



March 2009

<b>Item 4 of the Draft Provisional Agenda</b>
<b>INTERNATIONAL TREATY ON PLANT GENETIC RESOURCES FOR FOOD AND AGRICULTURE</b>
<b>FOURTH MEETING OF THE <i>AD HOC</i> ADVISORY COMMITTEE ON THE FUNDING STRATEGY</b>
<b>Geneva, Switzerland, 12 – 13 March 2009</b>
<b>INFORMATION AND REPORTING REQUIREMENTS UNDER THE FUNDING STRATEGY</b>

## I. INTRODUCTION

1. Under Article 18 of the International Treaty on Plant Genetic Resources for Food and Agriculture (“the Treaty”), “*Contracting Parties undertake to implement a funding strategy for the implementation of [the] Treaty*” with the objective to “*enhance the availability, transparency, efficiency and effectiveness of the provision of financial resources to implement activities under this Treaty*”.

2. During its First Session, the Governing Body adopted the Funding Strategy for the Implementation of the International Treaty by Resolution 1/2006, “[r]ecognizing that an effective Funding Strategy is critical to the implementation of the Treaty”.

3. As spelled out under Article 19.3 of the Treaty, one of the functions of the Governing Body is to “*provide policy direction and guidance to monitor [...] the implementation of the Treaty*”.

4. In line with this function, the Funding Strategy provides that “[t]he Governing Body shall monitor [its] implementation [...] and assess its efficacy through the information, audit and reporting requirements identified in Annex 4 [of the Funding Strategy]”.<sup>1</sup>

5. The Governing Body adopted the Funding Strategy at its First Session with blank Annexes 1, 2, 3 and 4, and established, at that same session, through Resolution 1/2006 an *Ad hoc* Advisory Committee on the Funding Strategy with the primary task to prepare draft texts on Annexes 1, 2 and 3 of the Funding Strategy, for consideration by the Governing Body at its Second Session.<sup>2</sup>

6. Having adopted as annexes to the Funding Strategy, Priorities; Eligibility Criteria; and Operational Procedures for the use of resources under its direct control at its Second

<sup>1</sup> Funding Strategy for the implementation of the International Treaty on Plant Genetic Resources for Food and Agriculture, *Appendix F*, IT/GB-1/06/Report, paragraph 14

<sup>2</sup> IT/GB-1/06/Report

Session, the Governing Body decided to reconvene the *Ad Hoc* Advisory Committee on the Funding Strategy with revised terms of reference.<sup>3</sup>

7. As part of its revised terms of reference the *Ad Hoc* Advisory Committee on the Funding Strategy is now requested to elaborate *Annex 4* of the Funding Strategy, *Information and Reporting Requirements under the Funding Strategy*, for consideration by the Governing Body at its Third Session.<sup>4</sup>

8. At its third meeting in October 2008, the Committee prepared and agreed on a draft text of *Annex 4* of the Funding Strategy, *Information and Reporting Requirements under the Funding Strategy*, as contained in *Appendix 1* of this document. The Committee left some text under part II of the draft text of *Annex 4* in brackets for further consideration by the Committee at its present meeting.<sup>5</sup> In this context, the Committee requested the Secretariat to prepare options regarding the bracketed text in the draft *Annex 4*.<sup>6</sup>

9. The draft text of *Annex 4* foresees that information and reporting provided by Contracting Parties and non-Contracting Parties will be provided according to standard formats. At its third meeting, the Committee had agreed “to develop standard formats for reporting from Contracting Parties, in order to simplify the work of Contracting Parties and the Secretariat, and to facilitate the analysis and assessment of the provided information”<sup>7</sup>. The Committee may wish to develop those formats or provide recommendations for their future development at its current meeting.

