



*Atoms for Peace*

الوكالة الدولية للطاقة الذرية

国际原子能机构

International Atomic Energy Agency

Agence internationale de l'énergie atomique

Международное агентство по атомной энергии

Organismo Internacional de Energía Atómica

Vienna International Centre, PO Box 100, 1400 Vienna, Austria

Phone: (+43 1) 2600 • Fax: (+43 1) 26007

Email: [Official.Mail@iaea.org](mailto:Official.Mail@iaea.org) • Internet: <http://www.iaea.org>

In reply please refer to: N3.11

Dial directly to extension: (+43-1) 2600-26207

2013/Note 14

## NOTE BY THE SECRETARIAT

### **Revised Policy on the Application of Programme Support Cost (PSC) Charges on Extrabudgetary Contributions**

Attached herewith for information of Member States is the text of the revised Policy on the Application of Programme Support Cost (PSC) Charges on Extrabudgetary Contributions, which became effective as of 7 January 2013. A summary of the changes from the original Policy (**2009/Note 32**) is also attached for ease of reference.

The revised Policy sets out the rules and procedures governing the charging of PSCs, the PSC rates and the utilization of PSC income.



13 March 2013

Attachments: Annexes I and II.

To all Member States



## **Revised Policy on the Application of Programme Support Cost Charges on Extrabudgetary Contributions**

### **Introduction**

1. Programme Support Costs (PSC) are variable costs of an indirect nature incurred by the organization in support of its activities, projects and programmes. Typically, they are the costs of performing support functions in management and support service areas in the Departments of Management and Technical Cooperation (dealing with, for example, human resources, procurement, finance, and IT).

2. In keeping with a recommendation from the External Auditor, the Secretariat implemented a PSC policy in February 2009, whereby extrabudgetary contributions are charged with PSC in line with the operative paragraphs below. However, if adequate programme support is not provided by the donor, the extrabudgetary contribution may be referred by the Director General to the Board for a decision regarding its acceptance, in accordance with General Conference resolution [GC\(45\)/RES/9](#).

3. The initial PSC policy foresaw a periodic review of the policy, beginning in 2011. This review was performed by the Office of Internal Oversight Services (OIOS) and a final report was issued in March 2012. The OIOS report provided a basis for this policy revision.

4. A summary of the changes to the original policy is included in Annex II.

### **Operative Paragraphs**

#### *Applicability*

5. PSC will be charged in the case of extrabudgetary contributions made to the Regular Programme (RP-EB), the Technical Cooperation Programme (TCP-EB), and Trusts and Special Funds.

6. PSC will not be charged in the case of contributions to the Technical Cooperation Fund (TCF)<sup>1</sup>, extrabudgetary contributions of €10 000 or less, and ‘in-kind’ contributions.

7. Costs incurred in the technical Departments for programme management and technical and administrative support incurred for extrabudgetary activities will normally be charged as a direct cost<sup>2</sup> to the extrabudgetary project, not as PSC.

---

<sup>1</sup> The management of the TCF is already fully provided for in the Regular Budget through Major Programme 6, Management of Technical Cooperation for Development.

<sup>2</sup> Direct costs are incurred for, and can be traced in full to, an organization’s activities, projects in fulfilment of its mandate. Included are costs of project personnel, equipment, project premises, travel and any other inputs necessary to achieve the results and objectives set out in programmes and projects (CEB/2005/HLCM/R.22).

### *PSC Sub-Fund*

8. A 'Programme Support Cost Sub-Fund' (PSC Sub-Fund) was established under the Extrabudgetary Programme Fund to record all income and expenditures related to PSC in accordance with Financial Regulation 8.03.

### *PSC Rates*

9. A standard PSC rate of 7% — the rate determined by the Agency's cost measurement study for variable indirect costs — will apply unless otherwise specified in paragraphs 10–11 below.

10. In the case of extrabudgetary contributions to the TCP-EB by a donor to support activities in its own country (commonly referred to as 'government cost sharing'), if the contribution is exclusively or primarily for the procurement of equipment, a PSC rate of 3% will apply. Other government cost sharing contributions will not be subject to PSC.

11. The Director General may authorize, exceptionally, the acceptance of PSC rates lower than those specified in paragraphs 9–10 above, provided that the associated variable indirect costs of programme management and support for the particular extrabudgetary activities are fully recovered. The Director General may delegate this responsibility to the Deputy Director General, Head of the Department of Management (DDG-MT),

### *Allocation and utilization of PSC income*

12. PSC income will be allocated to the management and support service areas on the basis of the estimated relative work performed in support of extrabudgetary programme activities.

13. PSC allotments will be issued annually, on a prospective basis, considering PSC to be earned for the forthcoming year and taking into account the PSC Sub-Fund balance.

14. Supplementary allotments may be exceptionally issued during the year to reflect higher than anticipated actual PSC earned on direct project costs.

15. The annual allotment will be authorized by the Director General, who may delegate this responsibility to DDG-MT.

16. In general, PSC income will be utilized for expenses necessary to augment the Agency's management and support capacity.

### *Roles and responsibilities within the Secretariat*

17. Departments soliciting extrabudgetary resources should make every effort to ensure that provision for PSC is included in all contribution agreements with donors.

18. Departments responsible for preparing extrabudgetary project documents should ensure that the budgets reflect PSC as a separate line item in addition to line items for direct costs for technical and administrative support.

19. The Division of Budget and Finance will monitor the adequacy of the balance of the PSC Sub-Fund.

*PSC Monitoring and Reporting*

20. Regular PSC implementation reports to Member States will summarize the activities of each PSC recipient area in support of extrabudgetary projects.

*Evaluation of the policy*

21. This policy will be evaluated regularly and modifications may be made as appropriate.

22. This 2013/Note 14 supersedes the PSC Policy included in 2009/Note 32, and is effective as of 7 January 2013.



## Summary of key changes from 2009/Note32 incorporated into the revised Policy

<b>Paragraph 11</b>	The previously listed reasons for use of a lower PSC rate are eliminated to avoid: (a) the implication that these are the only possible reasons; and (b) the impression that the items listed automatically result in lower applicable PSC rates.
<b>Paragraph 12</b>	The definition of support areas in receipt of PSC has been broadened to ensure that all management and support service areas that incur indirect costs are eligible to receive a share of the annual PSC distribution.
<b>Paragraph 13</b>	Allotments will henceforth be made on a prospective basis, considering estimated PSC to be earned for the forthcoming year. This approach allows for the implementation of a more timely allotment of PSC, by which PSC is allotted during the same period when the activities requiring support are expected to occur.
<b>Paragraph 15</b>	Text was added to indicate responsibility related to authorization of the PSC allotments.
<b>Paragraph 16</b>	The definition of the nature of expenses funded by PSC has been expanded and will no longer be limited only to staff related costs.
<b>Deletion of Para. 11 from 2009/Note 32</b>	A special rate of 12% PSC for the Junior Professional Officers (JPOs) programme is no longer applied, due to the administrative effort required in applying a different rate. Instead, the standard 7% rate will be used for JPOs.
<b>Paragraph 20</b>	More transparency has been added to the policy in relation to the annual PSC implementation reports which will be provided to Member States.