



## JOINT FAO/WHO FOOD STANDARDS PROGRAMME EXECUTIVE COMMITTEE OF THE CODEX ALIMENTARIUS COMMISSION

Eighty-sixth Session

FAO Headquarters

Rome, Italy

1 – 5 July 2024

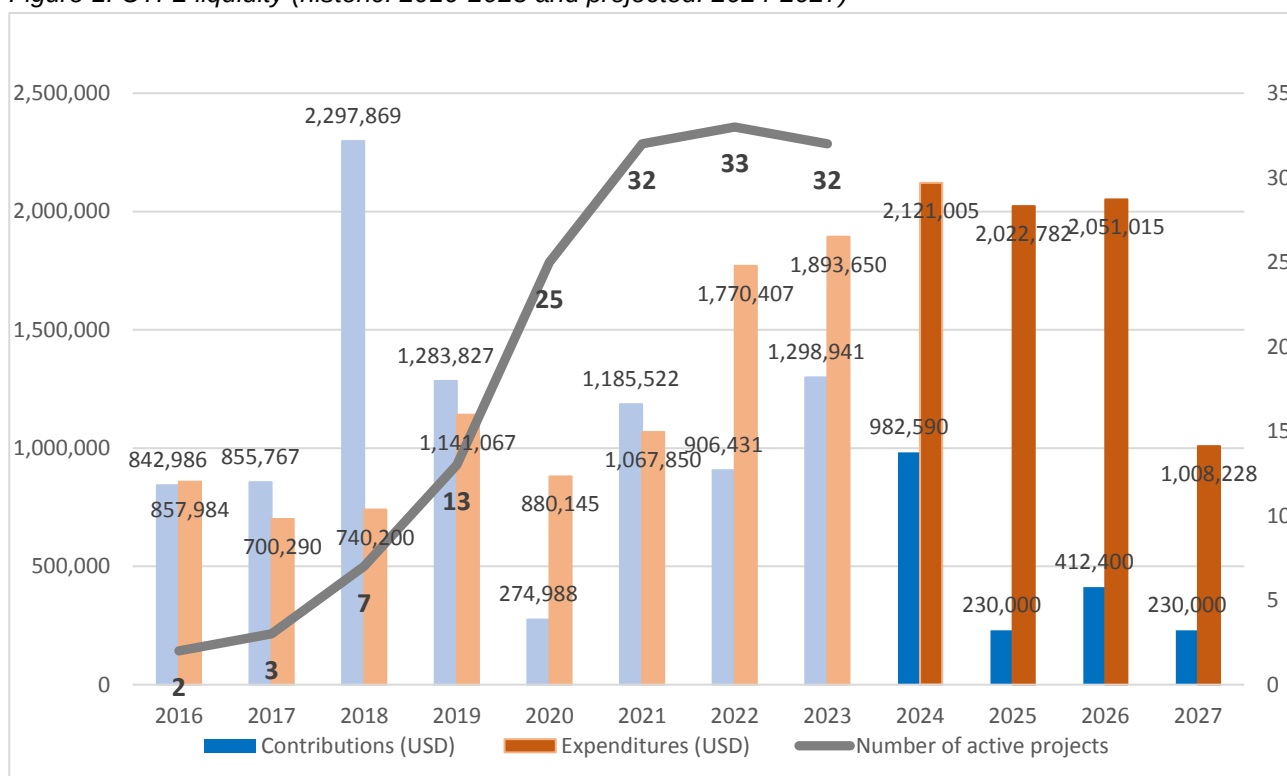
### UPDATE ON THE FINANCIAL SITUATION OF THE CODEX TRUST FUND-2

*Prepared by the Codex Trust Fund Secretariat*

#### 1. Background

Following the disruption to the implementation of activities under the FAO/WHO Codex Trust Fund-2 (CTF2) caused by the COVID-19 pandemic, the implementation of ongoing CTF2 projects has accelerated over the past two years. A temporary shortage of funding in the final quarter of 2023 led to the disruption of some projects. Since then, efforts have resumed at phased rates, prioritizing projects that were already well underway and had demonstrated strong implementation progress. With an increasing number of approved projects, in 2022 and 2023 (and projected for 2024), annual project expenditures have exceeded donor contributions. This has led to a significant reduction of the end-of-year balance which had been maintained during the pandemic restrictions between 2020 and 2022.

Figure 1: CTF2 liquidity (historic: 2016-2023 and projected: 2024-2027)



Furthermore, bilateral discussions with established CTF2 donors have suggested that budgetary constraints to the CTF2 are likely to limit total annual contributions over the remaining three and a half years of its duration. The prevailing uncertainties in donor funding have also reduced the likelihood of securing new and significant

multi-annual agreements or other forms of long-term commitments, two of which will end in 2024. At the current rate, the CTF2 will not reach 50% of the annual budget originally envisioned in 2016.

## 2. CTF2 cashflow projections

The CTF2 operates on a cashflow basis, aligning planned activities with anticipated donor funding to support a portfolio of country projects. To project the financial needs of the CTF2 for the remaining years until the end of 2027, expected expenditures have been matched against secured donor contributions for the period 2024-2027.

