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Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## INTERIM COMMISSION ON PHYTOSANITARY MEASURES

### Fifth Session

Rome, 7-11 April 2003

### An Analysis of Advantages and Disadvantages of a Trust Fund

### Agenda Item 8.3 of the Provisional Agenda

1. The ICPM, at its Fourth Session, considered options for the establishment of trust funds. Members discussed the establishment of a special trust fund with voluntary contributions (referred to below as a multi-donor trust fund) that would, in particular, provide for attendance of developing country members at meetings and other activities related to capacity building. Some members supported the establishment of such a trust fund; other members requested that an analysis be provided by the Informal Working Group on Strategic Planning and Technical Assistance (SPTA) before such a trust fund was established.
2. The SPTA, at its Fourth Meeting in October 2002, recalled that it had recommended as the purpose for such a trust fund:
  - attendance of developing countries at meetings;
  - a training programme and Internet access for information exchange; regional workshops on draft standards and implementing standards;
  - development of guidance for countries to use in the evaluation of institutional and regulatory aspects of national systems; and
  - encouraging individual members to utilize Phytosanitary Capacity evaluation (PCE) and formulate national plans.

The SPTA also recalled that a special trust fund may cover other aspects of IPPC implementation that, at present, cannot be covered by Regular Programme funding.

#### *Sources of funding*

3. The SPTA recalled that potential sources of funding available for the implementation of the work programme, as considered by the ICPM, and for capacity building were:
  - a) FAO Regular Programme  
The IPPC Secretariat is funded by FAO from its Regular Programme budget. The

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Regular Programme of FAO is financed by all Members, who contribute an assessed contribution according to levels set by the FAO Conference. The expenses borne by FAO for its activities within the framework of the IPPC are determined and paid, within the limits of the relevant item of the Organization's budget, as approved by the FAO Conference.

- b) Multi-donor trust fund  
The ICPM may consider an additional budget that would identify outputs and costs of the activities that go beyond the contribution of FAO through the Regular Programme. The Secretariat would invite Members to make voluntary contributions to the multi-donor trust fund to execute these additional activities. If such a fund were established, the ICPM might wish to consider whether and, if so, which multilateral agencies and non-governmental entities to approach for contributions to the trust fund.
- c) Single-donor trust fund  
Members, multilateral agencies or non-government entities may directly fund activities via single-donor trust funds or in-kind contributions. Single-donor trust funds, to fund specific activities in relation to the objectives indicated above, would be used to establish individual projects. A single-donor project has normally a start and an end date and specific outputs to be achieved during its implementation. Single donor projects normally require a detailed project document; however, for small contributions, a Letter of Agreement may suffice. Several countries have used the latter option to assist the Secretariat to accelerate the standard-setting procedures through financial contributions for meetings, workshops and training activities.
- d) Different trust funds (multi-donor and single-donor) may operate simultaneously, providing potential donors with the opportunity to choose an option that best fits their preferences.

4. Contributions to trust funds by non-government entities are welcomed by FAO but they must comply, as appropriate, with the applicable *Principles and guidelines for FAO cooperation with the private sector*, in order to avoid, *inter alia*, conflicts of interest, embarrassment to the Organization and interference with the Organization's actual or perceived impartiality.

5. The SPTA analyzed the benefits and costs of a multi-donor trust fund compared with single-donor trust funds. The following paragraphs are based on the discussions during the SPTA. In its analysis, it also considered possible funding by the Regular Programme of FAO. In the deliberations, it took into account the activities identified by the ICPM for funding through a multi-donor trust fund and the elements for an analysis, as proposed by the ICPM at its Fourth Session. Although the SPTA recommended that all efforts be made to increase the Regular Programme funding to the IPPC, it noted that certain types of expenditure could statutorily not be made from the Regular Programme, and that it was unlikely that all activities recommended by the ICPM would be fully met by the Regular Programme.

#### *Activities identified by the ICPM for funding through a multi-donor trust fund*

#### **Participation of developing countries in the standard-setting process**

6. Developing country representatives participate in expert working groups, informal working groups and in the Standard Committee with funding provided, as necessary, from the Regular Programme budget. However, for many developing countries it is difficult to participate in the ICPM, which might result in their concerns receiving less attention in the drafting and approval of International Standards for Phytosanitary Measures (ISPMs). Funding of developing country participation in the ICPM through FAO can only be met from a trust fund, as the Regular Programme statutorily cannot provide such funding. Funding by a multi-donor trust fund for participation in the ICPM may be based on criteria set by either the Secretariat or the ICPM. Single-donor funding may meet the same criteria, if the donor agrees to such conditions. Donors

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may also directly fund participation, but this is outside the competence of FAO, the ICPM, or the Secretariat.

