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الغذية والزراعة
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COMMISSION ON PHYTOSANITARY MEASURES

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Sustainable funding for the IPPC work programme (concept and mechanism)
Agenda item 8.4
Prepared by the IPPC Secretariat

I. Rationale

1. The IPPC Secretariat annual budget is approximately USD 5 million and supports the core functions of the Secretariat: Governance & Strategies, Standard Setting, and Implementation Facilitation. This core budget provides staff and operating resources for managing tasks of the IPPC Work Plan¹ including projects on implementation facilitation, standard setting activities, and governance & strategies that includes the Commission on Phytosanitary Measures (CPM), the Standards Committee (SC), the Implementation and Capacity Development Committee (IC) and other activities.
2. Out of the total annual budget, USD 2.95 million is received from the FAO Regular programme, while about USD 2 million is received through contributions from Contracting Parties (CPs) and international organizations. This means that about 60% of funding to the IPPC Secretariat comes from FAO Regular programme, which is fairly sustainable, but leaving about 40% of IPPC Secretariat budget largely dependent on 10-15 donors from the 183 IPPC CPs and other organizations (e.g. STDF, ISF, etc).
3. The continuing unpredictability of 40% of funds is a heavy burden to the smooth operation of the IPPC Secretariat. It is increasingly hard to manage the IPPC Work programme under these circumstances.

¹ <https://www.ippc.int/en/publications/84092/>

4. In 2016, the CPM Bureau saw a clear need to stabilize and provide sustained investment in core operational programs of the IPPC Secretariat and decided to reinstate a decade long discussion on sustainable funding mechanisms for the IPPC Work Programme. Since then, several developments occurred, as explained in the text below.

II. Background

5. In 2016, CPM-11 and the Strategic Planning Group (SPG) were presented with initial proposals on the sustainable funding initiative and both bodies supported the renewed efforts on the initiative.

6. After the proposal was further improved, in April 2017, CPM-12 requested the CPM Bureau and its Financial Committee (FC), as well as the SPG, to develop more detailed provisions for a sustainable funding proposal. It also requested that a progress report on the sustainable funding proposal be presented to CPM-13 (2018). At CPM-12, CPs agreed to seek further development of a mechanism to secure sustainable funding, including a possible “Voluntary Assessed Contribution Agreement” (VACA) system and a “Pay-As-You-Go” system as components of a proposal for sustainable funding to be made at CPM-15 in 2020. It was widely accepted that the final proposal should be adopted as soon as the proposal is satisfactory to CPM.

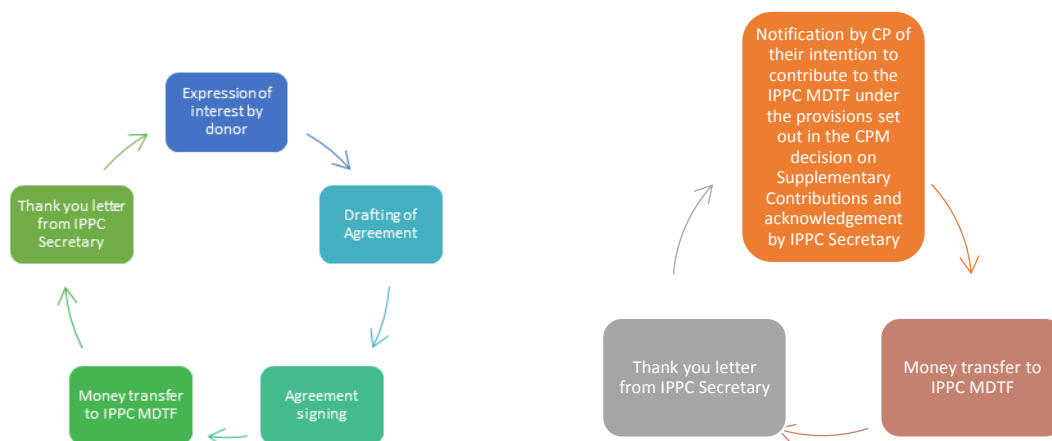
7. Between April and June 2017, the Financial committee (FC) Chair and IPPC Secretariat staff met with the FAO Senior Legal Officer, Ms Marta Pardo, and FAO Senior Finance Officer, Mr David McSherry, to discuss legal and financial aspects and potential improvements of the VACA system. FAO offered to explore an arrangement in which IPPC CPs would not have to sign individual agreements with FAO every time they want to contribute funds to the IPPC Multi-donor Trust Fund (MDTF). Instead, CPM could adopt an overarching agreement for voluntary contributions. In this new scenario, after formally notifying the IPPC Secretary of their intention to contribute to the IPPC MDTF under the provisions set out in the draft CPM decision on Supplementary Contribution Arrangement, CPs would then transfer the funds directly and avoid the long process of signing an agreement with FAO for each new contribution to the IPPC MDTF.

