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Report on Support Costs Expenditure and Recoveries

I. Introduction

1. This paper reports on the implementation of FAO's policy on support costs for the last 12 months (June 2004-May 2005).
2. The paper also provides revised wording for the support cost policy for *Emergency Assistance* projects, so as to explicitly recognize the principle of full recovery of variable indirect support costs incurred in administering and operating such projects. It therefore underlines the principle that assessed regular budget contributions should not subsidize extra-budgetary funded emergency activities. Accordingly, the Committee is invited to endorse an increase in the project servicing cost ceiling rate for emergency projects from 6.5% to 10% as a necessary means of ensuring that the project servicing cost rate charged to such projects fully recovers FAO's variable indirect support costs.
3. Finally, as requested by the Committee at its 107th session, this paper provides a comparison of support costs between FAO and other UN system organizations.

II. Implementation of the Support Cost Reimbursement Regime

4. The FAO policy for setting project servicing costs (PSC) rates was endorsed by the Council in November 2000² and minor modifications were made in September 2001 and September 2002³. The policy is established on the principle that there should be a reasonable

¹ CL 127/14 paragraph 21

² CL 119/13 Annex II

³ CL 121/4 paragraphs 21-23 and FC 100/5

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alignment of charges to the actual costs of providing administrative and operational support to projects, taking due regard of existing arrangements and the need for a simple and transparent approach.

5. An overall 13% PSC ceiling is applied on Trust Fund projects. The charge 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 Programme, Budget and Evaluation. The broad categories of extra-budgetary funded projects to which PSC rates apply are defined as: *Technical Assistance*, where a standard 13% rate is in effect; *Emergency Assistance*, where the rates can vary from 3% up to 6.5%; *Normative Activities* (6%); and *Jointly Funded Activities* (zero to 10%). Within each category and funding source, circumstances that merit a departure of PSC rates from the applicable ceiling rates are clearly spelled out.

6. The statistics in the table below cover the period 1 June 2004 through 31 May 2005, during which time FAO opened 601 Trust Fund projects. The table provides a categorised distribution of the PSC rates applied to these projects in terms of both project numbers and lifetime budgets. It is noted that all projects have been charged at rates which fall within the currently approved policy.

7. It is recalled that the Committee at its 108th session took note of the experience with projects under the Decentralized Cooperation Programme⁴, a relatively new modality for international cooperation in FAO, and the table reports separately on these projects.

Distribution of the categories of PSC rates applied

PSC Category		Number of projects	Lifetime Budget (US\$)	% of Total Budget
1	Projects approved under the rate for Emergency Assistance	190	240,255,460	58.2%
2	Projects approved at their ceiling rates	127	120,998,958	29.3%
3	Normative activities (6% applied)	32	30,566,045	7.4%
4	Partnership with UN system organizations (including UNEP at 0% and UNFIP at 5% based on pre-existing arrangements)	6	11,097,103	2.7%
5	"Mixed" Trust Funds with Normative and Operational elements (6% to 13% applied)	4	2,881,320	0.7%
6	Decentralized Cooperation Programme (GDCP)	3	1,720,000	0.4%
7	Global Environment Facility (GEF)	3	1,348,600	0.3%
8	Technical Support Services (TSS)	7	934,000	0.2%
9	Technical Assistance with a high proportion of contracts, supplies and equipment (Manual Section 250 Annex II)	3	885,605	0.2%
10	Normative projects at lower than 6% rate (where particular circumstances in conformity with policy apply - e.g. travel of developing country participants)	1	45,000	0.0%
11	TeleFood – zero rate per Conference Resolution 3/97	225	1,751,851	0.4%
Grand Total		601	412,483,942	100%

8. The table demonstrates that the vast majority of projects are charged at their ceiling/recommended rates (i.e. lines 1-4 inclusive account for 98% of cases by value) and

⁴ CL 127/15 paragraph 39

therefore that the policy's flexibility is not being abused. The remaining projects in lines 5-11, while resulting in reduced rates, do so within the approved policy.

