

- Ensure timely provision of inputs for personnel, technical support services, sub-contracts, training, equipment/supplies and other needs related to the project's operations in line with the project's work plan and procurement plans.
- Contribute to the preparation of joint project work plans, monitors progress and, where necessary, identifies corrective measures to overcome operational constraints; coordinates the timely preparation and submission of project progress reports.
- Participate actively in the review of the modules and the guidelines that would be sent to regional workshops for consideration and organizing these workshops.
- Support with the management of the project budget and prepare revisions as required and upon annual receipt of funding allocations for the project
- Provide expert advice on telecommunication/ICT network plans, enterprise architecture, IT systems relevant to the project.
- Develop Request for Proposals (RFPs) for information systems and application, supports its procurement and deployment in a timely manner.
- Provide advice and encourage digital services deployment and uptake in agriculture.
- Build partnerships with public and private sector to enhance the uptake and delivery of ICT services.
- Prepare progress reports and any other reports as required regarding the Project's activities.
- Draft a report on the assessment of the results of the project activities and evaluation of their impact at the regional level.
- Perform any other related duties that could be assigned to him/her by the Regional Director.

Qualifications/Experience:

Education:

Advanced university degree in business administration, international development, engineering, programme/project management, or any relevant area of study to support knowledge in programme/project management or a related field OR education in a reputed college of advanced education with a diploma of equivalent standard to that of an advanced university degree in one of the fields above. For internal candidates, a first university degree in one of the fields above in combination with seven years of qualifying experience may be accepted in lieu of an advanced university degree for promotion or rotation purposes.

Experience:

At least five years of progressively responsible experience in managing projects/programmes in the context of international development, including at least two at the international level. A Doctorate in a related field can be considered as a substitute for two years of working experience

Languages:

For the position advertised, fluency in English (Level C) is required. A working knowledge of Tok Pisin would be an advantage.

Duty Station:

Wewak, Papua New Guinea.

Duration: 48 months. Initial one year contract, renewable subject to performance.

National experts and support staff (FAO)⁵¹

Cocoa Production Specialist: Under the direct supervision of the international cocoa expert, ensure technical soundness and timeliness of activities in his/her field of competencies in the design,

⁵¹ All positions are full-time. Detailed TORs to be developed by the PIMU/UN Agencies at startup.



planning, supervision of the implementation and monitoring cocoa related activities and effective outreach to local agripreneurs.

Vanilla Production Specialist: Under the direct supervision of the international vanilla expert, ensure technical soundness and timeliness of activities in his/her field of competencies in the design, planning, supervision of the implementation and monitoring vanilla related activities and effective outreach to local agripreneurs and private sector.

Fisheries Value Chain Specialist: Under the direct supervision of the international fisheries expert, ensure technical soundness and timeliness of activities in his field of competencies in the design, planning, supervision of the implementation and monitoring fisheries (aquaculture, riverine and in-reef) related activities.

Renewable Energy/Solar Specialist: Under the direct supervision of the international expert, ensure technical soundness and timeliness of activities in his field of competencies in the design, planning, supervision of the implementation and monitoring of renewable energy related activities including energy efficient stoves.

IT Specialist: Under the direct supervision of the project coordinator, ensure technical soundness and timeliness of activities in his field of competencies in the design, planning, supervision of the implementation and monitoring of IT and ICT related activities in support of the project team and its outreach to communities.

VC/SME Development Officer: Under the direct supervision of the international expert, ensure technical soundness and timeliness of activities in his/her field of competencies in the design, planning, supervision of the implementation and monitoring of value chains and enterprise related activities in support of the project team and its outreach to communities.

Reporting & Communication Officer: Contribute to compile, write, edit and review progress, interim and final reports using relevant background information from the field, liaising with project staff as appropriate, ensuring quality and consistency of the products. Develop and produce communication products to showcase EU support and including but not limited to key messages, briefs, brochures, talking points, success stories and presentations; also by travelling to affected areas, as necessary, to ensure collection/production of stories, interviews, photos and videos as per the Programme Visibility and Communications Plan.

