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FINANCE COMMITTEE

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Annual Report on Support Costs Expenditure and Recoveries

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EXECUTIVE SUMMARY

- This paper reports on the implementation of the current FAO policy on support costs for the period June 2014 through May 2015, during which time FAO opened 515 Trust Fund projects. The paper provides a categorised distribution of the project servicing costs (PSC) rates applied to these projects in terms of project numbers and lifetime budgets. It is noted that about 74.8% of new projects (by value) approved during the period have been sanctioned at their ceiling rates, and the remaining projects have been charged at rates that fall within the currently approved policy.
- The paper includes statistics on projects approved at their ceiling rates broken down to show the type, number and volume of such projects approved at non-standard and standard PSC rates.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Committee is invited to note the experience in the implementation of the policy of support costs during the period June 2014-May 2015.

Draft Advice

- **The Committee took note of the implementation of the policy of support costs during the period June 2014- May 2015.**

Implementation of the Current Support Cost Reimbursement Regime

1. The current FAO policy for setting project servicing cost (PSC) rates was endorsed by the Council in November 2000. The policy is based on the principle that there should be a reasonable alignment of charges to the actual costs of providing administrative and operational support (AOS) to projects, taking due regard of existing arrangements and the need for a simple and transparent approach. Refinements to the application of the policy were made in September 2001, September 2002, September 2005 and September 2006.
2. A new FAO Cost Recovery Policy was approved by the Finance Committee and endorsed by the Council in March 2015 for implementation from 1 January 2016. This paper reports on implementation of the policy on support costs currently in force, for the period June 2014 to May 2015.
3. The categories of extrabudgetary funded projects to which PSC rates apply are defined as: technical assistance and direct support of Regular Programme (RP) activities, where a standard 13 percent rate is in effect; emergency assistance, where a ceiling rate of 10 percent applies; and jointly funded activities (zero to 10 percent). The rate may be reduced when the variable indirect support costs on a given project are expected to be lower. The function of appraising variations from standard rates is entrusted to the Office of Strategy, Planning and Resources Management. Within each category, the circumstances that merit a departure of PSC rates from the applicable ceiling rates are identified.
4. The statistics provided in this report cover the period from 1 June 2014 through 31 May 2015, during which FAO opened 515 Trust Fund projects. Table 1 provides a categorized distribution of PSC rates applied to these projects in terms of the number of projects and the lifetime budgets. All projects have been charged at rates that fall within the presently approved policy.
5. The vast majority of projects – 74.8 percent of cases by volume - are charged at their ceiling rates, as shown in rows 1-3 of Table 1. As requested by the Finance Committee, for projects approved at their ceiling rates the table provides statistics on the type, number and volume of such projects approved at non-standard and standard PSC rates within the policy.
6. The projects tabulated in rows 4-9 of Table 1 – 11.8 percent of cases by volume - are in categories charged below the ceiling rate within the policy.
7. The weight of total budgets approved at their ceiling rates slightly declined from 88.2 percent of total budgets by value in the previous reporting period to 74.8 percent in the current period, mainly due to the increase in other categories, in particular the Global Environment Facility and projects with high proportion of procurement.

Table 1: Distribution of the categories of PSC rates applied to projects opened June 2014 – May 2015, showing for projects approved at their ceiling rates the type, number and volume of such projects approved at non-standard and standard PSC rates.

PSC Category		Number of Projects	Lifetime Budget (USD)	% of Total Budget
Projects approved at their ceiling rate				
1	Emergency assistance projects approved at their ceiling rate	163	217,683,516	33.2%
	<i>a) Emergency assistance projects - approved at 7% PSC rate (EU, CERF, etc.)</i>	65	52,109,152	7.9%
	<i>b) Emergency assistance projects - approved at standard 10% PSC rate</i>	98	165,574,364	25.2%
2	<i>Technical assistance projects approved at their ceiling rate</i>	91	182,844,618	27.8%
	<i>a) Technical assistance projects - approved at 7% PSC rate (EU, CERF, etc.)</i>	36	110,117,186	16.8%
	<i>b) Technical assistance projects - approved at standard 13% PSC rate</i>	55	72,727,432	11.1%
3	Projects in direct support of RP activities at their ceiling rate	76	90,410,190	13.8%
	<i>a) Projects in direct support of RP activities - approved at 7% PSC rate (EU, CERF, etc.)</i>	24	33,776,550	5.1%
	<i>b) Projects in direct support of RP activities - approved at standard 13% PSC rate</i>	52	56,633,640	8.6%
Subtotal – projects approved at their ceiling rate		330	490,938,324	74.8%
Projects charged below the ceiling rate within the policy				
4	Global Environment Facility	42	67,164,197	10.2%
5	Technical Support Services	1	46,000	0.0%
6	Projects with high proportion of contracts, supplies and equipment (Manual Section 250 Annex II applies)	21	79,970,988	12.2%
7	Projects in direct support of RP activities approved at lower than ceiling rate (where circumstances in conformity with policy apply)	14	1,928,789	0.3%
8	United Nations Joint Programmes	28	15,885,686	2.4%
9	Telefood – zero rate per Conference Resolution 3/97	79	618,306	0.1%
Subtotal – projects charged below the ceiling rate within the policy		185	165,613,966	25.2%
Grand Total		515	656,552,290	100.0%

