



The International Treaty

ON PLANT GENETIC RESOURCES FOR FOOD AND AGRICULTURE



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INTERNATIONAL TREATY ON PLANT GENETIC RESOURCES FOR FOOD AND AGRICULTURE

THIRD SESSION OF THE GOVERNING BODY

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FINANCIAL RULES OF THE GOVERNING BODY- BACKGROUND INFORMATION

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FINANCIAL RULES OF THE GOVERNING BODY – BACKGROUND INFORMATION

I. INTRODUCTION

1. The Governing Body adopted its Financial Rules at its First Session. In adopting them, it “not[ed] that some Rules remained in brackets, to be resolved at its second session”. At its Second Session, however, the Governing Body “did not reach consensus on the need to finalize its Financial Rules at the current session, and decided to consider its Financial Rules at its Third Session”.
2. The outstanding brackets in the Financial Rules of the Governing Body on which agreement has not yet been reached, which the Governing Body will address in this session, relate to one question only, namely whether or not Contracting Parties voluntary contributions (hereinafter “contributions”) to the Treaty’s Core Administrative Budget should be “based on an indicative scale of contributions”. Option 1 for Rule V.1b provides for such an indicative scale. Option 2 does not. The bracketed texts in Rules V.2, V.4 and V.5 depend upon the decision of the Governing Body in relation to Rule V.1b, and would apply only in the case of their being such an indicative scale.
3. The purpose of this document is to provide the Governing body with some factual information on practice to date, and to draw its attention to a report by the United Nations Joint Inspection Unit regarding the impact of voluntary contributions on programme delivery in United Nations system organizations.
4. It should be noted that there are, in addition, a number of further changes to the Financial Rules, which have been proposed by the *Ad Hoc* Third Party Beneficiary Committee. See IT/GB-3/09/11 Rev. 1, *Report of the Chair of the Third Party Beneficiary Committee*. These are not discussed here.

II. PRACTICE TO DATE REGARDING CONTRACTING PARTIES’ CONTRIBUTIONS TO THE CORE ADMINISTRATIVE BUDGET

5. As the question of a possible indicative scale of contributions had not been decided, the Circular State Letter of 3 November 2006, which called for contributions, following the First Session of the Governing Body, contained the following text:

In adopting its Financial Rules, the Governing Body has not yet decided whether the Core Administrative Budget is to be funded by voluntary contributions based on an indicative scale, or voluntary contributions. To the extent that it may be useful to Contracting Parties, an indicative scale, based on the FAO scale of contributions, adjusted according to those countries that were Contracting Parties on 5 September 2006, is attached as Addendum 4 to this communication.

Draft Rule V.2b of the Financial Rules states that “Each Party shall, as far in advance as possible of the date due for the contribution, inform the Secretary of the contribution it intends to make and of the projected timing of that contribution”. Although this rule has not yet been agreed, such notification would provide significant help to the Interim Secretary in planning expenditure. Contracting Parties are therefore encouraged to send such notifications to the Interim Secretary, as soon as possible.
6. A similar text was contained in the Circular State Letter of 11 June 2008, which called for contributions, following the Second Session of the Governing Body.
7. The Secretary has on a number of occasions also been asked by Contracting Parties what their contributions should be, and, in such cases, has brought these texts to their attention. The Governing Body may wish to note that those Contracting Parties that made contributions to the

Core Administrative Budget in response to these calls for funds all did so according to the informal indicative scales that were attached to the Circular State Letters.¹

III. VOLUNTARY CONTRIBUTIONS IN UNITED NATIONS SYSTEM ORGANIZATIONS

8. In further considering its Financial Rules, the Governing Body may wish to take into account the report by the United Nations Joint Inspection Unit, *Voluntary contributions in United Nations system organizations: impact on programme delivery and resource mobilization strategies*,² which was issued after the adoption of the Financial Rules.

9. The *Executive Summary* of that report is attached as *Appendix 1* to the current document. The attention of the Governing Body is drawn, in particular to the following main findings on the impact on programme delivery, which accurately characterize the Treaty's current budgetary situation:

“A major concern has been the lack of predictability of voluntary funding and its impact on the sustainability of programme delivery. This problem may be alleviated if some proportion of the voluntary funding is subject to predictable scales of contribution, as is the case with the model adopted by the Governing Council of the United Nations Environment Programme (UNEP) in 2002, which can be considered an example of best practice.

“Some organizations have been facing critical shortages of core resources, affecting their ability to provide essential core services. In some cases, non-core resources have been financing key substantive functions and staff”.