Security Officer: Support the principle of 'No programme without security'. Support the monitoring of the security environment and provide timely and accurate security information/advice and recommendations to ensure continuing compliance with the United Nations security policies, practices and procedures and ensures their implementation. Coordinates all security related issues at FAO/UNDSS office with the aim to protect personnel, premises, assets and operations.

Office Assistants for all the above officers (3): to provide assistance in the efficient support with secretarial and organizations support for programme operations.

National Operations Officers (2): Under administrative supervision of the FAO Programme Officer in Papua New Guinea and under the direct supervision of the International Operations Officer, the National Operations Officer will be in charge of the coordination and operational assistance based on the knowledge of the local conditions, culture, language and institutions in PNG. The incumbent will ensure the smooth functioning of projects operations, consistent service delivery, and continuous evaluation and readjustment /improvement of the operational environment.



M&E expert: monitor progress/status of planned Programme activities against work plans and the results framework (logframe) and identify activities/areas requiring follow-up and timely alert the management in case of significant deviation from the expected outputs and outcomes.

Administrative Assistant: Maintain detailed records of budget estimates, obligations and available balances; record receipts and disbursements (ledgers, cash books, vouchers, etc.); supports HR process and maintain a filing system of administrative and financial documents documentation for technical and operational clearances;

Women Trainers (4): Under the direct supervision of the project coordinator, ensure technical soundness and timeliness of activities in her/his field of competencies in the design, planning, supervision of the implementation and monitoring of activities in support of the project team and its outreach to women and youth in particular and more broadly to communities to ensure their active participation and benefit from the programme.

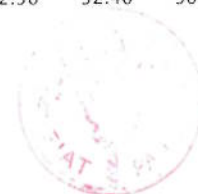
Logistics Officer: supports the planning, management and monitoring of the in-country logistics operations of the FAO country office related to the acquisition and management of distribution of agricultural inputs : planning and follow up of the supply chain, preparatory activities at warehouses; the shipping arrangements, custom clearance; delivery to warehouses; reception and pre-positioning of supplies; storage and distributions to beneficiaries.

Drivers (4): Assigned for the daily work of driving a range of project vehicles.



Appendix VI: Main socio-economic indicators

	2014 ^a	2015 ^a	2016 ^a	2017 ^a	2018 ^b	2019 ^c	2020 ^c
GDP							
Nominal GDP (US\$ m)	18,069 ^b	19,172 ^b	18,023 ^b	19,706 ^b	19,645	19,871	20,406
Nominal GDP (Kina m)	44,476 ^b	53,077 ^b	56,466 ^b	62,837 ^b	64,418	67,208	71,035
Real GDP growth (%)	7.6 ^b	6.8 ^b	2.5 ^b	2.8 ^b	0.3	3.4	3.2
Expenditure on GDP (% real change)							
Private consumption	-5.0 ^b	-3.5 ^b	1.5 ^b	4.0 ^b	1.2	2.5	3.0
Government consumption	7.0 ^b	1.8 ^b	-3.0 ^b	3.0 ^b	3.5	2.5	2.0
Gross fixed investment	-25.0 ^b	-14.0 ^b	-7.0 ^b	2.0 ^b	2.8	4.2	8.0
Exports of goods & services	31.0 ^b	20.0 ^b	4.5 ^b	2.5 ^b	-1.5	3.8	3.5
Imports of goods & services	-10.0 ^b	-6.0 ^b	-2.5 ^b	3.8 ^b	1.8	2.5	4.2
Origin of GDP (% real change)							
Agriculture	3.0 ^b	-6.5 ^b	-2.5 ^b	6.0 ^b	2.0	3.5	3.3
Industry	10.5 ^b	11.4 ^b	1.7 ^b	3.3 ^b	1.3	3.7	4.8
Services	7.8 ^b	8.5 ^b	3.7 ^b	2.0 ^b	-0.3	3.2	2.6
Population and income							
Population (m)	7.8	7.9	8.1	8.3	8.4 ^a	8.6	8.8
GDP per head (US\$ at PPP)	3,062 ^b	3,784 ^b	3,888 ^b	4,029 ^b	4,037	4,161	4,299
Fiscal indicators (% of GDP)							
Central government budget revenue	25.9 ^b	20.7 ^b	18.6 ^b	18.3 ^b	18.6	18.4	18.9
Central government budget expenditure	32.6 ^b	25.4 ^b	24.0 ^b	21.2 ^b	22.3	22.1	22.5
Central government budget balance	-6.7 ^b	-4.8 ^b	-5.5 ^b	-2.9 ^b	-3.6	-3.7	-3.7
Public debt	33.0 ^b	33.9 ^b	38.9 ^b	37.5 ^b	38.6	39.3	39.6
Prices and financial indicators							
Exchange rate Kina:US\$ (end-period)	2.59	3.01	3.17	3.23	3.37	3.39	3.56
Exchange rate ¥:Kina (end-period)	46.20	39.99	36.79	34.88	32.58	32.40	30.21



