FREQUENTLY ASKED QUESTIONS:

Improved Cost Recovery Uplift (ICRU)

This document was prepared to provide support and guidance on the implementation of the cost recovery mechanism that was approved by Member Nations.

1. *Why are we implementing ICRU?*

The ICRU was developed in response to the FAO Conference, which in July 2011 urged the Organization to vigorously pursue improving the recovery of administrative and operational support costs arising from extra-budgetary activities, including in areas such as country-level costs, security and information systems and technology. ICRU was endorsed by the Council at its 143rd session in December 2011.

1. *What costs are being recovered?*

The following costs are being recovered through the ICRU:

As of April 2012, forextra-budgetary financed Project Staff and Consultants at Headquarters:

* 1. IT support services including the costs of e-mail, intranet access, internet access, help desk, use of corporate systems, software licenses, band-width, hardware replacement management and telephone infrastructure;
	2. Security services;
	3. Office space occupancy charge (as of May 2012, this charge is included in the ICRU and not recovered separately from projects by CSA).

As of January 2014, in addition to the three HQ ICRU charges (a-c), extra-budgetary financed Project Staff and Consultants at Decentralized and Project Offices

* 1. IT support services including the costs of e-mail, intranet access, internet access, help desk, use of corporate systems, software licenses, band-width, hardware replacement management and telephone infrastructure;
	2. Security services.
1. *Which projects are subject to ICRU?*

All active TF and UN projects operated by FAO are subject to ICRU.

1. *How is ICRU implemented?*

The ICRU is being implemented through a monthly uplift of project staff costs and project consultant costs for active projects operated by FAO Headquarters, as well as Decentralized and Project Offices, and is based on monthly expenditures recorded in all child accounts under parent personnel accounts 5011, 5012, and 5013 (except for child accounts 5155, 5355, and 5555, being the ICRU accounts - Professional, GS and Consultants). By its nature the ICRU is only applied to projects with staff and consultants, and it does not affect the current PSC ceiling rates and categories.

1. *How much is the ICRU charge?*

The ICRU is currently applied as a percentage of monthly expenditures recorded within the "Salaries" and “Consultants” budget lines, mentioned in #4, which are subject to:

* 1. HQ Staff and Consultants
		1. 5% - HQ Information Technology support services,
		2. 1.5% - HQ Security services, and
		3. 1.5% - HQ Office space occupancy, i.e. electricity, gas, water, etc. Please note that the cost of headquarters office occupancy has been charged to projects operated by FAO headquarters since 2008, and is now brought under the ICRU.
	2. Field Staff and Consultants
		1. 1.4% - Field IT support services
		2. 0 - 4.8% - Field Security services
			1. 4.8% - Africa Field Security
			2. 2.1% - Asia Pacific Security
			3. 1.2% - EU Security
			4. 1.5% - Inter-regional Global Security
			5. 2.4% - Latin America Security
			6. 3.4% - Near East Security
			7. 0% - North America Security
1. *How were ICRU rates calculated?*
	1. Document FC 140/8, *Measures to Improve Implementation of the Organization’s Support Cost Policy* <http://www.fao.org/docrep/meeting/023/mc205e.pdf>
		1. Annex III provides a table with the relative service (IT, Security and Office occupancy), calculation of charge, and charging methodology
		2. Para 18 c) and d) confirms that starting from biennium 2014-15, Field personnel would also be subject to IT and Security ICRU
2. *When and how frequently will ICRU rates be revised and possibly change?*

The ICRU rates in #5 are in vigor for the full biennium and will be revised on a biennial basis.

1. *When is ICRU applied?*

ICRU for one month is posted in the following month, on the basis of FAQs # 4 and 5. For example, January 2014 ICRU is posted in February 2014 GL period. (Once ICRU is fully automated, ICRU may be applied within the same GL period, similarly to the way PSC is posted.)

1. *What are the Budget Holders’ responsibilities?*

Budget Holders should adjust the budgets of operationally active projects through the preparation of formal Budget Revisions to ensure that actual and future ICRU charges are covered within the projects' budgets. Budget Holders must ensure that total expenditures are in line with total budgets, as is the case, for example, in accommodating variances of actual staff costs from the pro-forma staff cost rates used to prepare project budgets. Furthermore, estimated budgets in project proposals should be amended to incorporate the ICRU within the appropriate budget lines.