## II. ACCOUNTING AND FINANCIAL REPORTING PRINCIPLES

10. The bracketed text in the draft *Annex 4* relates to a specific bullet point in part II of the draft text, which foresees that the information and reporting on resources under the direct control of the Governing Body, provided by the Secretariat, will include a general overview on and status of funds received and disbursed under the benefit-sharing fund. It further states that this overview on and status of funds received and disbursed will be according to: priorities established under *Annex 1* of the Funding Strategy; beneficiaries by stakeholder groups and geographic area; and crops addressed; and other relevant criteria.

11. The text in brackets suggests that the overview on and status of funds received and disbursed under the benefit-sharing fund should be provided in accordance with accounting principles or standards. Therefore, two different options are included in brackets in the current draft of *Annex 4*:

- “in accordance with generally accepted accounting principles”;
- “in accordance with the International Public Sector Accounting Standards”.

12. The benefit-sharing fund is administered through an FAO Trust Fund Account, which was established pursuant to Article 19.3 (f) of the International Treaty. Therefore, FAO accounting policies are applied to the benefit-sharing fund and financial reports on funds received and disbursed under the benefit-sharing fund are prepared in accordance with FAO’s standard financial reporting procedures.

<sup>3</sup> IT/GB-2/07/Report, paragraph 45 and 52

<sup>4</sup> IT/GB-2/07/Report, *Appendix D.4*

<sup>5</sup> IT/ACFS-3/08/Report, paragraph 13

<sup>6</sup> IT/ACFS-3/08/Report, paragraph 14

<sup>7</sup> IT/ACFS-3/08/Report, paragraph 15

13. Currently, FAO applies United Nations System Accounting Standards (UNSAS), in common with most other UN bodies. These standards are based on generally accepted accounting principles.

14. All UN organizations have agreed to implement International Public Sector Accounting Standards (IPSAS), which are a set of independently developed accounting standards that require accounting on a more complete basis. They are issued by the IPSAS Board, which is part of the International Federation of Accountants (IFAC). FAO is planning to implement IPSAS from 2012 onwards, following which all financial reports, including those on FAO Trust Fund Accounts, will be prepared in accordance with IPSAS.

15. In order to avoid duplication of work which would raise the transaction costs of the operation of the benefit-sharing fund, and in order to maintain simplicity and efficiency as one of the acknowledged cross-cutting principles for the information and reporting requirements<sup>8</sup>, it seems appropriate that the requested overview on and status of funds received and disbursed under the benefit-sharing fund is prepared in accordance with FAO's standard financial reporting procedures. That would mean in accordance with UNSAS until 2011 and in accordance with IPSAS from 2012 onwards.

16. The first option included in brackets in the current draft of *Annex 4*, "in accordance with generally accepted accounting principles", would cover both UNSAS and IPSAS and would consequently allow for the application of FAO standard financial reporting procedures, both until and after 2012.

17. Another consideration, the Committee may wish to take into account, is that *Annex 4* and the specific bullet point under part II provide for financial reporting on the funds received and disbursed under the benefit-sharing fund, rather than on the accounting principles applied to the benefit-sharing fund, even so the financial reporting is obviously based upon the accounting. Therefore, the wording could be changed from "generally accepted accounting principles" to "generally accepted financial reporting principles".

18. The Committee may therefore wish to consider one of the following options to be included in the relevant bullet point of part II of the draft *Annex 4*:

- "in accordance with generally accepted accounting principles";
- "in accordance with generally accepted financial reporting principles".

### III. CONCLUSIONS

19. To complete the elaboration of *Annex 4* of the Funding Strategy, *Information and Reporting Requirements under the Funding Strategy*, the Committee is invited to consider the text in brackets in part II of the draft text of *Annex 4*, as contained in *Appendix 1* of this document.

20. The Committee may wish to consider one of the two options provided in paragraph 18 above to replace the text in brackets in part II of the draft text of *Annex 4*.

21. The Committee may wish to develop standard formats for reporting from Contracting Parties or provide recommendations for their future development.