Consumer prices (end-period; %)	6.7	6.3	6.6	4.7	4.7	4.3	4.1
Stock of money M1 (end period; % change)	11.6	10.5	8.0	9.0 ^a	7.5	7.5	8.0
Stock of money M2 (end-period; % change)	3.4	8.0	10.9	-0.9	9.0	9.0	10.0
Lending interest rate (av; %)	9.4	8.7	8.4	8.4	8.7	8.8	8.8
Current account (US\$ m)							
Trade balance	4,750	6,004	6,125	6,980	5,743	5,535	5,548
Goods: exports fob	8,758	8,424	8,202	9,956	8,621	8,746	8,935
Goods: imports fob	-4,008	-2,420	-2,077	-2,977	-2,878	-3,211	-3,387
Services balance	-2,077	-1,187	-948	-1,232	-1,230	-1,020	-1,057
Primary income balance	-402	-389	-230	-443	-457	-465	-474
Secondary income balance	-340	-257	-87	-178	-86	-108	-133
Current-account balance	1,932	4,171	4,860	5,127	3,970	3,942	3,884
External debt (US\$ m)							
Debt stock	20,429	20,494	19,173	17,367	17,448	17,723	17,911
Debt service paid	1,169	1,099	3,320	2,787	2,979	2,687	2,505
Principal repayments	822	519	2,662	2,111	2,358	2,236	2,153
Interest	347	581	658	676	621	451	352
International reserves (US\$ m)							
Total international reserves (end-period)	2,305	1,738	1,656	1,735	2,215	1,860	1,711

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Source: IMF, International Financial Statistics.



Appendix VII – Methodology for sustainable value chain development and inclusive business models

The SFVC framework integrates two concepts that have become popular in development thinking and practice over the last decade: sustainability and value chains (VCs). This section briefly summarizes the main elements of the framework. More details can be found in FAO (2014) publication "[Developing sustainable food value chains: Guiding Principles](http://www.fao.org/3/a-i3953e.pdf)"⁵²

Defining the sustainable food value chain (SFVC) concept

A *food value chain* consists of all the stakeholders that participate in the coordinated production and value adding activities that are needed to make food products.

A *sustainable food value chain*, then, is a food value chain that: (i) is profitable throughout (economic sustainability); (ii) has broad-based benefits for society (social sustainability) and (iii) shows a positive or neutral impact on the natural environment (environmental sustainability).

The Concept of Value-Added

In the SFVC framework value-added refers to the difference between the non-labor cost of producing food and the consumer's willingness to pay for it, adjusted for externalities. This means that value-added is best understood by looking at the way it is captured by various stakeholders, profits, wages, taxes, consumer surpluses and externalities. Externalities can be positive or negative. For example, a food processor may pollute a river that affects the income of fisher-folk, or built a road to its plant that benefits the rural communities living alongside of it.

The Concept of Sustainability

In SFVC development, a holistic triple bottom line approach is followed, in which there are three main dimensions to sustainability: economic, social, and environmental. For the economic dimension, a VC is considered sustainable if the activities required to be conducted by each VC stakeholder are commercially viable or fiscally viable (for public services). For the social dimension, sustainability refers to socially and culturally acceptable outcomes in terms of the distribution of the benefits and costs associated with the increased value creation. For the environmental dimension, sustainability is determined by the ability of VC actors to show a neutral or positive impact on the natural environment from their activities.

The Sustainable Food Value Chain Development (SFVCD) Framework

The SFVC development framework considers the VC as the core of a system consisting of complex economic, social and natural environments which determine the behaviour and performance of farms and other agri-food enterprises.