8. In June 2017, the FC and Bureau further discussed improvements to the sustainable funding proposal and decided with advice from the FAO Legal Officer to rename the “Voluntary Assessed Contribution Agreement (VACA) System” to “Supplementary Contribution”, while “Pay-As-You-Go System” was renamed “Project-based funding”. Consequently, it was proposed that the sustainable funding proposal be refocused on the following two options:

- 1) **Supplementary Contributions:** Complements the FAO Regular Programme with a goal to cover IPPC Secretariat staff and operational costs to the level of USD 2 million. It is important to note that “Supplementary contributions” remain strictly voluntary and that agreeing on the mechanism does not imply any financial obligations.
- 2) **Project-based funding:** Funding provided by CPs (or external donors such as STDF) that is tied to a specific project (e.g. Sea Container Task Force), time limited, enacted by a CPM priority with an agreed outcome.

III. Provisions for the Supplementary Contributions

9. Currently, providing contributions to the IPPC MDTF follows the 5 step mechanism depicted below and usually takes around 1 month for the process to be completed. The proposed mechanism aims to simplify the procedure on how contributions are made to the MDTF.



Current mechanism

(1 month – medium administrative effort)

10. CPM-12 requested the CPM Bureau and its FC, as well as the SPG, to develop detailed provisions for such a sustainable funding proposal during 2017.

11. Consequently, the CPM Bureau, FC, IPCC Secretariat and SPG recommended the following approach for CPs to provide Supplementary Contributions through a draft CPM decision on “Supplementary Contribution Arrangement” (Annex I). It should be noted that the SPG, in October 2017, did not support the Adjusted UN Assessment scale for Supplementary Contribution. It could be used as a source of reference to better facilitate CPs to contribute to the IPCC MDTF. **Contributions to the IPCC MDTF remain voluntary and non-binding.**

Draft CPM decision on “Supplementary Contribution Arrangement” (Annex I)

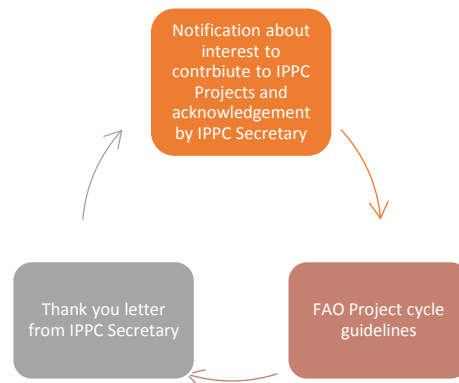
12. The CPM decision on “Supplementary Contribution Arrangement” aims to simplify and eliminate the need for separate agreements between a CP and FAO for each contribution. This is especially important when there is a higher volume of contributions. For example, currently, the IPCC Secretariat is processing around 10 contributions per year. If the new CPM decision is adopted and more CPs express interest to contribute to the IPCC MDTF, it is crucial that the mechanism be simplified to allow higher volume of contributions to be processed within a year. Therefore, it has been proposed that CPM adopts an overarching decision that would include all the necessary provisions that would enable such a mechanism. Under the new mechanism, after notifying the IPCC Secretary about their intention to contribute to the IPCC MDTF, CPs would only then need to process the money transfer. There would be no need for a formal agreement.

IV. Mechanism for the Project-based funding

13. The SPG at its last October meeting recommended that activities of the IPCC Secretariat would continue to be decided by the CPM and not by a single donor. CPM should only adopt projects (project funds) if they are beneficial to all CPs and do not take resources away from core functions of the Secretariat. Although concerns were raised by SPG, the CPM Bureau reiterated that there is a need for project-based funding and that the following criteria needed to be met:

- Funding is linked to a specific project
- Project is time limited
- Project is enacted by a CPM priority

- Funding is directed at outcomes that are unlikely to attract project funds from sources external to the IPPC and its members.



Project based funding mechanism

(3-4 months – high administrative effort)

14. The mechanism for the Project-based funding is defined in detail by the FAO Project cycle rules and procedures. The IPPC Secretariat has developed good expertise in this area and is fully capable of processing new projects. Therefore, Project-based funding does not require any further development or details at this point.

V. Conclusion

15. The IPPC community has another opportunity to make progress towards a permanent funding solution of the IPPC Secretariat. Momentum and understanding that has been built on this topic on one side, and positive trends in the area of advocacy of IPPC activities on the other side, such as the International Year of Plant Health, contribute to the enabling environment where definite solution to IPPC Secretariat financial issues can be found. CPs should seriously consider the benefit of having a stable Secretariat that is fully capable of delivering the CPM work programme in the long run and in a sustainable manner.