#### **A training programme and Internet access for information exchange**

7. Costs of training of national staff on the international information exchange programme and Internet access of Official Contact Points is unlikely to be met from the Regular Programme. A multi-donor trust fund or single-donor trust funds may equally provide for a systematic approach to such a training and Internet access programme.

#### **Regional workshops on draft standards and standards implementation**

8. Regional workshops to evaluate draft ISPMs require a steady source of funding to allow regular inputs to standard setting by developing countries and a good understanding of the implementation of standards. These workshops would ideally be held annually in each region in order to allow all developing countries to make a considered input into the standard-setting process. A multi-donor trust fund, single-donor trust funds and direct-donor funding through other agencies may all assist in achieving these objectives.

9. Workshops on the implementation of ISPMs should be held at reasonable intervals. The ICPM may provide guidance on the frequency of such workshops. Single-donor trust funds may follow guidance of the ICPM on the details of training programmes. Training on the implementation of ISPMs may also be provided directly by a donor, or by a donor through other implementing agencies.

#### **Development of guidance for countries to use in the evaluation of institutional and regulatory aspects of national systems**

10. Guidance to countries on the evaluation of institutional and regulatory aspects of national systems may be developed by many entities, for example, it could be partially developed in the newly established Standards and Trade Development Facility in the World Trade Organization. The ICPM has provided guidance on the development and use of the Phytosanitary Capacity Evaluation (PCE). The SPTA considered the PCE a very valuable tool and indicated that its maintenance should not totally depend on trust funds, but should also be supported by FAO's Regular Programme. Although the Regular Programme might cover such activities, it is unlikely that these funds will cover most of the requirements. A multi-donor trust fund and longer-term single-donor trust funds may provide additional resources to PCE development and maintenance. Assistance to the development of further specific tools may also be provided through multi-donor funding. Development of such tools through single-donor trust funds and other, non-FAO executed programmes would be useful, in particular, if these activities followed guidance provided by the ICPM.

#### **Encourage individual members to utilize the Phytosanitary Capacity Evaluation (PCE) and formulate national strategies for phytosanitary capacity building**

11. Regular Programme funding would not be the primary source for activities to encourage individual members to utilize the PCE and formulate national strategies for phytosanitary capacity building. Awareness of the PCE may benefit from funding by a multi-donor fund. However, the use of the PCE and the formulation of national plans would also lend themselves to support by single-donor funding through FAO and bilateral funding between donors and recipient countries. These activities also fit in well with the TCP projects provided by FAO at the request of developing countries.

#### **Other aspects of IPPC implementation that, at present, cannot be covered by Regular Programme funding**

12. These aspects were not explicitly discussed by the SPTA. They may largely cover acceleration of standard setting and information exchange. These programmes benefit at present from ad-hoc contributions in kind and cash from several donors. These contributions are made compliant with the priorities as determined by the ICPM through discussions between the

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respective donors and the IPPC Secretariat. A more systematic approach, following the guidance of the ICPM, would be possible if funds were provided through a multi-donor trust fund. Single-donor trust funds are subject to agreements between FAO and the donor. In this respect, it should be noted that the ICPM, at its Fourth Session, adopted rules for the sponsoring of standards.

### *Issues related to the various funding options*

#### **Continuity of funding**

13. The Regular Programme provides a steady source of funding. Voluntary contributions to a multi-donor fund might provide continuity if there were a substantial number of donors. In this case, contributions from various donors could vary from year to year, but should provide a relatively steady level of income. However, it is recognized that certain countries may find it easier to fund specific activities instead of contributing to a general trust fund. In addition, single-donor funding may have duration of several years, which would initially provide more continuity than multi-donor funding that would have to be replenished every year. Short-term contributions to existing activities provide the lowest level of continuity.

