



Focus Group on the Analysis of the Potential Funding Arrangements of the IPPC

13 - 14 July 2005

FAO, Rome

Report

Opening of the session

1. The Focus Group on the analysis of the potential funding arrangements of the IPPC was attended by Mr Niek van der Graaff (Secretary, IPPC), Mr Richard Ivess (Coordinator, IPPC), Ms Reinouw Bast-Tjeerde (Canada), Mr Chagema Kedera (Kenya), Mr Larry Lacson (Philippines), Mr Ralf Lopian (Finland), Mr Felipe Canale (Uruguay) and Ms Louise van Meurs (Australia). Mr Kedera chaired the meeting.

Issues pertaining to funding of the IPPC

2. The terms of reference for the Focus Group (Appendix XV of the report of ICPM-7) required that:

“A consultant will be recruited to study current funding arrangements of the IPPC Secretariat, the ICPM and all associated meetings and with this background propose a series of practical potential options for future funding arrangements which would provide the ICPM with increased funding resources.”

3. This particular study was not undertaken. Rather the Secretariat had followed the relevant requirement of the “two-stage” approach to funding as presented in Appendix XIV of the report of ICPM-7:

“I. Stage one: Evaluation of funding options for the IPPC

- Recruitment of a consultant familiar with international funding possibilities to analyse funding options for the IPPC.”

4. This analysis provided information on the funding of other conventions and international agreements. It was noted that all of these entities were funded by a combination of contributions of the mother organization, mandatory assessed contributions, voluntary assessed contributions and voluntary trust funds. It was also noted that standard setting organizations that had a fee structure were not included in the analysis and that such information would be helpful to consider the option of fees in more detail.

5. The Secretariat noted that the current funding arrangements of the IPPC Secretariat, the ICPM and all associated activities consisted of a core budget paid by the regular programme of FAO, voluntary trust funds and in-kind contributions.

6. The core budget provides for the normal activities of the Secretariat including:

- the activities associated with the interim Commission on Phytosanitary Measures
- meetings and activities of the Standards Committee
- expert working groups (EWG)
- information exchange (International Phytosanitary Portal)
- supported technical assistance.

7. Income from the IPPC Multilateral Trust Fund provides resources to benefit developing countries. These funds are additional to the core budget but do not replace the core budget. Funds are currently used for:

- attendance at standard setting meetings
- participation in regional workshops and training programmes
- some inputs in participation in the IPP.

8. Additional trust funds have been provided by additional donors to support the activities identified for the IPPC trust fund.

9. In-kind contributions have been in the nature of:

- secondment of staff to the IPPC Secretariat
- hosting of EWGs
- hosting of other meetings.

10. The FAO made a “one-off” contribution (from an arrears payment) to the IPPC, for the 2004-5 biennium, of US\$1.6 million. This was used to assist developing and least-developed countries to participate in the standard setting process. The extra funding from the arrears payment will not be available in the future.

11. The funding for the IPPC Multilateral Trust Fund was not encouraging as only two contracting parties (out of 138) have contributed so far.

12. Although there may be some increase in the contribution of FAO to the core budget for the 2006-7 biennium, this would still not meet the IPPC business plan requirements.

Analysis of the funding options of the IPPC

13. The Focus Group was not able to carry out the task given to it (as per the ICPM-7 report, Appendix XV) due to the lack of detailed options provided by a consultant. In order to progress on the issue, the Focus Group analyzed different funding options or schemes and indicated their advantages and disadvantages, incorporating the practical and legal implications.

14. The analysis concentrated on five funding options:

- mandatory assessed contributions
- voluntary assessed contributions
- expanding the scope of the multilateral IPPC trust fund
- bi-lateral trust funds and in-kind contributions
- fees or service charges.

Mandatory assessed contributions

15. The objective of assessed contributions is to supplement the regular budget of the IPPC with such resources necessary to realize the activities outlined in the Business Plan. Assessed contributions would not provide for the participation of government delegates in meetings, but would provide for expert participation in expert working groups, technical panels and committees. It could also provide for workshops like workshops on draft standards.