9. With regard to projects classified as *Normative Activities*, which are usually executed at headquarters, the FAO support cost policy applies a 6% standard rate. The rate was based on average actual variable indirect support costs incurred by such projects and has not been reviewed since 2000. The results of the 2004 Cost Measurement Survey provide some evidence that variable indirect support costs exceed income received. The matter will be further analysed, also in the light of practices amongst other United Nations technical assistance agencies, to determine whether a change in the rate should be proposed for this category of projects at a future session of the Committee.

10. The Council of the Global Environment Fund (GEF), at its June 2005 Session, approved the application of a flat fee of 9% on the full scale GEF projects grant⁵. It requested the GEF Secretariat to report on any particular difficulties the Executing Agencies, including FAO, may experience under the new fee structure. Although GEF is still a small donor to FAO, there is potential for a substantial increase in operations, and project support costs will be monitored to ensure the Organization recovers its variable indirect costs.

III. Proposal for Amendment to the Support Cost Policy

1. Revised wording for the support cost policy on Emergency Assistance projects

11. At its 109th session in May 2005, the Committee "...supported the review of the support cost rate charged to emergency projects and the principle of ensuring that assessed contributions did not subsidize such projects. It looked forward to receiving a proposal from the secretariat at the September 2005 session"⁶.

12. The Committee is requested to endorse revised wording of the support cost policy for emergency assistance projects. The purpose of the revision is to better reflect the established principle of ensuring that the support cost rate charged to emergency projects fully recovers FAO's variable indirect support costs, so that assessed contributions do not subsidize such projects.

13. The current support cost policy for *Emergency Assistance* projects states:
Rates for emergency assistance are to be determined on a case-by-case basis to recover the full variable indirect support cost of the project as incurred by the Emergency Operations and Rehabilitation Division....
Further identifiable incremental costs incurred in the Emergency Operations and Rehabilitation Division (TCE) and other units (e.g. special purchasing missions or additional temporary staffing) should be covered by these support cost rates unless they are chargeable as direct costs to the project (often the case).
*This implies that the time of Regular Programme staff (e.g. FAOR services, Technical Support Services, Administrative staff in HQ and the Regional Offices) will not generally be charged to emergency projects except where they can be treated as direct costs.*⁷

14. This policy wording pre-supposes that in executing emergency projects, the organization primarily incurs variable indirect administrative and operational costs in the TCE Division, and that the costs of other units are largely unaffected by the level of emergency operations. In fact, previous documentation for the governing bodies has referred to project servicing costs for emergency projects as "direct operating costs" of TCE.

⁵ GEF/C.23/8/Rev.1 Proposal for revising the Fee System

⁶ CL 128/13 paragraph 64

⁷ CL REP para 70 and CL 119/13 Annex II

15. This policy definition for emergency activities was acceptable until the beginning of 2004 for two reasons. First, up to the latter part of the 1990s, emergency assistance activities were running at approximately US\$ 25 million per year. Being an insignificant portion of the total operations of the Organization⁸, emergency activities did not result in measurable additional indirect costs being incurred outside the unit responsible for operating such projects. Second, between 1998 and the end of 2003, the volume of emergency activities increased substantially on account of the Oil-for-Food Programme in Iraq. However, since this single programme was so large, in the range of US\$ 75-125 million of delivery per year, variable indirect costs could be identified and imputed as direct costs, as foreseen under the second and third operative paragraph of the policy above. In other words, some of the incremental costs outside TCE could easily be identified and covered as direct charges to the Oil-for-Food programme, as foreseen under the policy.

16. The Oil-for-Food Programme ended in late 2003. Meanwhile, FAO's extra-budgetary funded *Emergency Assistance* project delivery, net of PSC, grew to US\$ 105.1 million in 2004 due in part to the Locust and Avian Flu emergencies, but also on account of FAO's responses to hurricanes and floods and increasing delivery in conflict and transition situations. Delivery levels remain at sustained levels in 2005 with the Tsunami emergency response.