Essentially, the SFVC framework upholds market-based solutions that start from market opportunities: value (including any associated externalities) is determined by the consumers' choice of which food items to purchase on national or international markets. Furthermore, it emphasizes a multi-layer, multi-stakeholder approach to problem solving. Instead of direct project delivery, SFVC development practitioners assume a facilitating role and support local stakeholder linkages.

SFVC development requires systemic analyses at three inter-connected levels: the core value chain (composed of VC actors who produce or procure products from the upstream level, add value to the product and then sell it on to the next level), the extended value chain (providers of inputs, finances,

⁵² <http://www.fao.org/3/a-i3953e.pdf>



and other services that support the activities of VC core actors; these support providers do not take ownership of the product, but play an essential role in facilitating the value-creation process), and the broader enabling environment (societal elements such as policies and regulations, socio-cultural norms, infrastructures, and organizations, natural elements such as soil, water, biodiversity, climate and so on).

VC actors are linked to each other and to their wider environment through a governance structure. There are horizontal linkages between actors at particular stages in the chain, for example farmers organizing themselves into groups or cooperatives; and vertical linkages within the overall chains, for example farmers providing their produce to food companies through contracts.

By analysing the linkages between actors across five stages of the core value chain (production, aggregation, processing, distribution and consumption), their business development service providers, and how their capacities and incentives altogether are influenced by the enabling environment, the SFVC framework aims to uncover the root causes of value chain underperformance. These analyses also identify the areas of greatest potential for improving value chain performance (upgrading) and the most effective solution, which may be located at some distance from the observed problem. Likewise, it calls for integrated interventions along the three aforementioned levels, rather than at each level separately. Hence the project will build upon the past work and existing VC4D studies implemented by the EU in Cocoa and Vanilla in PNG.

Purely supply driven development approaches have shown little success. A combined production-marketing system, based on private sector based buyers of small farmer produce and agro-processors, could address most of these constraints and improve international competitiveness. Promising models are based on aggregation by private sector actors, who purchase from small-scale producers and give them a market for their produce.

Apart from aggregating, storing, and marketing produce, these buyers can add value to certain products through basic activities such as improved curing, drying, smoking, fermentation and packaging and can potentially offer support and services for producers (improved planting material, , technical advice). Some producer organizations in Papua New Guinea could possibly act as buyers and should be supported to do so, but they cannot succeed alone. Improving the quality and certification of the higher value products such as Vanilla will also be essential to ensure not only market access but also increased returns and long term market position.

Entrepreneurs—traders, wholesalers, or even larger farmers—need to step in and assume the required organizational and aggregation roles. Agro-processors can adopt the same model, in which smallholder farmers produce in accordance with a plan agreed with the processor and embodied in a written contract. This becomes even more complex when the final market is outside Papua New Guinea. The final aggregation and exporting of produce and also processed foods is likely more efficient when handled by professional private sector companies.



Part II The FAO Inclusive Business Model approach

IBM focusses on the “driver” of the business model. This could be private sector aggregator, a farmer group or a support service provider (or intermediary). It has been widely applied in earlier trust fund funded projects in Africa and the Caribbean, including projects funded by the EU.

Inclusive Business models (IBM) for small farmers and processors: One of the more innovative features of the project is the support that will be provided for developing business models that are inclusive of small farmers and processors. Through developing of “inclusive business models” and complementary farmer and processor capacity building, the project will ensure that the support provided for food systems development leads to benefits for smaller scale farmers and processors, rather than leads to their marginalization. Because the actions to support development of inclusive business models are similar to but not the same as value chains development.

Rationale: Small farmers and processors are tied to markets and agro-industries through business linkages. There are many models of business linkages, some driven by producers, some by buyers and some supported by intermediaries including NGOs. The nature of the business model critically impacts on how value is created, captured or shared by farmers, SMEs and other chain actors. It is therefore important to establish inclusive, equitable and sustainable business models for farmers and SMEs. Moreover, a strong farmer-buyer relationship is the foundation on which commercially viable business models can be developed to supply food products that meet customers’ requirements in terms of quantity, quality and price.