1. *Can projects be considered for exemption?*

ICRU was endorsed by the Council at its 143rd session in December 2011, which forces the Organization to follow through with the implementation of this measure, and continue to charge ICRU to all staff and consultants, regardless of their staffing arrangements, i.e. for staff/consultants not working on premises.

1. *Who is benefiting from ICRU?*

FAO and Donors are benefiting, in such that the Organization is finally recovering costs that were previously subsidized by the Assessed Contributions.

1. *How is ICRU distributed?*

ICRU is made available to service providers (i.e. for Security, DDOS, and for IT, CIO) in the form of an allotment .

1. *If Field Security and/or IT costs have already been budgeted within the project budget, how does the Budget Holder ensure that the project is not double charged with similar or the same costs? Can we charge additional Field IT expenditures to projects?*

Security – Project security needs will be coordinated by Field Security Unit (DDOS), and financed from HQ-managed allocations. It is therefore suggested that for any specific security arrangements, other than those paid from UNDSS Jointly-Financed Activities (JFA) and Locally Cost-Shared (LCS) budgets, clearance be obtained from DDOS.  Funding of these special arrangements, once approved by DDOS, will be covered from the DDOS-managed Field EB Security Revolving Fund, as well as payments for EB share of FAO contributions to LCS budgets.  A separate communication on this matter will be issued shortly by OSD (or DDO) to DOs.

IT – Field ICRU IT is primarily related to centralized IT support provided by HQ, such as access and support of email accounts, Oracle, FPMIS, COIN, PIRES, etc.   The Field IT ICRU only covers part of the total IT costs in the Field, and projects cover the other part, hence the BH may charge additional IT costs to the project, which are not the same as Field IT ICRU.  (For instance, in addition to the Field IT ICRU, some projects include the following IT costs :

* 1. contracts for IT technical support,
	2. internet connection with internet providers,
	3. hiring of IT consultants, etc.

This cost sharing arrangement is reflected in the actual IT ICRU rates, where the Field IT ICRU is one third of the HQ IT ICRU, 1.4% for Field and 5% for HQ. These percentages have been formulated very carefully taking into consideration many factors.

1. *Are there any legal implications to charge ICRU to operationally active projects?*

FAO Legal division confirmed that there are no legal implications impeding the Organization to apply ICRU to all TF and UN projects, including those projects that are ongoing (operationally active), and recover direct costs, such as IT, Security and Office occupancy, generated from projects’ personnel.

1. *Does the ICRU recovery mechanism reflect all projects and staffing arrangements? Is it possible to develop a more customized mechanism?*

There is no perfect cost recovery mechanism which suits all projects and staffing arrangements, as the implementation of customized mechanism would be extremely expensive to implement, and counterproductive, not to mention that it would never be approved by the Governing Bodies, due to efficiency savings.  (In fact, the previous office occupancy recovery mechanism conducted by CSAI was extremely labor intensive and inefficient to the point that the Finance Committee urged the Organization to implement a more streamlined approach using a percentage basis, regardless of its minor flaws).

FAO and its Governing Bodies had to opt for a method which is fairly standardized, and addresses the majority of project and staffing arrangements, ensuring a robust recovery mechanism at a reasonable cost.

1. *What are the documents that make reference to ICRU?*
	1. FC 140/8, Measures to Improve Implementation of the Organization’s Support Cost Policy <http://www.fao.org/docrep/meeting/023/mc205e.pdf>).
	2. FC 147/9 at <http://www.fao.org/bodies/fc/fc147/en/>).
	3. FC 151/8, Comprehensive Report on FAO’s Support Cost Policy <http://www.fao.org/docrep/meeting/029/mi822E.pdf>).
2. *Who to contact with queries on ICRU?*

For any further clarifications or specific ICRU-related issues, please contact Elkhan Aliyev (Elkhan.Aliyev@fao.org ) or Fabio de Felice (Fabio.DeFelice@fao.org) in OSP.

Almost all staff and consultants incur direct costs to the Organization and benefit from FAO services, and the Organization has been mandated by the Governing Bodies to recover these costs, hence when preparing the budget revisions, Budget Holders should ensure that ICRU is included.