17. Due to an increase in the number of projects and the volume of delivery as well as greater diversity of emergency responses, coupled with changes in the modalities for operations, the character of emergency activities has changed significantly since the ending of the Oil-for-Food Programme. The current wording of the support cost policy limits the type of emergency assistance costs that can be recovered by the Organization in a cost-effective manner. As noted above, the current policy essentially provides for percentage-based recovery of Direct Operating Costs incurred by TCE, whereas significant variable indirect costs are now incurred by other supporting units (e.g. FAORs, administrative staff in headquarters and the Regional Offices).

18. An *a priori* imposition of such a limitation was not the intention of the governing bodies. What is needed is a support cost policy that clearly seeks to recover variable indirect costs for all administrative and operational support services provided through *Emergency Assistance*, as is the case for other types of projects. The Committee is therefore requested to consider a revised wording that defines emergency assistance and explicitly recognizes the principle of variable indirect support cost recovery, as follows:

FAO emergency assistance is defined as a situation where an urgent and exceptional external response is needed in the agriculture sector to address the impact of a particular disaster, natural or man-made. If a project is characterized as an emergency, the request follows the "fast track" and is operationally treated as such. Generally, "prevention" and "preparedness" are not within the meaning of "emergency" for project operational purposes.

Rates for emergency assistance are to be determined on a case-by-case basis to recover the full variable indirect support cost of the project.

When Emergency Operations and Rehabilitation Division (TCE) operates technical assistance projects because of special situations, the reimbursement rates for technical assistance shall apply.

19. These amendments are in line with the UN harmonization efforts on terminology and definitions on support costs and related policies taking shape through the HLCM FB Network Working Group on "Support Costs for Extrabudgetary Activities".

2. Increase the ceiling rate for Emergency Assistance projects from 6.5% to 10%

20. In view of the recent trends and experience with *Emergency Assistance* projects, the Committee is also requested to endorse a new support cost ceiling rate for such projects.

⁸ C 2001/8 PIR and C 2005/8 PIR, tables 3.3-1

21. The results of the 2004 Cost Measurement Survey confirm that the 6.5% ceiling on *Emergency Assistance* Direct Operating Costs provides sufficient income to cover the direct operating costs of TCE, which has the first call on these resources, and to some extent also covers the increased requirements in areas such as procurement services and country office support. However, the entire variable indirect costs incurred by these units and other central support services are not covered by the current ceiling of 6.5%.
22. The principal administrative and operational services performed outside TCE are in procurement, finance, personnel servicing, management support services, legal, budget, Regional Office support and Country Offices operational backstopping.
23. At its 104th session in September 2003, while the Oil for Food programme was still operational, the Committee approved an increase in the ceiling of the Direct Operating Cost rate for *Emergency Assistance* projects by 0.5% to the current 6.5% level.⁹ At the time, several factors were identified as having contributed to the increase in FAO costs for emergency operations. In particular the changes in the structure and nature of emergency operations meant an increase in volumes and complexity of content (e.g. increased rehabilitation activities and activities aimed at ensuring a better link between relief, rehabilitation and development) including demands from donors for needs assessments, more reporting and monitoring which are all more costly to implement. The need for a realignment of costs over time was also mentioned, particularly as the volumes being delivered had become such that costs which could previously have been considered fixed, now needed to be considered variable.¹⁰
24. Based on the results of FAO's 2004 cost studies, a ceiling at 10% is now required to fully recover variable indirect support costs from *Emergency Assistance* activities, excluding the cost of emergency evaluation activities. It is expected that a realignment of responsibilities in project execution and ongoing streamlining efforts will keep actual total costs within the 10% ceiling. Moreover, the Organization is preparing Emergency Project Budget Guidelines for use by all concerned units to ensure more coherent and efficient project budgeting practices.
25. The Secretariat recommends the Committee's endorsement of an increase in the ceiling rate for emergency projects to 10% as a necessary means of ensuring that the PSC rate charged to such projects fully recovers FAO's variable indirect support costs - so that assessed regular budget contributions do not subsidize extra-budgetary funded emergency activities.
26. This compares, for example with the 13% PSC rate for emergency extra-budgetary activities of UNOCHA, UNESCO (except for projects largely for procurement at 8%), UNIDO, the UN Secretariat, and with the 7% rate of UNHCR and WFP. However, as noted in the study below, such rates are not strictly comparable due to the flexible approach taken by some agencies in the use of direct and indirect charges for support costs.