Advantages

16. A mandatory assessed contribution would result in a known annual income. This would greatly facilitate the planning of activities and increase the ability to react to new priorities.

17. Contracting parties would be able to plan their contributions on an annual basis.

18. The assessed contributions would also make the direct link between the decisions of the governing body and the execution of their decisions. The level of outputs would be a direct reflection of the overall funding of contracting parties and parties would assume a greater financial responsibility for the management of the IPPC.

19. Increased financial independence from the funding of FAO may result in shorter lines of command and more flexibility in such areas as staff recruitment.

Disadvantages

20. Mandatory assessed contributions would require an amendment of the Convention or a supplementary agreement. An amendment of the Convention would result in additional obligations and the entry into force of such obligations would take a substantial period of time. A supplementary agreement may take less time to come into force but may cover only a limited part of the total number of contracting parties.

21. The existence of assessed contributions may result in a decrease of the funding by FAO.

Recommendation regarding mandatory assessed contributions

22. In view of the difficulties of establishing such a system, the Focus Group recommends that this option not be pursued.

Voluntary assessed contributions

23. The objective of the voluntary assessed contributions is to supplement the regular budget of the IPPC with such resources necessary to realize the activities outlined in the Business Plan. It would not provide for participation of government delegates in meetings.

Advantages

24. Voluntary assessed contributions have the same advantages as mandatory assessed contributions (i.e. a known annual income resulting in greater facilitation of planning of activities; contracting parties able to plan their contributions on an annual basis; ability to make a direct link between the decisions of the governing body and the execution of their decisions; and increased financial independence from the funding of FAO), except there would be less certainty of the income.

25. Voluntary assessed contributions would not require an amendment to the IPPC or a supplementary agreement.

Disadvantages

26. Contracting parties may choose not to pay voluntary assessed contributions, resulting in less certainty of income. Such non-payment does not result in any type of sanctions and voluntary assessed contributions may result in large arrears.

27. Parties may choose to direct how their contributions are to be used, thus decreasing the range of activities that may be funded and decreasing the ability to plan the budget.

28. As with mandatory assessed contributions, the FAO may decrease its funding of the core IPPC budget.

Recommendation regarding voluntary assessed contributions

29. The Focus Group recalled that the proposal for a trust fund based on voluntary assessed contributions was rejected at ICPM-4 (2002). However, since then, the ICPM has made significant progress in terms of budget and programme planning and at the request of the ICPM, has continued to increase the size of work programme. The Focus Group believed that the use of voluntary assessed contributions is a viable option to increase funds for the IPPC without posing grave disadvantages.

Expand the scope of the multilateral trust fund

30. The current multilateral trust fund is strictly limited to providing resources to benefit developing and least developed countries. Expanding the scope would result in the inclusion of some (or all) of the IPPC core activities currently funded through the regular FAO budget contribution.

Advantages

31. Expanding the scope of the multilateral trust fund would result in increased flexibility as to how the funds could be spent. It would require only minor adjustments to the financial guidelines already adopted for the trust fund.

Disadvantages

32. The current disadvantages of the multilateral trust fund would continue to exist, i.e. the amount in the trust fund will not be known until the contributions are made. Reliable budget planning cannot be based on the assumption that past contributions will be repeated.

33. With an expanded scope, contracting parties may decide to direct the use of their contribution.

Recommendations regarding expanding the scope of the multilateral trust fund

34. Due to the uncertainty in the contributions, the Focus Group believed that expanding the scope of the multilateral trust fund was not as good an option as voluntary assessed contributions. However, it was felt that this option could be endorsed if the option of voluntary assessed contributions could not be agreed to.

