenges that hinder full implementation of the joint cost-recovery policy.

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I. Introduction

1. In decisions 2024/24 (DP/2025/2), 2024/25 (E/ICEF/2024/33), and 2024/10 (UNW/2024/9), the respective Executive Boards of the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) approved the joint comprehensive cost-recovery[1] policy (DP/FPA-ICEF-UNW/2024/1). This policy encompasses cost-classification categories, effective 1 January 2026, along with the methodology and applicable rates. As summarized in table 1 below, the policy reaffirmed a standard, harmonized indirect cost-recovery rate of 8 per cent for contributions to other resources; differentiated indirect cost-recovery rates for thematic contributions, programme Government cost-sharing contributions, South-South contributions, National Committee and programme country (private sector) contributions (applicable to UNDP and UNICEF), legacy agreements; and the authority of the respective Executive Directors to waive cost-recovery rates on a case-by-case basis.

Table 1
Overview of the differentiated cost-recovery rates, by agency

Contribution type	*UNDP*	*UNFPA*	*UN-Women*	*UNICEF*
Non-thematic contributions	8%	8%	8%	8%
Thematic contributions	7%	7%	7%	7%
Various umbrella agreements (formal existing inter-institutional agreements)	Based on the respective umbrella agreement			
National Committee and programme country (private sector) contributions	5%	No preferential rate		5%
Programme Government cost-sharing contributions	Minimum of 3%	5%	5%	5%
South-South contributions	3%–5%	5%	5%	5%

2. Furthermore, the respective Executive Boards requested UNDP, UNFPA, UNICEF and UN-Women to present a joint harmonized report for discussion under the agenda item concerning the structured dialogue on financing the results of their respective strategic plans, to be convened during the second regular session each year.

3. The Executive Boards also requested that UNDP, UNFPA, UNICEF and UN-Women present a joint report on the progress of the policy's implementation, including the financial impact of the harmonized differentiated rates applied and waivers granted, the resulting effective cost-recovery rates and actual amounts realized, and details pertaining to each waiver or discount, specifying the donor, programme name, contribution amount, cost-recovery rate and the amount of the waiver or discount.

4. The present joint harmonized report is submitted in response to the aforementioned requests from the respective Executive Boards. It provides consolidated information on the progress of the implementation of the cost-recovery policy, including the financial impact stemming from the harmonized differentiated cost-recovery rates and any waivers granted. It also includes information on challenges that hinder full implementation of the joint cost-recovery policy.

II. Financial impact of the differential cost-recovery rates in 2025

[1] Cost recovery includes both direct and indirect costs. Costs are categorized as direct (directly linked and traceable to a programme or project and to benefits derived by programme or project beneficiaries), or as indirect (not directly linked or traceable to a programme or project).

5. Table 2 below indicates the financial impact of the differentiated rates as well as the waivers compared to the 8 per cent rate, broken down by financial impact, in the following categories, where applicable:

(a) thematic funding;

(b) framework/umbrella agreements;

(c) programme Government preferential rates.

Table 2
Financial impact of the differential cost-recovery rates, 2025
(in United States dollars)

Agency and category	*Financial impact in 2025* *United States dollars*
UNDP	
Thematic contributions	1 848 078
Framework/umbrella agreements	5 469 398
Preferential rates (programme Government and South-South contributions)	53 714 049
Waivers	5 588 224
Total impact	66 619 749
UNFPA	
Thematic trust funds	2 443 633
Framework/umbrella agreements	1 958 636
Preferential rates (programme Government and South-South contributions)	1 408 540
Multilateral agreements with inherited reduced indirect cost rate[2]	107 053
Waivers	141 677
Total impact	6 059 539
UNICEF[3]	
Thematic funding	8 944 641
Framework/umbrella agreements	16 705 703
Preferential rates (programme Government and private sector, South-South contributions)	12 842 976
Waivers	23 350 895
Total impact	61 844 215
UN-Women	
Framework/umbrella agreements	1 376 335
Preferential rates (programme Government)	179 278
Waivers	2 411
Total impact	1 558 024

III. Effective cost-recovery rates

6. Comparative information about the effective cost-recovery rates based on actual financial performance for each agency over the last four years, 2022 to 2025, is summarized in table 3

[2] Details are provided in the UNFPA-specific appendix.
[3] UNICEF numbers represent the cost-recovery amounts actually accrued on expenditures incurred during 2025 under agreements with approved cost-recovery rates below the standard 8 per cent, including agreements approved in prior periods.

below. The effective rate represents the actual cost-recovery rate realized after considering the effect of differentiated rates and waivers granted each year.