IV. Comparative study of Support Costs between FAO and Other UN System Organizations

27. At its 107th Session in the Committee "...asked for a comparative study of support costs between FAO and other UN agencies as part of the review. It recognised the methodological difficulties inherent in such a study and was informed of inter-agency efforts to address this issue through the High Level Committee on Management (HLCM) of the United Nations Chief Executives Board for Coordination (CEB)."

⁹ CL 125/4 para 17

¹⁰ FC 104/5 para 7

28. The HLCM FB Network Working Group on “Support Costs for Extrabudgetary Activities” has now completed its task¹¹. It met on 11 July 2005 for the third and last time to look into the UN system practices with regards to charging direct costs to extra-budgetary funded projects and deriving general principles to serve as guidelines for coherent project budgeting and support cost recovery.

29. The matter is indeed complex from a methodological point of view, as organizations have different types of activities that encompass different cost structures and support costs mechanisms for cost recovery. The extent to which the recovery is sought ranges from total cost recovery for organizations financed exclusively from voluntary contributions to only variable indirect cost recovery for those organizations where activities are financed through a mix of assessed and voluntary contributions. There is, however, coherence at the conceptual level and in the principles followed.

30. The present comparison is based on the information that was collected by the Working Group from all participant organizations, funds and programmes. It focuses on mechanisms used to present support costs and the way in which these are collected from donors (i.e the cost recovery mechanisms), if there is a policy endorsed by Governing Bodies, what rates are applied by project category, and what exemptions or discounts are applied.

31. The Working Group agreed that in implementing the cost recovery policy, organizations should be able to define with some degree of flexibility what costs are included in the policy as Project Support Costs and as direct charges to project budgets. Different practices capture the specific cost patterns of doing business and of the activities funded from extra-budgetary resources, as well as the type and structure of support these entail. The above can result in the establishment of lower percentage based support costs rates, such as by WFP and UNOPS, that systematically identify and recover as direct and internal project costs items usually incorporated within the support cost rates applied by other organizations¹². In addition, the support costs rates applied by WFP and UNOPS reflect their operational objectives, economies of scale, comparatively lower degree of legislative reporting and oversight (UNOPS) and simpler operating policies and procedures¹³. Other organizations such as UNHCR, UNICEF and UNESCO, either through core HQ costs paid by assessed contributions or through the retention of all project interest income, are provided with supplementary resources that contribute to reducing support costs and hence allow them to apply lower support costs rates¹⁴.

32. This implies that lower PSC rates are not indicators *per se* of higher efficiency or lower costs amongst agencies, and therefore are not strictly comparable. These matters have been extensively addressed by the JIU report on *Support Costs related to extra-budgetary activities in organizations of the United Nations System* quoted above.

33. In Summary, the UN and all specialised agencies with assessed contributions (FAO, ILO, ITU, UN, UNESCO, UNIDO, UPU, WMO, WIPO, WHO) use 13% as their standard basic rate, while the support cost rates of voluntary funded agencies (UNRWA, UNDP, UNFPA, UNHCR, UNICEF, WFP) are based on each organization’s financing mechanisms. These organizations are able to charge a lower percentage PSC rate than the specialized agencies because they impute as direct project expenditures items that are considered part of the percentage-based support cost rate by the specialized agencies. Indirect support cost rates are 7% (UNFPA, UNHCR and WFP) and

¹¹ A large number of UN system Organizations participated. They are: the United Nations, FAO, ILO, ITU, UNAID, UNDP, UNESCO, UNFPA, UNICEF, UNIDO, UNOPS, UNRWA, WFP, WHO, WMO and IAEA. JIU and CEB Secretariat also participated.