16. Simplification of the procedure for supplementary contributions to the IPPC MDTF is one step forward towards a solution on the sustainable funding for the IPPC Secretariat. It will facilitate faster processing of contributions for both CPs and IPPC Secretariat as no formal bilateral agreement between a CP and the IPPC is needed under this approach. The simplified procedure will be particularly useful as more CPs start to contribute to the IPPC MDTF. This simplified approach lays a foundation for a future solution on sustainable funding. It aims to reduce time needed to process a contribution from one month to one day.

17. CPs are strongly encouraged to consider and commit to multi-year contributions using the simplified approach. CPs should also engage in a dialogue at the regional level to discuss the best way to support CPM priorities through the ever-growing work programme.

18. Annex II contains Frequently Asked Questions (FAQ) and answers that were collected at SPG in October 2017.

19. CPM is invited to:

- 1) *Consider* the simplified procedure for IPPC Multi-donor trust fund contributions and note the progress on “improved and detailed sustainable funding mechanism”

- 2) *Adopt* the CPM draft decision on Supplementary Contribution Arrangement (Annex I)
- 3) *Strongly encourage* CPs to continue contributing to the IPPC Multi-donor trust fund and IPPC Projects until permanent funding solution is defined and agreed.

CPM DECISION
ON
SUPPLEMENTARY CONTRIBUTION ARRANGEMENT

THE COMMISSION ON PHYTOSANITARY MEASURES,

Recalling that the Strategic Planning Group of the IPPC agreed on setting up a system that would enable a simplified procedure for Contracting Parties and for the IPPC Secretariat to, respectively, provide and receive voluntary contributions for the project Special International Plant Protection Convention Trust Fund ("the project");

Having considered that by adopting the attached Supplementary Contribution Arrangement, Contracting Parties will no longer need to conclude specific agreements with FAO, on behalf of the IPPC Secretariat, should they wish to provide voluntary contributions to the project;

Endorses the attached Supplementary Contribution Arrangement as appended to this Decision.

SUPPLEMENTARY CONTRIBUTION ARRANGEMENT

As agreed during the 13th Session of the Commission on Phytosanitary Measures (CPM), Contracting Parties to the International Plant Protection Convention (IPPC) may make available, on a grant basis, to the IPPC Secretariat represented by the Food and Agriculture Organization of the United Nations (FAO), contributions to provide support to the project "Special International Plant Protection Convention Trust Fund", ("the project"), as set out in the overall IPPC Secretariat work plan and budget approved by the CPM on an annual basis.

FAO has established a Multiple Donor Trust Fund ("Trust Fund"), MTF/GLO/122/MUL, to administer the contributions and expenditures of the project. The contributions of the Contracting Parties to the IPPC ("the donor") will be paid to the Trust Fund and will be subject to the following conditions:

- 1) FAO will administer and account for the contribution in accordance with FAO's financial regulations and other applicable rules and procedures and practices and keep separate records and accounts for the project, which conform with professionally accepted bookkeeping rules and practices.
- 2) Contributions in currencies other than United States Dollars will be received and recorded based on the United States Dollar value at the UN rate of exchange prevailing on the day of receipt of the contribution.
- 3) The contribution will be used solely for the support to the project as specified in this Arrangement. All financial accounts and statements shall be expressed in United States Dollars or in dollars depending on the currency of the contribution and shall be subject exclusively to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of FAO, in conformity with the single audit principle observed by the United Nations system as a whole.
- 4) The contribution will be paid to FAO into the following account:

Bank Name:	Citibank 399 Park Avenue, New York, NY, USA, 10022
Account Name:	Food Agr Org – TF USD
Swift/BIC:	CITIUS33
ABA/Bank Code:	021000089
Account No.:	36352577

clearly stating Project MTF/GLO/122/MUL

- 5) The obligations of FAO are contingent upon receipt of the necessary funds from the donor in accordance with this Arrangement.
- 6) The contribution will include a provision not exceeding 6 percent of the total net inputs to cover the cost of administrative and operational services incurred by FAO directly relating to the project.
- 7) FAO will make every effort to ensure that the contribution is not used to meet the cost of import duties or customs duties (or any similar levies) imposed by the countries involved on the goods imported or services provided. In the event that exemption from such duties is not granted, the costs of duties can be met from the contribution.
- 8) All procurement shall be made in accordance with FAO regulations, which conform to generally accepted principles of good procurement practice, including safeguards against corrupt and illegal practice, and that no offer, gift, payment or benefit of any kind, which would or could be construed as an illegal or corrupt practice can be accepted, either directly or indirectly, as an inducement or reward

for the award or execution of procurement contracts. To this end, FAO shall ensure that it applies and enforces its relevant rules regarding corrupt and illegal practices.