10. The Joint Inspection Unit notes that:

*“the General Assembly resolution establishing UNEP provided for United Nations regular budget funding of the costs of the governing body and a small secretariat; other costs were to be met wholly or partly from a voluntary fund (General Assembly resolution 2997 (XXVII), sect. II, para. 3 and sect. III, para. 1)”.*³

11. This is, of course, different to the situation of the Treaty, where even the costs of the Governing Body and its small secretariat are also completely voluntary, further increasing the lack of predictability and its impact on the sustainability of programme delivery. As the Joint Inspection Unit has drawn attention to the voluntary indicative scale model adopted by the UNEP Governing Council in 2002, its description of this model⁴ is attached as *Appendix 2* to the present report.

12. The Joint Inspection Unit also notes that:

“While it appears that not all Member States were in favour of the UNEP voluntary indicative scale, the new system has helped to improve the predictability and adequacy of resources, at least in the initial phases. It has also resulted in a wider ‘ownership’ of the organization by Member States with the participation of more countries in the new system, including the least developed countries. Moreover, the United Nations General Assembly has welcomed the progress made in the implementation of the provisions on

¹ Subject to some slight rounding up, in certain cases, for administrative simplicity. For information on contributions made by Contracting Parties in the 2008/09 biennium, see IT/GB-3/09/20, *Report on progress of the Programme of Work and Budget 2008/09 Biennium and update on financial matters*.

² JIU/REP/2007/1, available in full at http://www.unjiu.org/data/reports/2007/en2007_01.pdf.

³ P.4, fn. 5, of the main report.

⁴ From Box 1 in p. 8 of the main report.

*strengthening the role and financial situation of UNEP, as contained in section III.B of the appendix to Governing Council decision SS.VII/1.14”.*⁵

13. Under “looking forward”, the Joint Inspection Unit concludes that:

“The system-wide analysis presented in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery in all areas of United Nations endeavour”.

14. In conclusion,

*“The Inspectors fully support voluntary indicative scales of contributions as a means of improving the predictability and adequacy of resources for those United Nations system organizations facing uncertain core funding”.*⁶

And make the following recommendation:

“The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.”

IV. CONCLUSIONS

15. In the light of the recommendation of the Joint Inspection Unit, should the Governing Body not reach consensus on this outstanding aspect of the Financial Rules at this session, it may wish to establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for the Core Administrative Budget, based on the model adopted by UNEP, for the consideration and approval at its Fourth Session.

⁵ Para. 26 of the main report.

⁶ Para. 27 of the main report.

Appendix 1

**VOLUNTARY CONTRIBUTIONS IN UNITED NATIONS SYSTEM ORGANIZATIONS:
IMPACT ON PROGRAMME DELIVERY AND RESOURCE MOBILIZATION
STRATEGIES**

(EXECUTIVE SUMMARY, JIU/REP/2007/1)**Objective:**

To analyse recent trends in voluntary funding in United Nations system organizations, determine the impact of those trends on programme delivery, recommend measures to alleviate negative impact, and identify best practice.

Main findings and conclusions**Funding modalities and trends**

- In the period 2000-2005, extrabudgetary/non-core funding was growing at a faster rate than regular/core funding in most United Nations system organizations, with a concomitant rise in the proportion of extrabudgetary/non-core funding in total funding.

Impact on programme delivery

- The trends in voluntary funding have had some positive effects on programme delivery, including facilitating the growth of operational activities in many organizations and providing a competitive boost to efficiency, but they have also posed considerable challenges.
- A major concern has been the lack of predictability of voluntary funding and its impact on the sustainability of programme delivery. This problem may be alleviated if some proportion of the voluntary funding is subject to predictable scales of contribution, as is the case with the model adopted by the Governing Council of the United Nations Environment Programme (UNEP) in 2002, which can be considered an example of best practice. Experience with multi-year funding frameworks, however, has been less encouraging in some organizations.
- The donor base for voluntary contributions is narrow in all organizations. This carries inherent vulnerabilities for programme delivery, and there has been a marked negative impact in cases where major donors have sharply reduced funding, or withdrawn completely.
- Conditionalities attached to voluntary contributions have reduced the flexibility of the funding and inhibited the secretariats of the organizations in their efforts to deliver mandated programmes. There is evidence that earmarking can lead to the distortion of programme priorities, which has been a major concern of the Inspectors. To counteract this problem, the organizations have developed innovative funding modalities, including thematic funding and pooled funding, which can be considered as best practice. Good communication between the stakeholders is also crucial.
- Some organizations have been facing critical shortages of core resources, affecting their ability to provide essential core services. In some cases, non-core resources have been

financing key substantive functions and staff.