¹² JIU/REP/2002/3 Support Costs related to extrabudgetary activities in Organizations of the United Nations System, paragraph 22

¹³ JIU/REP/2002/3 paragraph 23

¹⁴ JIU/REP/2002/3 paragraphs 25-36

11% (UNICEF and UNRWA). UNDP's policy provides for a range of indirect support cost rates from 5% to 7% (or higher in exceptional circumstances) with responsibility for the actual rate negotiation delegated to the responsible field office.

34. Each of the voluntary funded agencies responding to the survey (UNDP, UNFPA, UNHCR, UNICEF, UNRWA and WFP) has a formal support cost recovery policy, adopted by its governing body. Of the specialised agencies with assessed contributions and the UN, only FAO, WMO, and UNESCO have a formal support cost policy endorsed by governing bodies permitting reduced percentage-based project servicing costs for reasons of reduced costs or, for example, the wish to establish strategic partnerships.

35. The most common exceptions across the UN organizations to the 13% PSC rate are the following: 12% for Associate Professional Officers and Associate Experts; projects that have a substantial proportion of procurement expenditure (the lower rate reflects lower costs incurred for supporting such operations); emergency relief (with increased use of direct charges resulting in lower rates set by voluntary funded organizations); unilateral or self-benefiting trust funds – significant level of national execution can reduce agency support; and multilateral donors (e.g Global Environment Fund) and development banks mandating their own PSC rates in accordance with their policies.

36. All Agencies have policies or practices providing for exceptions to the 13% PSC rate: WHO, UNICEF and WMO, however, have adopted restrictive policies on rate reduction (i.e. these agencies do not lower the PSC rate below 13%) and that has not resulted in a reduction of extra-budgetary funding. The ILO exceptionally limits rate reductions based upon specific limitations of support cost services provided – e.g. no reporting, no return of funds, assumption of functions by recipient, etc. – but in practice has also adopted more restrictive policies on rate reduction than FAO. The UN Secretariat grants exceptions based on a case-by-case review by the Comptroller. In FAO, a variety of areas for reductions are laid out in the policy endorsed by the Council, including conditions for the total exemption of PSC rates.

37. The table in the annex provides a more detailed comparison of the support cost policies and practices at the United Nations Secretariat, UN-OCHA, UNHCR, UNESCO, WHO, UNIDO, ILO, FAO, UNICEF, UNDP, WFP and WMO.

V. Conclusion

38. The Committee is invited to note the experience in the implementation of the policy on support costs during the year to May 2005 as well as the comparative summary of support cost policies and practices in United Nations system organizations.

39. The Committee is requested to endorse a revised wording for the support cost policy for *Emergency Assistance* that explicitly recognizes the principle of variable indirect support cost recovery for such projects. It is also requested to endorse an increase in the project servicing cost ceiling rate for emergency projects from 6.5% to 10% as a necessary means of ensuring that the PSC rate charged to such projects fully recovers FAO's variable indirect support costs. This will ensure that assessed regular budget contributions do not subsidize extra-budgetary funded emergency activities.

Annex – Table on Comparative analysis of Support Cost Policies and rates in the UN system¹⁵

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
UN Secretariat	The UNDP Governing Council approved a support-cost reimbursement of 14% of actual project costs in 1975. In 1980, this rate was reduced to 13% of annual project expenditures and approved by the GA for use by the UN Secretariat.	Support cost recovery is calculated as a percentage of the annual project/programme delivery, and is credited to the appropriate programme support account. Support cost income is used to fund administrative and programme support to the organization's extra-budgetary programmes.	13% assessed on extra-budgetary activities (12% on the Associate Expert programme ¹⁶) currently covers both direct and indirect costs. When possible, direct costs are built into the project budgets to reduce the 13% PSC rate.	Support cost reductions and/or waivers can be approved only by the Controller. Reduced rates may be approved for the implementation of special humanitarian programmes.
UNHCR	Revised policy adopted in 2003	Full cost recovery – through the levy of a percent of total net project budget credited in a separated pool account and an RP budget as part of the UN Secretariat that covers part of its HQ costs.. The support cost rate set is based on the ratio of some of the HQ units cost that provide support to the projects to the total annual budget.	7% on all TF projects (mostly of an emergency nature) 12% APOs.	Exceptions or waivers could be granted by the UNHCR Comptroller, but none recorded since the new policy was adopted.