9) The IPPC Secretariat will report the achieved results of the trust fund contributions every year on the occasion of the regular session of the Commission on Phytosanitary Measures, including a financial statement that will be issued in US dollars and will be for the project as a whole. Any unspent funds and any interest accrued from the contribution will be returned to the donor, following closure of the project, on a pro rata basis in proportion to the contribution of each donor.

10) The donor shall not accept any responsibility or liability for any claims, debt demands, damage or loss as a result of the implementations of this Arrangement.

11) The donor and FAO shall promptly inform each other of any event or situation which might affect the implementation of project activities and which may necessitate a modification or alteration of the scope, implementation, the agreed budget or other aspects of this Arrangement. In case any change occurs in the schedule or implementation of the activities, FAO shall promptly inform the donor.

12) If any changes occur which, in the opinion of the donor, impair significantly on the value of the project, the donor and FAO will consult on measures to resolve the problem and possible courses of action. In the event of such changes, the donor reserves the right to modify or terminate its financial contribution to the project. In the event of termination, the obligations already assumed by either party shall remain in force to the extent necessary to permit orderly withdrawal of personnel, funds and assets, the settlement of accounts between the parties and the settlement of any liability incurred by FAO for the activities covered by this Arrangement.

13) For the avoidance of doubt, nothing in this Arrangement or in any document relating thereto will be construed as constituting a waiver of privileges and immunities of FAO. Any dispute between the donor and FAO arising out of the interpretation or execution of this Arrangement shall be settled by a mutually agreed arrangement.

14) This Arrangement shall enter into force upon approval by the Commission on Phytosanitary Measures.

Annex II**Frequently Asked Questions (FAQs) collected at the Strategic Planning Group (SPG) October 2017 meeting**

- 1) *If a Contracting party (CP) endorses the simplified procedure for voluntary contributions to the IPPC Multi-donor trust fund and adopts the CPM decision contained as Annex I to this document, will it be obliged to contribute to the IPPC Multi-donor trust fund (MDTF)?*
 - NO. Contributions to the IPPC MDTF remain strictly voluntary. The CPM decision appended to this document aims to make the contributions procedure faster and simpler and is not binding in any regard.
- 2) *My country has been providing contributions to the IPPC MDTF in recent years. How will the new procedure affect the usual process for contributions to the trust fund?*
 - First of all, there will be no need for a new agreement between your country and FAO for each new contribution. Instead, after notifying the IPPC Secretary about their intention to contribute to the IPPC MDTF, your country can simply make the money transfer to the bank account provided in the CPM decision appended to this document and note in the transaction that the contribution is intended for the IPPC MDTF (FAO Project symbol MTF/GLO/122/MUL).
- 3) *What is the IPPC Secretariat actually funding through voluntary contributions from the CPs?*
 - The IPPC Secretariat is a knowledge-based institution. It means that most of its core costs are related to staff who perform various professional duties. Depending on the need of a specific activity, its implementation timeframe and budget, IPPC Secretariat hires staff (professional staff, general service staff, consultants, interns, volunteers and similar) to complete certain activity as per the IPPC work programme. The IPPC Secretariat staff is requested to travel to various countries to deliver its services and, therefore, travel costs are also a significant part of overall costs structure. The IPPC Secretariat is also covering costs for translation of standards, manuals and other relevant documents, and is paying for simultaneous interpretation for various IPPC subsidiary bodies meetings. It also funds travel of participants from developing countries to its meetings..
- 4) *What are the specifics of the contributions to the IPPC MDTF?*
 - The IPPC MDTF is considered the main funding stream for the Secretariat activities in addition to the Regular programme allotment it receives from FAO on a biennial basis. It was established in 2004 and has received approximately USD 6 million since. Through this trust fund, CPs were supporting the overall work programme of the Secretariat, but contributions can also target particular activities. Specifics of the trust fund include fast processing times of contributions (1 month currently to process a contribution / or 1-2 days if CPM adopts the decision contained as Annex I to this document) and medium-to-low administrative effort for both CPs and Secretariat. Reporting on the trust fund activities and its financial report for the trust fund as a whole is done at CPM annually.
- 5) *What are the specifics of Project based funding?*
 - Project based funding is targeting multi-year and larger contributions (above USD 500,000 in total) that have to be administered separately from the trust fund for various reasons. Project based funding is completely subject to FAO Project cycle procedures and it usually takes 3-4 months to open a new project. High administrative effort is needed to open a new project for both CP and the Secretariat. Specifics of the project based funding include: separate reporting

to each donor on their contribution (both technical and financial). Financial reports are certified by FAO and relate only to the contribution from the donor.

6) *How can a Contacting party provide a voluntary financial contribution to the IPPC Secretariat?*

- Please send you expression of interest to IPPC-Secretary@fao.org.