#### **Certainty of funding**

14. The Regular Programme funding provides a high level of funding security. A multi-donor fund, with a budget determined by the ICPM, may provide a reasonable level of certainty if there are a substantial number of donors that are willing to participate in the fund. A multi-donor trust fund would require (yearly) replenishment and, therefore, cash reserves would need to be established to guarantee that operations can continue from year to year and longer term contracts can be offered to staff. The certainty of funding through single-donor trust funds will depend upon the duration of the individual single-donor project agreements.

#### **Transparency**

15. Transparency for multi- and single-donor trust funds is provided through the normal accounting and reporting procedures of FAO. The ICPM may determine additional financial regulations and reporting requirements for a multi-donor trust fund. Draft regulations were provided in ICPM 02/14, Annex II and are annexed to this paper for easy reference, and if appropriate, further consideration by the Commission (see Annex).

#### **Independence**

16. In relation to independence, Regular Programme funding of outputs is the responsibility of the Members of FAO through the FAO Conference. For a multi-donor trust fund, the ICPM would set guidance and criteria to ensure equitable treatment of all potential recipients of assistance and would set out the priorities of the outputs financed by the trust fund. Single-donor trust funds would be subject to the guidance provided and limitations set by the donor. If such funding were provided for standard setting, single-donor contributions would be subject to the guidance provided by the ICPM at its Fourth Session.

#### **Efficiency**

17. Concerning efficiency, Regular Programme funds and a multi-donor trust fund are far easier to manage than a series of single-donor trust funds, which will all have individual and different requirements for the establishment of project agreements and financial and substantive reporting. In addition, a series of single-donor trust funds require separate accounts, which involves far more administration. In-kind contributions may be less cumbersome to handle than single-donor trust funds.

#### **Flexibility**

18. There is great differences in flexibility between a multi-donor fund and single-donor trust funds. Larger, single-donor trust funds are governed by the outputs identified in the project document; smaller, short-term contributions would be for specific outputs, which may meet the

ICPM priorities. On the other hand, a multi-donor trust fund would be subject to priorities set by the ICPM. The SPTA noted that some countries may be able to finance certain activities in a bilateral manner and that some of the concerns on single-donor trust funds might be met if the ICPM were to establish a priority list of activities requiring funding. Trust funds, in general, provide more flexibility in the recruitment of staff than FAO's Regular Programme.

### **Political influence**

19. Concerning political influence, a multi-donor trust fund would be governed by the decisions of the ICPM. Single-donor funding would be governed by the agreement between the executing agency (FAO/IPPC) and the donor. In comparison, the Programme of Work and Budget for Regular Programme funding is decided by the FAO Conference.

### **Trust fund management**

20. Any Trust Fund provided to the IPPC, whether multi- or single-donor, would be operated by the Secretariat of the Interim Commission under the Financial Rules and Regulations of FAO. FAO would produce the accounts of the Trust Fund which would be subject to the normal internal and external audit regimes as required by those Rules and Regulations. The Organization charges all Trust Funds a servicing cost to cover the variable indirect support costs of the project. The amount charged is determined under a policy which has been approved by the FAO Council and depends upon the nature of the activity being undertaken. For example:

- Technical assistance projects in the field projects are charged at standard rates which are currently set at 13 percent but may be adjusted where appropriate for special circumstances. This would apply to country level activities such as capacity building.
- Voluntary contributions which directly support the implementation of Regular Programme activities, are generally normative in nature and which are implemented at HQ or at a Regional Office rather than directly in the field are generally charged at a standard rate of 6 percent. Guidelines, methodologies, the setting of standards and information exchange would usually fall under this category.
- Contributions to cover the travel cost of participants from developing countries to conferences and consultations on matters within FAO's mandate are exempted from indirect support cost charges.

### **Examples of trust funds**

21. An example of a multi-donor trust fund is the operation of the Rotterdam Convention where the budget is adopted by the Intergovernmental Negotiating Committee on an annual basis and funding is provided by individual donors on a totally voluntary basis. This, together with contributions by the Regular Programme of FAO and by the Environment Fund of UNEP, has provided sufficient continuity and certainty of funding to operate the Secretariat (although a different long-term financial mechanism will be established when the Convention comes into force).

22. The ICPM is invited to:

1. *Consider* the analysis based on the work of the the Informal Working Group on Strategic Planning and Technical Assistance, noting advantages and disadvantages of trust fund options.
2. *Reconsider* the proposal to establish a multi-donor trust fund in the light of the analysis and if appropriate, *agree* to establish a multi-donor trust fund for the IPPC and *specify* the nature of the trust fund.
3. *Reconsider* the financial guidelines proposed in the Annex and adopt these guidelines as appropriate.