Table 3
Effective indirect cost-recovery rate for each agency, 2022–2025

	Effective indirect cost-recovery rate (per cent)				
Agency	*2022*	*2023*	*2024*	*2025*	*Average 2022–2025*
UNDP	6.33	6.23	6.43	6.48	6.37
UNFPA	7.32	7.37	7.14	7.36	7.29
UNICEF	6.80	6.80	6.69	6.53	6.71
UN-Women	7.18	7.06	7.03	7.00	7.07

IV. Cost-recovery waivers

A. Summary of cost-recovery waivers

7. In 2025, UNDP, UNFPA, UNICEF and UN-Women continued to limit the granting of cost-recovery waivers to only exceptional cases. Table 4 provides a summary of waivers approved in 2025 and of the associated financial impact in 2025, including any impact from waivers approved in prior years. Further details on waivers granted in 2025 are provided in table 5; for UNDP, UNFPA and UN-Women, where waivers granted in prior years continued to have a financial impact in 2025, further details are provided in table 6.

Table 4
Summary of cost-recovery waivers granted in 2025
(in United States Dollars)

	UNDP	*UNFPA*	*UNICEF*[4]	*UN-Women*
Number of cost-recovery waivers granted in 2025	5	2	4	1
Financial impact on annual cost-recovery income from:				
Waivers granted in the current year	10 080	26 266	4 368 132	1 026
Waivers granted in previous years	5 578 144	115 411	0	1 385
Total financial impact	**5 588 224**	**141 677**	**4 368 132**	**2 411**

B. Cost-recovery waivers granted in 2025

8. Cost-recovery waivers were granted in 2025 in exceptional cases when deemed essential and funding would otherwise have been at risk, negatively impacting the ability to support programme countries to achieve development results; for urgent and life-saving work; and to promote new funding opportunities, or innovations, or both. Details of the waivers granted in 2025 are provided in table 5 below:

Table 5

[4] UNICEF's figures represent the cost recovery amounts waived on revenue recognized during the reporting year under approved cost recovery waivers.

Details of cost-recovery waivers granted in 2025
(in United States dollars)

Donor name	Programme name and duration	Cost-recovery rate (Percentage)	Total contribution (Amount)	Total financial impact (Amount)	Financial impact in 2025 (Amount)	Justification
UNDP						
World Bank	Name: Yemen Financial Market Infrastructure project **Duration:** 2025-2030	5.0	20 000 000	529 101	10 080	Waiver was granted to support urgent reform of Yemen's financial market infrastructure in a protracted crisis context. The reduced rate was necessary to secure the contribution under the grant arrangement, while enabling UNDP direct implementation and preserving support to a whole-of-Yemen recovery approach.
Qatar Fund for Development (QFFD)	Name: Public Sector Payroll Support	4.6	97 273 554	2 927 644	0	Waiver was granted to enable urgent public-sector payroll support in Syria during a fragile transition to help sustain essential basic services through UNDP's payment, verification, due diligence, monitoring and oversight arrangements.
Education Above All Foundation (EAA)	Name: Empowering Syrian Youth through Restoring Access to Quality Education, Skills, and Entrepreneurship	7.0	11 518 262	99 673	0	Waiver was granted to secure the contribution for this project in Syria. The 7 per cent rate was the partner's ceiling and allowed the agreement to proceed, supporting school rehabilitation, access to education and technical/vocational training, job creation and sustainable livelihoods, with scope to leverage additional co-financing.
European Union (EU)	Name: Facility for Refugees in Turkey (FRIT) programme **Duration:** 2026-2030	4.0	46 900 000	1 264 378	0	Waiver was granted to enable UNDP participation in the EU FRIT funding window, which applies a 4% ceiling for this development-focused refugee and host-community programme. The project sustains UNDP support for municipal services, livelihoods, skills and social cohesion.