Bilateral trust funds and in-kind contributions

35. Bilateral trust funds are provided by one donor for a specific purpose or with a very specific scope. In-kind contributions include such activities as sponsoring meetings, translating documents, providing staff to the Secretariat (including their salary), paying travel costs for meeting participants, etc.

Advantages

36. Bilateral trust funds and in-kind contributions provide flexibility to contracting parties in terms of timing, size and means of contribution. Such contributions may result in an expenditure decrease and thus a reduced draw on the core budget or the multilateral trust fund, allowing these to be spent on other planned work activities, which would otherwise not be funded. Such contributions should result in an increased work output.

Disadvantages

37. Bilateral trust funds and several types of in-kind contributions can have administrative drawbacks, as each one needs to be negotiated, accounted for, reported on, etc.

38. Both bilateral trust funds and in-kind contributions may drive the work programme. They may be discriminatory towards particular countries and may not ensure that developing countries can participate in the funded activities.

Recommendations regarding bilateral trust funds and in-kind contributions:

39. The Focus Group recognized the benefits of bilateral trust funds and in-kind contributions, and welcomed the continued input from contracting parties in these funding options. It recommended that parties continue to support the IPPC in this way.

Fees and service charges

40. Fees and service charges could be charged in various areas such as, for example, the Secretariat selling phytosanitary certificates, charges on activities like the recognition of pest status and the use of the mark for wood packaging.

Advantages

41. Fees and service charges would increase the budget and may raise the international profile and/or recognition of the IPPC.
42. Fees and service charges may result in the improved implementation of the IPPC, increased harmonization and reduce the fraudulent use of certificates and marks.

Disadvantages

43. The costs associated with establishing and maintaining a fee and/or service charge system could be quite high. The income generated through the charges may not cover the increased administrative costs of the system.
44. Charging fees may give rise to false expectations of the outcome of the service.
45. Liabilities which currently do not exist (including professional liabilities for the IPPC) may be introduced. In addition, there is a possibility of corruption within the system.
46. A fee or service charge system could be challenged by the private sector and may be subject to competition by the private sector.
47. Income from a fee based system is unpredictable and may vary significantly from year to year. Additionally, as long as the IPPC is part of FAO, its rules and procedures must be followed.

Recommendations regarding fees and service charges:

48. The Focus Group felt that there was not enough information available to make a decision as to the possibilities of fees and service charges. It recommended that other international organizations which charged for services provided be studied in order to be able to form an opinion on the feasibility of such a scheme.

Conclusions on potential funding options

49. The Focus Group was very concerned over the budget of the IPPC. It noted that the regular programme budget (approximately 3.5 million for the biennium 2006-7) in the most positive case would be increased by 15% from the 2004-5 level, which would still only cover 50% of the Business Plan projections. The objectives of the Business Plan under these circumstances could not be met and sustainable development of the IPPC would not be possible.
50. For this reason, the Focus Group believed there would be a need for a presentation by the Secretariat at the SPTA of the consequences of no additional funding. In this presentation, the Secretariat would propose what activities would have to be put on hold.
51. The Focus Group requested that the Secretariat provide a paper to the SPTA proposing the establishment of a trust fund with voluntary assessed contributions in order to support the core activities of the IPPC. The paper would include a listing of all countries and their proposed voluntary assessed contributions.
52. The Focus Group also recommended that contracting parties of the IPPC should be invited to support the IPPC by providing "in-kind" contributions, for example hosting and financing EWGs and TPs, including, where possible, the participation of developing country participants, translation of documents, etc.
53. Due to the fact that no new details on funding possibilities through fees and services charges were available, the Focus Group recommended that this subject should be analyzed and discussed in detail during the next year, based on a background paper prepared by the Secretariat on the experience of other organizations (e.g. OIE, ISTA).

54. The Focus Group recommended that contracting parties should continue to lobby for an increased regular budget of the IPPC from FAO. It also stressed that contracting parties should continue to be invited to contribute to the existing IPPC multilateral trust fund which will ensure an adequate involvement of developing countries in IPPC activities.