¹⁵ Source of information is the work of the HLCM FB Network Working Group on Support Costs for Extrabudgetary Activities – reports and presentations.

¹⁶ Junior Professional Officers (in some organizations referred to as Associate Professional Officers).

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
UNESCO	Volume, Source and Allocation of Extra-Budgetary Resources and relative administrative arrangements was presented to the Executive Board in March 2001.	Recovery of variable indirect support costs through a percentage levied on delivery. The support cost income is credited to separate Trust Funds. Costs are tracked through a Cost Measurement Survey.	13% on TF projects, emergency and non-emergency. 12% APOs. 8% where the project consists exclusively or very largely of procurement of equipment. 5% in the case of projects requiring very little direct supervision from UNESCO. Rates on a case by case basis for projects executed to the benefit of LDCs.	Waivers may be granted on an ad hoc basis by the Director General.
WHO	Current arrangement since early 1990s, following UNDP successor agreement setting PSC rates at 13%.	Recovery of variable indirect support costs through a percentage levied on delivery. The income is accounted under other funds. The use of support cost income is included in the budget under other sources.	13% on TF non-emergency projects. 12% APOs. 6% percent for supply services and emergency projects – except preparedness –for countries covered by UN consolidated appeal and for certain bulk procurement. 5 % on contributions from specific donors (e.g. Rotary International for Polio). 3% for non-emergency supply services to Member States, NGOs in an official relationship with WHO or members of the United Nations family. 0% for emergency supply services to Member States, NGOs in an official relationship with WHO or members of the United Nations family, and for purchases made through the revolving fund for teaching and laboratory equipment for medical education and training.	Waivers may be granted under the authority of the WHO Comptroller on a case by case review but not applied in practice.

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
UNIDO	Current arrangement since early 1990s, following UNDP successor agreement setting PSC rates at 13%.	Recovery of variable indirect support costs through a percentage levied on delivery. Support costs are integrated in the budget for both regular and operational budgets, although income is credited to a separate account.	13% for all TF projects. 13% for Montreal Protocol for the first \$500,000 and then 11% for delivery above that amount per project; 10% Global Environment Facility (GEF) and chlorofluorocarbon (CFC) projects.	Waivers are granted by the Director General, on a case by case review.
ILO	Current arrangement since early 1990s, following UNDP successor agreement setting PSC rates at 13%.	Recovery of variable indirect support costs through a percentage levied on delivery. The income is accounted in a fund separate from the Regular Budget and allocated by the Secretariat on an annual basis	13% for all TF projects 12% APOs.	Treasurer can grant waivers in respect of projects consisting largely of the procurement of equipment and/or for projects where it is expected that the overall cost to the ILO will be significantly less than 13 per cent. However, rarely implemented in practice.