Overview of the Approach: The output of inclusive business models will focus on facilitating improvements in the business and operational processes between the farmer and their agribusiness buyers in order to improve the efficiency of their joint business model and responsiveness to their downstream customers. These business models and actions needed to improve or upgrade performance of the models are therefore context, business and farmer group specific.

The development of inclusive business models starts with informal consultations, undertaken to identify entrepreneurs (firms or commercially oriented cooperatives) that have a good sense of their markets and are convinced that they could tap excess demand if they can develop supply channels with smaller scale suppliers. The consultations also serve to identify circumstances in which the suppliers might be assisted in value addition innovation and/or enterprise diversification so that their intensified involvement in a specific food chain is unlikely to undermine their livelihoods security.

When promising circumstances are identified, the next step is to provide a small contract for the partner (the firm or cooperative), or a facilitating business service organization, working in partnership with the representatives of the suppliers to undertake set of diagnostic and planning exercises. This will lead to clear identification of the business model and a “business proposition” to improve the supplier-buyer relationship in such a way that the profitability and sustainability of the joint business models is enhanced.

As to the types of activities that might be supported in one or two follow up “mini” contracts, the principle to be followed is that the project might provide support for business software (planning, consultation, training, facilitation, negotiation, exchange visits, advocacy, conflict resolution) but – in most cases – for not hardware (inputs, equipment, money). Since the dividing line is not always so clear in practice, an illustrative checklist of potential areas of support that might or might not be acceptable for eventual support will be provided to the project team and potential partners to provide guidance and help ensure that there are not unrealistic expectations about unsustainable project financial support.



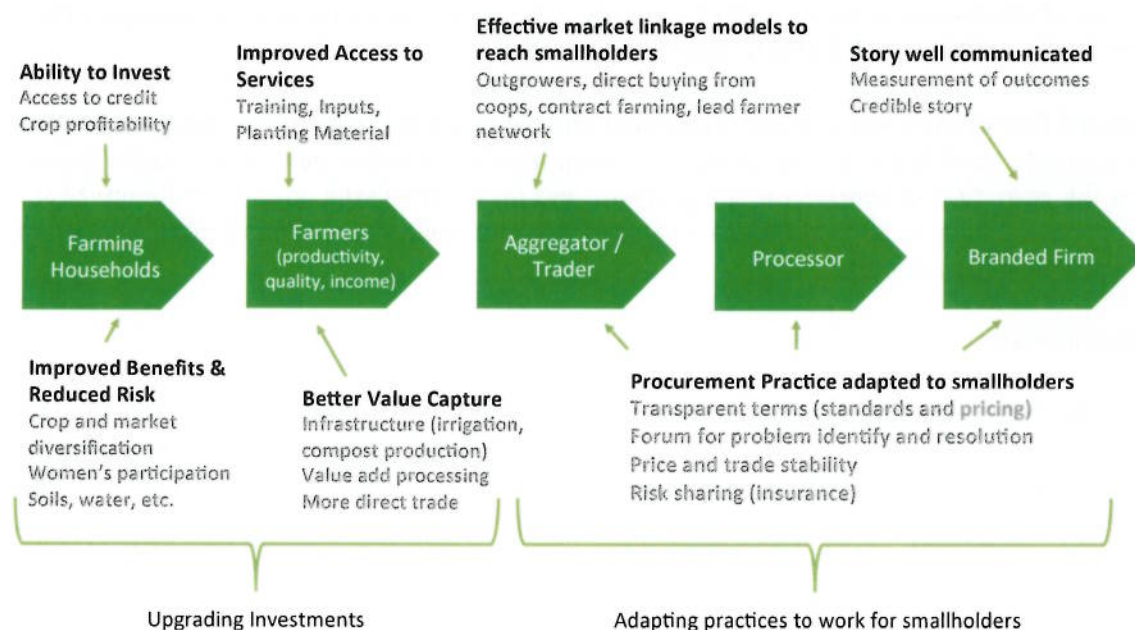
Motivations for Business Models Development: Business models cannot be developed for all producers and buyers in all parts of the country. There are nevertheless three main reasons for provision of support for inclusive business models development in the context of a broader food systems development project. These include the following:

- desire and need to demonstrate benefits for specific populations in specific locations;
- finding from many case studies that building sound and reliable supplier-buyer relationships is critical to inclusive food chains and food systems development;
- belief that building back from business is in many cases a more sound strategy than building supply and then looking for business outlets.

