

August 2011



منظمة الأغذية
والزراعة للأمم
المتحدة

联合国
粮农组织
农业组织

Food and
Agriculture
Organization
of the
United Nations

Organisation des
Nations Unies
pour
l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones Unidas
para la
Agricultura y la
Alimentación

FINANCE COMMITTEE

Hundred and Fortieth Session

Rome, 10 - 14 October 2011

Annual Report on Support Costs Expenditure and Recoveries

Queries on the substantive content of this document may be addressed to:

Mr Boyd Haight

Director, Office of Strategy, Planning and Resources Management

Tel: +3906 5705 5324

This document is printed in limited numbers to minimize the environmental impact of FAO's processes and contribute to climate neutrality. Delegates and observers are kindly requested to bring their copies to meetings and to avoid asking for additional copies. Most FAO meeting documents are available on the Internet at www.fao.org

EXECUTIVE SUMMARY

- This paper reports on the implementation of the FAO policy on support costs for the period June 2010 through May 2011, during which time FAO opened 591 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 88.3 percent 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.

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 2010-May 2011.

Draft Advice

- **The Committee took note of the implementation of the policy of support costs during the period June 2010-May 2011.**

Implementation of the Support Cost Reimbursement Regime

1. The FAO policy for setting project servicing cost (PSC) rates was endorsed by the Council in November 2000¹. 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 2001², September 2002³, September 2005⁴ and September 2006⁵. A proposal to further refine the policy is presented in document FC 140/8.

2. The categories of extrabudgetary funded projects to which PSC rates apply are defined as: i) technical assistance and direct support of Regular Programme (RP) activities, where a standard 13 percent rate is in effect; ii) emergency assistance, where a ceiling rate of 10 percent applies; and iii) 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.

3. The statistics in the table cover the period from 1 June 2010 through 31 May 2011, during which FAO opened 591 trust fund projects. The table provides a categorised distribution of PSC rates applied to these projects in terms of both number of projects and lifetime budgets. It is noted that all projects have been charged at rates which fall within the presently approved policy.

¹ CL 119/13 Annex II

² CL 121/4 and FC 97/5

³ CL 123/15 paragraph 33 and FC 100/5

⁴ CL 128/4 paragraphs 20-25 and FC 110/4

⁵ CL 131/7 paragraphs 49-52 and FC 115/14

PSC Category		Number of Projects	Lifetime Budget (USD)	% of Total Budget
1	Emergency assistance projects approved at their ceiling rate	168	288,961,635	48.8%
2	Technical assistance projects approved at their ceiling rate	77	160,416,680	27.1%
3	Projects in direct support of RP activities at their ceiling rate	53	47,164,817	8.0%
4	FAO Multi-Partner Programme Support Mechanism (FMM) projects at their ceiling rate	7	25,535,066	4.3%
5	Decentralized cooperation programme	2	353,768	0.1%
6	Global Environment Facility	7	11,922,840	2.0%
7	Technical support services	6	2,334,778	0.4%
8	Projects with high proportion of contracts, supplies and equipment (Manual Section 250 Annex II applies)	8	23,146,464	3.9%
9	Projects in direct support of RP activities approved at lower than ceiling rate (where circumstances in conformity with policy apply)	10	3,043,755	0.5%
10	United Nations Joint Programmes	26	26,734,259	4.5%
11	TeleFood – zero rate per Conference Resolution 3/97	227	1,963,844	0.3%
Grand Total		591	591,577,906	100.0%

4. The table demonstrates that the vast majority of projects are charged at their ceiling rates (i.e. rows 1-4, account for 88.3 percent of cases by value) and, therefore, that the flexibility is administered carefully. The projects tabulated in rows 5-11, while resulting in modified rates, do so within the approved policy.

5. The number and value of total budgets approved at their ceiling rates increased (from 82.4 percent of total budgets by value in the previous reporting period to 88.3 percent in the current period), due mainly to the projects approved under the Multi-Partner Programme Support Mechanism (FMM). The FMM is a new funding modality seeking to mobilize broadly earmarked resources; all FMM projects have been approved at the ceiling rate of 13 percent.