Table 1 below shows the projected CTF2 cashflow for four full calendar years. Projected expenditures presume the continuation of all CTF2 activities at the current rate, including the full implementation, completion and evaluation of ongoing and approved Round 1-7 projects. Projected donor contributions include commitments received until including 28 June 2024.

Table 1: Projected CTF2 cashflow 2024-2027

| FAO/WHO Codex Trust Fund-2                  |                              |                     |                     |                     |
|---------------------------------------------|------------------------------|---------------------|---------------------|---------------------|
| 4-YEAR CASH FLOW PROJECTION (GROSS FIGURES) |                              |                     |                     |                     |
|                                             | Total<br>2024                | Total<br>2025       | Total<br>2026       | Total<br>2027       |
| <b>OPENING CASH BALANCE</b>                 | <b>\$619,416<sup>1</sup></b> | <b>-\$518,999</b>   | <b>-\$2,311,781</b> | <b>-\$3,950,396</b> |
| <b>Donor contributions</b>                  | \$982,590                    | \$230,000           | \$412,400           | \$230,000           |
| <b>TOTAL CASH AVAILABLE</b>                 | <b>\$1,602,006</b>           | <b>-\$288,999</b>   | <b>-\$1,899,381</b> | <b>-\$3,720,396</b> |
| <b>Fixed cost (Secretariat)</b>             | \$421,000                    | \$439,650           | \$445,892           | \$602,228           |
| <b>Variable costs (country support)</b>     | \$1,700,005                  | \$1,583,132         | \$1,605,123         | \$406,000           |
| <b>TOTAL CASH DISBURSEMENT</b>              | <b>\$2,121,005</b>           | <b>\$2,022,782</b>  | <b>\$2,051,015</b>  | <b>\$1,008,228</b>  |
| <b>CLOSING CASH BALANCE</b>                 | <b>-\$518,999</b>            | <b>-\$2,311,781</b> | <b>-\$3,950,396</b> | <b>-\$4,728,624</b> |

Considering projected expenditures and commitments received to date, the CTF2 faces a funding shortage of USD 518,999 by the end of 2024 and USD 4,728,624 by the end of 2027. The current financial situation of the CTF2 is not sustainable. To complete and evaluate all approved and ongoing projects in time, a significant increase in the total annual contributions committed by donors to date will be required.

In addition to that, more financial resources would be required to ensure the implementation of projects that are technically approved in application round 8 and any other potential future application round. Accordingly, application round 9 can only be launched if sufficient funding will be available to ensure the implementation of successful applications.

## 3. Implications of funding gap

Without additional donor contributions the FAO/WHO CTF Steering Committee has identified it will need to implement the following actions in the coming months:

- Suspension / postponement of application round 9
- Suspension / postponement of projects pending funding approval for round 8
- Suspension / postponement of project activities of ongoing projects by Q4 2024
- Reduction of CTF Secretariat capacity in 2025

<sup>1</sup> The 2024 opening cash balance is USD 24,725 higher than the amount presented at the extraordinary CTF advisory group and donor meeting on 21 June 2024, following correction of PSC and finalization of the 2023 financial report.

#### **4. Options to close the funding gap**

On 21 June 2024, the FAO/WHO CTF Steering Committee informed the CTF Advisory Group (AG) about the financial prospects of the CTF2. The AG provided feedback to measures proposed by the Steering Committee and shared its own recommendations on how to address the funding gap.

Recommendations by the AG included:

1. Reaching out to established and prospective CTF donor countries, including through a pledging call
2. Exploring the reprogramming of extrabudgetary FAO and WHO funding from other capacity building activities
3. Exploring funding through non-state actors

The FAO/WHO CTF Steering Committee welcomed the recommendations made by the AG and decided the following:

Recommendation 1: the CTF Secretariat is already actively reaching out to established and prospective donors and will use a pledging call and available platforms for its resource mobilization efforts.

Recommendation 2: Reprogramming committed funds is not feasible for FAO and WHO internal governance reasons and was therefore ruled out by the FAO/WHO CTF Steering Committee.

Recommendation 3: The engagement of non-government donors would require a time-consuming vetting process of potential candidates by FAO and WHO that, if successful, would not ensure a timely solution of the funding gap while bringing additional administrative responsibilities in reporting and engagement. It was therefore not considered feasible and ruled out by the FAO/WHO CTF Steering Committee.

#### **5. Measures taken by the FAO/WHO CTF Steering Committee**

As immediate steps, and until financial commitment is secured to support additional projects, The FAO/WHO CTF Steering Committee, decided to:

1. suspend CTF2 application round 9, and
2. suspend the start of projects approved for application round 8.

#### **6. Call for support to secure sustainable funding**

Since the inception of the CTF2 in 2015, donors have provided sufficient annual support to ensure the continuation of activities. To guarantee the sustainable continuation and completion of the CTF2, predictable and sufficient funding is required.

CCEXEC86 is invited to

1. Acknowledge the projected financial challenges facing the CTF2 in the coming years, and
2. Support ongoing resource mobilization efforts by encouraging Codex Member States to contribute and help identify sustainable funding solutions to ensure the continued success of the CTF2 for its remaining years.