Development of inclusive business models is an important, focused activity that contributes to food chains development, but it is distinct in approach and in purpose. Food chains development appraises and addresses inter-organizational links and relationships along entire chains that are necessary to deliver a product to the consumer. In most applications, food or value chains work in developing countries has been undertaken to provide public and private planners and decision makers with information on the critical points that are instrumental in creating value along a food chain and guidance on public-private collaborative efforts that can help improve competitiveness in the chain. Governments and donors also use value chains analysis to examine constraints in the enabling environment.

While food chains development takes a macro perspective of a single entire chain, the inclusive business models approach focuses on addressing the specific constraints that affect producer-buyer relations, constraints that often lead business partners away from working with small farmers and processors. The inclusive business models approach has promise as an area of public sector services provision because transaction and implementation costs are lower compared with full value chains analysis and development, and scarce resources can be focused on circumstances where there are high likelihoods of quick gains for farmers and their buyers (so called, “low lying fruit”).

Figure: Typical Inclusive Business Model Investment Areas:



Source: FAO, 2014



Appendix VIII – Economic and Financial Analysis

Project rationale, costs and benefits

The Government of PNG has identified a number of strategic sectors for investment and promotion including Cocoa (Cocoa Strategy, 2017), Vanilla (East Sepik Provincial Integrated Development Plan, 2018-2028) and Fisheries. This project was prepared in response to the Government strategies as well as the Agriculture Sector Development Plan. It was further enriched by a variety of Value Chain studies prepared by the EU under the Value Chains for Development Project, implemented by a consortium engaged by the EU and organized under the EU Delegation in Port Moresby. These included a Cocoa Value Chain and draft Vanilla study which were finalized and shared by the EU in March 2019.

Based on these reports, the project preparation team has undertaken three missions to the project area in the Sepiks in May 2018, February 2019 and April 2019 to develop and review specific enterprise-focused investments and models to analyse the viability of investments in these respective value chains. This included in-depth consultations with a number of enterprises, traders and MSME's as well as individual farmers and farmer groups. A more detailed study by the VC4D facility of Fisheries may be carried out in 2019/20.

Farmers in the Sepiks grow a wide range of vegetables, tubers and cash crops which are consumed fresh or are processed into diverse industrial inputs and products. Cocoa and Vanilla are key export crops with well-established capacity in production and linkages with multinational companies for marketing in local market towns such as Maprik, also known as the "Vanilla capital" in the province.

The expected flow of benefits from selected investment sub-projects (individual, group and integrated investment plans) results from: (i) increased production and productivity through improved knowledge and technologies (e.g. higher volumes, improved quality, reduced losses, improvements in efficiency of input use); and (ii) better knowledge of markets and product quality at producer and MSME level to access and negotiate markets and reduce price risks, based on the possibility to invest in improved production inputs, post-harvest, processing and possibly packaging facilities. All of these likely benefits would contribute to a sustainable increase in net family incomes for all the farmers involved in EU STREIT investment sub-projects.

The expected flow of costs are: (i) initial investment costs in small and large sub-projects investments (including grants, contributions and possible development/commercial bank loans; costs directly linked to the operation of investment sub-projects; and (ii) other related costs from Component 1 and Component 2 that would provide enabling conditions for sustainable value chain development, market access and food safety).

Illustrative Models

Based on the Detailed Design Missions carried out by FAO in collaboration with DAL in 2017, 2018 and 2019, a set of illustrative models was agreed and jointly developed to provide indicative economic and financial returns from investments in the Value Chains supported by the project. This includes both individual and group investments as presented in Tables A and B.