- The management of extra-budgetary/non-core resources requires substantial administrative support, incurring costs. In most organizations there is some subsidization of these support costs by regular/core resources, diverting resources from activities mandated by legislative organs to those with a narrower bilateral focus. Programme support costs should be fully recovered and, to that end, work on the harmonization of support cost policies should be expedited.

Funding dynamics

- United Nations system organizations compete for voluntary funds, both among themselves and with other entities such as non-governmental organizations. Such competition has provided a stimulus to efficiency, but there are also transactions costs. Furthermore, this competition can drive down support cost rates below the full recovery level, distorting comparative advantages.
- Faced with increasing competition for resources, some United Nations system organizations have sought to increase the flow of funds from the private sector, but in general these resources remain a very small component of overall funding from contributions.
- Constraints to effective fund-raising included insufficient knowledge in the secretariats of the new aid modalities and instruments, such as global funds and other public-private partnerships, or policy constraints in accessing such instruments, and the need for relevant guidelines and training for staff concerned.
- Coordination, collaboration and the partnership approach were seen by both the organizations and the donor countries as key success factors in the competitive funding environment.

Resource mobilization strategies

- Organizations commonly have internal guidelines and procedures for interaction with donor Governments and some have developed similar control mechanisms in respect of the private sector. However, corporate resource mobilization strategies that have been formally adopted by the legislative bodies are more common among the funds and programmes that rely fully or heavily on voluntary funding than among the specialized agencies.
- Some organizations have made considerable progress in developing strategies for resource mobilization. With voluntary funding increasingly pervasive in the United Nations system, all organizations will find it increasingly necessary to develop such strategies. The legislative bodies have an important role to play in instigating and supporting these processes.

Decentralized fund-raising

- United Nations reform initiatives of the last decade, and General Assembly decisions in the context of the triennial comprehensive policy reviews of operational activities for development, have increasingly shifted attention to country-level operations.
- Against this background, the organizations, as well as the donor agencies, are increasingly decentralizing funding processes and activities, but this may give rise to inefficiencies such as duplication and lack of uniformity.

- Executive heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.

Looking forward

- The system-wide analysis presented in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery in all areas of United Nations endeavour.
- There have been recent initiatives by the various stakeholders concerning the harmonization and effectiveness of development aid, and principles and good practice of humanitarian donorship. Funding issues are a central element in the work of the Secretary-General's High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment. The Secretary-General should expedite current reform processes that aim to ensure more predictable financing of the United Nations system.

Recommendations for consideration by legislative organs

- **The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.**
- **The legislative bodies of United Nations system organizations should request their respective executive heads to expedite work on the harmonization of support cost recovery policies that is currently being carried out under the auspices of the United Nations System Chief Executives Board for Coordination (CEB).**
- **The legislative bodies of United Nations system organizations should request their respective executive heads to ensure that agreements negotiated with individual donor countries for associate expert/junior professional officer programmes include a funding component for candidates from under- and unrepresented countries.**
- **The legislative bodies of United Nations system organizations that have not already done so should request their respective executive heads to develop a corporate resource mobilization strategy for the consideration and approval of the legislative bodies.**

Appendix 2

THE VOLUNTARY INDICATIVE SCALE OF CONTRIBUTIONS AT UNEP

At its seventh special session in 2002, the Governing Council of UNEP adopted the report of the Open-ended Intergovernmental Group of Ministers or Their Representatives on International Environmental Governance (decision SS.VII/1 of 15 February 2002). Among its recommendations, the Intergovernmental Group proposed the development of a voluntary indicative scale of contributions for the Environment Fund in order to broaden the base of contributions and enhance predictability in the voluntary financing of the Fund (section III.B of the appendix to decision SS.VII/1). VISC would take into account:

The United Nations scale of assessment;

- A minimum indicative rate of 0.001 per cent;
- A maximum indicative rate of 22 per cent;
- A maximum indicative rate for the least developed countries of 0.01 per cent;
- Economic and social circumstances of the Member States, in particular those of developing countries and countries with economies in transition;
- Provisions to allow for any Member State to increase its level of contributions over and above its present level.

In developing voluntary indicative scales of contributions for pilot phases in 2003 and 2004-2005, the following were considered important:

- Maintaining the voluntary character of contributions to the Fund;
- Broadening the donor base and inviting all United Nations Member States to consider making regular and adequate contributions to the Fund;
- Maintaining the level of high and adequate contributions by the countries;
- Inviting those countries which at that time were paying below the United Nations scale and below their previous high levels to increase their contributions gradually.

Source: UNEP/GCSS.VII/6; UNEP/GCSS.IX/3.