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
FAO	Revised support cost policy since 2000.	Simplified approach to variable indirect support costs recovery by charging rates that are a reasonable reflection of the variable indirect support costs actually incurred through a percentage levied on delivery. The income is accounted as part of the Regular Programme General Fund. Costs are tracked through the annual Cost Measurement survey.	13% Standard for Technical Assistance projects; 12% APOs; 7% for procurement projects; 6.5% for Emergency (being reviewed); 6% for Normative projects which supplement regular budget programmes with no component of technical cooperation activities; 5% for contributions to FAO for the refurbishment and improvement of FAO premises (both at HQ and in Regional offices) 0% for sponsorship funds; and contributions for travel of participants from developing countries to conferences and consultations on FAO matters	Director General could grant waivers. Since the new policy was approved no waiver was granted.
UNICEF	Revised support cost policy since 2003.	Full cost recovery – the rates are applied to other resources (non-regular extra-budgetary funded resources) to recover the incremental Support Costs incurred as a result of management of the Other Resource activities. Interest income on other resources cash balances is credited to miscellaneous income regular resources to reduce overall recovery costs.	For all TF projects (emergency and non-emergency): 5 % for all resources raised from the private sector in the programme countries; For other private sector resources, 5% per cent for thematic contributions and 7% per cent for non -thematic contributions; For other contributions to thematic areas, 8% and an additional reduction of 1% per cent for 90 per cent upfront payments; For non -thematic contributions, 12% per cent and additional reductions of:	The Executive Director could grant waivers.

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
			<p>1% for 90 per cent upfront payment; 1% for contributions over \$500,000; 2% for contributions over \$2 million; 3% for contributions over \$10 million, and, as a transitional arrangement through 2004, 4% per cent for contributions over \$40 million; In the case of extra requirements in terms of administrative arrangements and reporting additional charges are negotiated on a case-by-case basis to cover the additional costs to set up separate capacity, systems and procedures as required.</p>	
UNDP	<p>In 2004, UNDP Executive Board endorsed the new support cost policy.</p>	<p>Full cost recovery -- Regular resources pay for the base UNDP structure (fixed costs) and variable indirect support costs are recovered through the levy of a percent on net delivery. The Regular Indirect Support cost rates cover HQ costs and basic field office costs. Other costs may be charged directly to projects or recovered as "fees" for services from other agencies and service beneficiaries (common cost recovery). The income generated from all cost recovery represents the contribution of Other Resources to the biennial support budget.</p>	<p>For all TF projects (emergency and non-emergency): 5% to 7% for third party cost-sharing and trust funds For programme country cost-sharing, the rate was set at an average of 3% per cent, because of the different nature of UNDP involvement in these programmes.</p>	<p>UNDP provides flexibility to allow country offices to charge, when justified and negotiated with funding partners a rate above 7%. This flexibility also allows, within the prescribed range, for country offices to set their own final cost recovery rate taking into account the basic principles and parameters of the policy.</p>

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
WFP	Revised policy in 1995, revised rates regime in 2000 and in 2002.	Full cost recovery – all projects pay actual commodity and transport costs (<i>direct operational costs</i>), a pro-rated share of project support costs (<i>direct support costs</i>) and a full share of indirect support costs (<i>indirect support costs</i>) – as a percent applied to all above components. Indirect Support Cost is charged to all projects and funds the Programme Support and Administration (PSA) Budget consisting of programme support in Headquarters, Regional Offices and basic Country Offices infrastructure as well as Management and Administration costs.	7% for all Trust Fund projects. 12% APOs.	Indirect Support Costs may be waived by the Executive Director (mostly on in-kind contributions).

Organization	Support Cost Policy	Support cost recovery mechanism	Standard PSC rate and Exceptions	Are support cost rates waivers allowed?
WMO	Revised policy since 2004.	Recovery of variable indirect support costs through a percentage levied on delivery.	<p>13% Standard for Technical Cooperation projects, including VCP projects for which the following flexibility might be granted, even cumulatively where applicable:</p> <p>12% APOs;</p> <p>11% rate (or 2% reduction) in the case where the recipient government is the donor and the recipient/donor assumes responsibilities for certain functions which could otherwise be performed by the WMO Secretariat which corresponds to the amount of savings resulting from the assumption of the responsibilities by the recipient government;</p> <p>9% rate applied in the case where the technical cooperation project consists only of the procurement of equipment, supplies or materials;</p> <p>12% rate (or 1% reduction) in the case where the donor accepts simplified reporting with a narrative report describing the use of funds and the results achieved, on the understanding that the financial performance will be reported within the framework of the statutory biennial closure of accounts;</p> <p>7% for normative activities which supplement regular budget programmes with no component of technical cooperation activities</p>	