Table A. Description of financial models – Cocoa and Vanilla

Category and model	Type of investment	Sub-project rationale
Cocoa Production	Individual level investment	<p>Situation without project: CPD, low yields, poor quality and variable prices.</p> <p>Situation with the project: Budwood garden and nursery seedling production - increased production, productivity and prices (quality) with good Cocoa block management practices.</p> <p>Main investments: Provision of improved Cocoa seedlings, improved management (capacity development), improved drying facilities and technologies.</p>
Cocoa Fermentary	Enterprise level investment, including individual level investments.	<p>Situation without project: Wood based drying of Cocoa, smoke taint resulting in lower prices per unit for producers.</p> <p>Situation with the project: Agro-processor, in alliance with a group of producers, consolidates production and adds value to the product through drying and packing for domestic and international markets.</p> <p>Main investments: Equipment and improved and more energy efficient renewable technology and facilities to control the proper drying of Cocoa.</p>
Vanilla Production	Individual level investment.	<p>Situation without project: Low yields, poor varieties and low quality vine management.</p> <p>Situation with the Project: Increased production, productivity and bean quality.</p> <p>Main investments: Provision of improved varieties, improved pollination practise and techniques, improved vine management.</p>
Vanilla Processing	Enterprise/Individual level investment.	<p>Situation without project: Variable quality, limited market access and limited market information.</p> <p>Situation with the project: Controlled curing/drying, increased quality, improved market access and market information.</p> <p>Main investments: Provision of improved varieties, capacity development in improved production and curing techniques, improved Market information systems.</p>



Appendix IX Simplified Cost Options applied by FAO – staff costs and office costs under contribution agreements.

1. Description of staff cost accounting at FAO, prepared in accordance with EC guidance on simplified cost options for such expenditure under Contribution Agreements

Background

FAO applies the UN Common System of entitlements i.e. salaries, allowance and benefits, for all staff, irrespective of funding source. It should be noted that the effect of this is that, since rates of pay and of allowance and benefits are set centrally for the entire UN, they are not under the control of the Organization. It should also be noted that their accountable cost in USD is also largely outside the Organization's control e.g. the US Dollar cost of project staff salaries will vary in some degree, often in large degree, with the movement of the exchange rate of country of the duty station against the US Dollar. Unit staff costs charged are thus likely to change, sometimes very considerably, over the course of a project.

Staff costs – recurrent and non-recurrent elements

Staff costs may broadly be classified as arising in one of two ways:

- From so-called 'recurrent' pay elements, processed through the monthly payroll: salary, mobility and hardship allowance, rental subsidy etc., as detailed on the monthly pay status and payable to the staff member; and medical insurance and pension fund contributions made by FAO
- From 'non-recurrent' pay elements, processed either as other staff entitlements are paid, usually outside the monthly payroll, or as such entitlements are earned through qualifying service. Installation allowance on re-location and education grant payments for eligible children are examples of the former; charges to fund the eventual payment of repatriation grants to separating staff on their return to their home country or to fund FAO's obligation to contribute to the eventual after-service medical costs of qualifying retired staff, are examples of the latter.

Note: a 'non-recurrent' pay element might in fact be paid through the monthly payroll, e.g. children allowances, but this does not change the accounting treatment described above.

FAO accounts for staff costs chargeable to projects in two ways, both to be considered simplified cost options under Contribution Agreements, as follows.

- As standard unit staff costs, applicable for staff employed under its core budget or **Regular Programme (RP)**, funded from assessed contributions of its members;
- As modified standard unit staff costs, applicable for staff on projects funded by voluntary funds from donors - so-called **Extra-Budgetary Funds (EB)**, comprising Trust Funds and UNDP funds.

Regular Programme (RP) – Standard Cost Accounting

Staff employed under the Regular Programme (RP) may also do work for EU (or other EB) projects, whether through a period of assignment or for provision of technical support service (TSS - chargeable at daily rates) based on the RP standard staff costs. Accordingly, this method of staff cost accounting is also being presented for EC certification – see note on this below. These standard staff costs are derived as follows.

The budget for Regular Programme staff costs and related charges are based on average total staff costs by grade and major location for the biennium concerned. Accordingly, all costs and charges arising for RP staff, whether from the monthly payroll recurrent pay elements or non-recurrent pay elements, are charged to the designated 'Staff Cost Variance (SCV) Account' for the grade and location. With each month's payroll, the standard unit staff costs (as set during budget preparation



for the biennium in course) are **charged** to the budgets of RP units and **credited** to the appropriate SCV account. Differences on SCV accounts at period end between total costs and credits, are distributed in proportion to total payroll charges made throughout the period.