**FINANCIAL GUIDELINES FOR THE SPECIAL TRUST FUND OF  
THE INTERNATIONAL PLANT PROTECTION CONVENTION**

**Scope**

The objective of the fund is to provide resources for:

- attendance of developing country members of the Commission at the standard setting meetings
- a training programme and internet exchange for information exchange
- regional workshops on draft standards and implementing standards
- development and guidance for countries to use in the evaluation of institutional and regulatory aspects of national phytosanitary systems
- encouraging individual members to utilize Phytosanitary Capacity Evaluation and formulate national Phytosanitary plans.

**I. Applicability**

1. These guidelines shall govern the financial administration of the Special Trust Fund of the International Plant Protection Convention.
2. These guidelines shall apply to the activities of the Special Trust Fund for matters not covered by the FAO financial rules and procedures concerning trust funds.

**II. The Financial Period**

The financial period shall be one calendar year.

**III. The Budget**

1. The budget estimates shall be prepared by the Secretary of the Commission for submission to the Commission held in the year before the financial year covered by the Budget.
2. Before the submission to the Commission, the budget estimates shall be considered by the bureau of the ICPM, which will make a recommendation on its adoption to the Commission.
3. The Budget shall be circulated to all Members of the Commission not less than 60 days before the opening session of the Commission at which the budget is to be adopted.
4. The Commission shall adopt the Budget of the Special Trust Fund by consensus of its Members provided, however, that if, after every effort has been made, a consensus cannot be reached in the course of that session, the matter will be put to a vote and the Budget shall be adopted by a two-thirds majority of its Members.
5. The Budget Estimates shall cover income and expenditures for the financial period to which they relate, and shall be presented in United States dollars.
6. The Budget Estimates shall reflect the programme of work for the financial period elaborated by appropriate information and data, and shall include the programme of work and such other information, annexes or explanatory statements as may be requested by the Commission.
7. The Budget shall comprise:  
The Budget relating to voluntary contributions of Members, non-Members and other contributors, and expenditures chargeable to the Special Trust Fund, in accordance with its scope. The Budget shall also refer in an appropriate manner the expenses to be borne by FAO and by the General Trust Fund relating to funds made available during the financial period.
8. The Budget of the Special Trust Fund for the financial period shall consist of provisions for:
  - Administrative Expenditures, including an amount to cover the Organization's costs equal to 4.5% of the Special Trust Fund of the Commission.

- Expenditure for the activities of the Commission. Estimates under this chapter may be presented in a single total only but detailed estimates for each particular project will be prepared and approved as "supplementary details" of the Budget.

9. Contingencies: The Budget of the Special Trust Fund shall be adopted by the Commission with such amendments as the Commission may deem necessary.

11. The Budget of the Special Trust Fund of the Commission shall be submitted to the Finance Committee of the Organization for its information.

12. The Commission shall set priorities among outputs to take account of possible shortfall in funding.

#### **IV. Provision of Funds**

1. Funds may be provided on a voluntary basis by a variety of sources, including members, non-members, non-governmental entities and natural persons.

2. Special assignment of individual contributions for specific outputs is only possible to fund those outputs that are approved by the Commission.

2. The Secretary is authorized to finance budgeted expenditure from the uncommitted balance of the Budget of the Special Trust Fund.

3. The Secretary shall acknowledge promptly the receipt of all pledges and contributions and shall inform members annually twice a year of the status of pledges and contributions.

#### **V. Funds**

1. All contributions received shall be placed in a Trust Fund administered by the Director-General in conformity with the Financial Regulations and rules of FAO.

2. With respect to the Trust Fund the Organization shall maintain a general Account to which shall be credited receipts of all contributions paid and from which shall be met all expenditure chargeable against the sums allocated to the annual Special Trust Fund Budget.

#### **VI. Financial reports**

The Secretary will provide financial reports on the Special Trust Fund to the Commission on an annual basis, taking into account all financial resources available to the Commission. These reports should include links to objectives, activities and outputs as they relate to strategic directions.

#### **VII. Amendment**

These Guidelines may be amended by the Commission.