Donor name	Programme name and duration	Cost-recovery rate (Percentage)	Total contribution (Amount)	Total financial impact (Amount)	Financial impact in 2025 (Amount)	Justification
World Bank (IBRD)	Name: Pandemic Prevention, Preparedness and Response Trust Fund	7.0	To be determined	To be determined	0	Waiver was granted to enable UNDP to finalize the Financial Procedures Agreement (PFA) and access Pandemic Fund resources, ensuring compliance with fund requirements while supporting pandemic preparedness priorities.
Total impact				**4 820 796**	**10 080**	
UNFPA						
Centre de Recherches Médicales de Lambaréné (CERMEL)	Name: Prevention, preparation et riposte aux pandemies par le biais du mecanisme de reponse COVID-19 (C19RM) **Duration: 2025–2025**	5	577 303	15 273	9 556	Alignment of indirect cost rate with other GFATM contributions.
Saudi Arabia	Name: Emergency Response to Support the Life-Saving Protection Needs of the most vulnerable in Ukraine **Duration: 2025–2026**	7	5 003 982	43 302	16 710	In alignment with the indirect cost rate applied by other United Nations agencies for agreements with the King Salman Humanitarian Aid and Relief Centre, the donor requested a reduction of the indirect cost rate from 8 to 7 per cent.
Total impact				**58 575**	**26 266**	
UNICEF						
World Bank (International Development Association, IDA)	**Name:** Afghanistan - Second Additional Financing for Health Emergency Response Project	4	15 000 000	137 363	137,363	UNICEF has consistently applied a cost-recovery rate of 4% to the health project since 2022. The waiver allows UNICEF to access IDA funding to preserve critical health and nutrition services in Afghanistan, which provides support for the urgent provision of essential primary and secondary health services and strengthening service delivery and coordination.
World Bank (IDA)	**Name:** Afghanistan - Second Additional Financing for Health Emergency Response Project	4	126 000 000	1 153 846	1 153 846	UNICEF has consistently applied a cost-recovery rate of 4% to the health project since 2022. The waiver allows UNICEF to access IDA funding to preserve critical health and

Donor name	Programme name and duration	Cost-recovery rate (Percentage)	Total contribution (Amount)	Total financial impact (Amount)	Financial impact in 2025 (Amount)	Justification
						nutrition services in Afghanistan, which provides support for the urgent provision of essential primary and secondary health services and strengthening service delivery and coordination. .
World Bank (IDA)	**Name:** Afghanistan - Second Additional Financing for Health Emergency Response Project	4	66 000 000	604 396	604 396	UNICEF has consistently applied a cost-recovery rate of 4% to the health project since 2022. The waiver allows UNICEF to access IDA funding to preserve critical health and nutrition services in Afghanistan, which provides support for the urgent provision of essential primary and secondary health services and strengthening service delivery and coordination.
Asian Development Bank	**Name:** Afghanistan - Strengthening Access to Essential Food Security and Health Service Project	4	270 000 000	2 472 527	2 472 527	The waiver allows UNICEF to continue to access funding to preserve critical health programming in Afghanistan that reaches millions of vulnerable individuals. The financing will continue to provide healthcare service delivery for 5.7 million people annually, covering 17 of the country's 34 provinces, while the World Bank supports the remaining 17.
Total impact				**4 368 132**	**4 368 132**	
UN-Women						
World Food Programme (WFP)	**Name:** Projet d’appui à l’introduction de cantines scolaires d’excellence	7	254 729	2 204	1 026	The 7 percent indirect cost was the maximum rate allowed based on a signed agreement between WFP and the Principality of Monaco.
Total impact				**2 204**	**1026**	

C. Cost-recovery waivers granted in prior years for projects ongoing in 2025

9. Table 6 that follows provides details on programmes implemented in 2025 for which cost-recovery waivers were approved in previous years, including their financial impact. The justifications for these waivers were reported to the Executive Boards in the respective organizations' reports.

Table 6
Details of cost-recovery waivers granted in prior years for projects ongoing in 2025
(in United States dollars)