Extra-Budgetary Funds (EB) – Modified Standard Cost Accounting

Staff cost budgets and related charges for projects funded from extra-budgetary (also called donor funds or voluntary contributions), are based on:

- Actual recurrent' payroll costs, as reflected in monthly salary payments and FAO monthly contributions towards social security schemes viz. Pension Fund and medical insurance scheme
- A percentage 'uplift' calculated on the basis of the amount needed to cover the balance of costs outstanding on the Cost Collection/ Staff Cost Variance (SCV) Account, to which the cost of all 'non-recurrent' staff entitlements is charged. The percentage so calculated is applied each month to each 'recurrent' element of monthly payroll processing. (As mentioned above, some 'non-recurrent' pay elements e.g. child allowances, are paid through the monthly payroll but their cost is included in the 'uplift' calculation).

Just as for the RP, differences at year-end between total costs so charged and recoveries from the standard unit staff costs charged through the monthly payroll and credited to the SCV, are distributed in proportion to total charges made throughout the year.

Preparation of staff costs estimates for inclusion in project budget

Amounts budgeted for project staff inevitably reflect experience of average staff costs: details of prospective actual costs could be known only after staff recruitment or assignment, not at the time of project and budget formulation. Estimating and charging staff costs on the simplified bases used by FAO provide greater certainty and lead to lower levels of budget variance than would the charging of all costs at actual.

Certification of FAO's simplified staff cost accounting methods

Comprehensive documentation of FAO's methods of simplified staff cost accounting was prepared for purposes of review and certification under the provisions of the Contribution Agreement and Commission Decision C (2016) 3631 dated 16.6.2016. In this regard it should be noted that DEVCO have signalled acceptance of FAO's use of simplified staff costing practices under pre-PAGoDA agreements, subject to their consistent and equitable application (Note from Mr Sarazin, R.3 dated 21/11/2016). It is accordingly to be expected that certification of the same methods, to be applied for projects under Contribution agreements, will be duly forthcoming later this year.

It should be noted that if there were eventually to be modifications to FAO's simplified staff cost accounting in connection with the certification process, these would be duly taken into account for projects affected. In this regard, FAO recognizes that reimbursement of such costs (as distinct from their pre-financing), would be based on simplified staff cost accounting as eventually certified.

2. Simplified cost options for FAO office costs: description prepared in accordance with EC guidance for use in preparing estimates and charging such costs under Contribution Agreements

Accounting for FAO office costs, usually applicable to projects in the field, will typically reflect a mix of actual charges for costs wholly incurred for the project concerned and charges on account of shared office costs. Under the provisions of the Contribution Agreement and related guidance, in particular Commission Decision C (2016) 3634 dated 16.6.2016, allocations of shared or common office costs is acceptable under stated conditions, essentially designed to ensure that such allocations are equitable and applied in a consistent manner.



The degree in which office costs may be directly or wholly incurred for a project or subject to allocation, will vary largely according to local arrangements, though there are certain standard elements. One such is the so-called Improved Cost Recovery Uplift (ICRU), applicable to projects since 2014.

Under ICRU, percentage rates are applied to the cost of project staff and consultants, to cover the cost of Information Technology Services provided and of the cost of Headquarters-administered Security Services applicable to field offices. These percentage charges are calculated to recover all the related costs actually incurred to provide the services in question, with Regional variation in the case of Security Service costs. The costs incurred and credits arising from the percentage charges made each month are recorded in separate accounts. Those accounts are subject to periodic review and re-assessment of the level of the percentage charges needed to cover the underlying costs incurred.

It should be noted that, while ICRU costs are calculated on the basis of the related staff and consultant costs, they are in nature general operating expenses (GOE) and should be budgeted accordingly.

In the present case, the estimated cost of office consumables has been based on the proportion of office staff months estimated to be attributable to the project. Changes in attributable staff numbers during the life of the project, might alter the actual costs allocated, though that would depend on actual unit consumption of the consumables concerned. In this regard it is to be borne in mind that the purpose of simplified cost options is to reduce transaction costs. For expenditure of relatively modest amount allocated on a basis that is considered reasonable, it would be counter-productive to seek a high level of precision.