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<sup>8</sup> IT/ACFS-3/08/Report, paragraph 14

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*Appendix 1*

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**ANNEX 4 OF THE FUNDING STRATEGY**

**DRAFT INFORMATION AND REPORTING REQUIREMENTS UNDER THE FUNDING STRATEGY**

*Annex 4* sets out the information and reporting requirements under the Funding Strategy of the Treaty, in order to facilitate the monitoring of the implementation of the Funding Strategy and the assessment of its efficacy by the Governing Body.

The relevant information is to be compiled by the Secretariat. The pertinent elements of the reports to the Governing Body will also be made available through the website of the Treaty.

**I. Periodicity of information and reporting**

Information and reporting to the Governing Body will normally be provided every two years, or according to the periodicity of the regular sessions of the Governing Body. Reporting periods will normally cover the preceding two full calendar years before meetings of the Governing Body.

**II. Information and reporting on resources under the direct control of the Governing Body**

The information and reporting on resources under the direct control of the Governing Body will be provided by the Secretariat and will include:

- General overview on and status of funds received and disbursed under the benefit-sharing fund<sup>9</sup>, according to: priorities established under *Annex 1* of the Funding Strategy; beneficiaries by stakeholder groups and geographic area; and crops addressed; and other relevant criteria; [in accordance with generally accepted accounting principles] [in accordance with the International Public Sector Accounting Standards]
- Detailed data on and breakdown of funds received to the benefit-sharing fund, including information on individual contributors, corresponding amounts received, provenance of funds by contributors category and regional distribution;
- Synoptic information on projects funded from the benefit-sharing fund, including project description and status, and reflecting the information generated under the project reporting and monitoring as foreseen in the project cycle in *Annex 3* of the Funding Strategy;

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<sup>9</sup> The benefit-sharing fund will include:

- Mandatory and voluntary contributions pursuant to Article 13.2 of the International Treaty
- Voluntary contributions from any source to implement the Funding Strategy provided for in Article 18 of the International Treaty

The benefit-sharing fund will be administered through the Trust Account referred to in Article 19.3 (f) of the International Treaty.

- Assessment and evaluation of the sustainable effects and impacts of the use of resources under the direct control of the Governing Body, according to the independent evaluation procedures set out in the project cycle in *Annex 3* of the Funding Strategy;
- Assessment and evaluation of the overall operation of the benefit-sharing fund, including the receipt, administration and disbursement of funds, and the management of the project cycle;
- Emerging issues and possible measures that might be considered by the Governing Body to improve the operations of the Funding Strategy regarding resources under the direct control of the Governing Body.

### **III. Information and reporting on resources not under the direct control of the Governing Body**

The information and reporting on resources not under the direct control of the Governing Body provided by Contracting Parties, non-Contracting Parties, international organisations with which the Governing Body has entered into agreements, and relevant international mechanisms, funds and bodies, will be compiled by the Secretariat.

- 1) Information and reporting provided according to standard formats by Contracting Parties and non-Contracting Parties will include:
  - Reporting on the results of measures taken within the Governing Bodies of relevant international mechanisms, funds and bodies, to ensure due priority and attention to the effective allocation of predictable and agreed resources for plans and programmes relevant for the implementation of the Treaty;
  - Reporting on the results of actions taken to promote voluntary contributions from sources within their country for plans and programmes relevant for the implementation of the Treaty;
  - Information on bilateral funding and assistance provided relevant to the Funding Strategy from sources within their country;
  - Information on national activities, plans and programmes for building capacity in plant genetic resources for food and agriculture, and for the conservation and sustainable use of plant genetic resources for food and agriculture.
- 2) Information and reporting provided by international organisations with which the Governing Body has entered into agreements will include:
  - Reporting on resources provided and activities undertaken in support of the implementation of the Treaty.
- 3) Information and reporting provided by relevant international mechanisms, funds and bodies will include:
  - Information on their mandates, priorities, eligibility criteria, procedures and availability of resources relevant to the support of actions for the implementation of the Treaty.