Donor name	*Programme name and duration*	*Cost-recovery rate* (*Percentage*)	*Total contribution* (*Amount*)	*Financial impact in 2025* (*Amount*)
UNDP				
Global Fund (GF)	**Name:** Global Fund contribution to HIV programme (Zimbabwe) **Duration:** 2021–2023	4	169 545 845	3 088 579
Global Fund (GF)	**Name:** Global Fund contribution to HIV programme in Congo (DRC) **Duration:** 2024–2026	6.5	163 709 018	253 349
Global Fund (GF)	**Name:** Global Fund contribution to HIV, Tuberculosis (TB) and Malaria grant in Angola **Duration:** 2024–2027	6.5	125 964 744	177 987
World Bank	**Name:** Emergency Social Protection Enhancement and COVID-19 Response Project (Yemen) **Duration:** 2023–2026	3	63 500 000	2 058 229
Total impact				**5 578 144**
UNFPA				
Private Individuals	**Name**: Individual Giving Programme Zakat Pilot Campaign in 2024 - Gaza **Duration**: 2024–2025	0	93 961	7 393
Private Individuals	**Name**: Individual Giving Programme Zakat Pilot Campaign in 2024 - Republic of Yemen **Duration**: 2024–2025	0	5 900	0
Saudi Arabia	**Name**: Improving maternal and newborn health among Affected Population in the Gaza Strip, Palestine **Duration**: 2025–2025	7	1 485 000	14 292
Novo Nordisk Foundation	**Name**: Elimination of Female Genital Mutilation in East Africa **Duration**: 2025–2025	7	643 564	6 047
World Vision International and World Vision, Inc.	**Name**: Emergency Fund Response **Duration**: 2024–2025	7	1 720 212	16 036
Anonymous	**Name**: P5 FTA Post in Humanitarian Office (located in Kenya) and P4 TA Post in Washington DC **Duration**: 2020–2025	7	2 696 400	4 728
Saudi Arabia	**Name**: Improving access to quality maternal health services for the displaced and Vulnerable women and	7	1 455 000	4 001

Donor name	Programme name and duration	Cost-recovery rate (Percentage)	Total contribution (Amount)	Financial impact in 2025 (Amount)
	girls in Somalia **Duration**: 2023–2026			
Switzerland	**Name**: Relocation costs of UNFPA Humanitarian staff to Geneva **Duration**: 2023–2027	0	700 000	14 030
Children's Inv Fund Foundation	**Name:** Adolescent Sexual and Reproductive Health (ASRH) development impact bond (ASRH DIB**)** **Duration:** 2023–2026	1	5 125 000	39 301
African Development Bank (AFDB)	**Name:** Strengthening climate resilience through enhanced capacity of individuals, communities and institutions for the development and implementation of gender transformative climate adaptation actions using innovative, participatory and rights-based approaches… **Duration:** 2023–2026	5	998 192	9 583
Total impact				**115 411**
UNICEF[5]				
N/A				
Total impact				
UN-Women				
Food and Agriculture Organization of the United Nations	**Name:** Promoting rural women's empowerment in Kosovo5 **Duration:** 2024–2026	7	446 948	1 385
Total impact				1 385

Note: Due to rounding, the totals may differ slightly from the sum of the column.

V. Challenges in implementation of the joint cost-recovery policy

10. In response to the requests of the respective Executive Boards, the present section provides information on challenges that hinder full implementation of the joint harmonized cost-recovery policy. While UNDP, UNFPA, UNICEF and UN-Women have made significant progress in harmonizing cost-recovery approaches, implementation continues to be affected by differing funding partner policies, requirements and perceptions. A recurrent challenge is limited understanding among some partners of the distinction between direct and indirect costs, and of the purpose of the Executive Board-approved indirect cost-recovery rates. This can give rise to concerns that the recovery of both direct and indirect costs may result in duplication, or to the perception that indirect costs reduce resources available for programme activities, despite these costs being essential to accountable, effective and sustainable programme delivery.

11. These challenges are reflected in agreement negotiations, where some partners apply internal indirect cost recovery caps, standardized fee structures or other institutional requirements that may not align with the approved harmonized rates. Partners may also request preferential rates or waivers based on expectations shaped by other partnership or financing arrangements, or raise

[5] UNICEF did not recognize any revenue in 2025 related to cost-recovery waivers granted in prior years.

questions on the cost implications of large-scale, pooled or international financing arrangements. In addition, some partners request highly granular explanations of the costs covered by indirect cost-recovery rates, or are reluctant to include eligible direct costs in project budgets. Where direct costs are not budgeted appropriately, or where indirect costs are not recovered in line with applicable policy provisions, there is a risk of under-recovery and potential cross-subsidization from regular resources.

12. The organizations will continue to address these challenges through structured engagement with funding partners, clearer communication on the distinction between direct and indirect costs, strengthened budgeting of eligible direct project costs, and transparent reporting on differentiated rates and waivers. Continued dialogue with Executive Boards and funding partners remains important to support consistent implementation of the joint policy, equitable burden-sharing across funding sources, and the financial sustainability of programme delivery.