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**MANAGING RECEIPT OF VOLUNTARY CONTRIBUTIONS**

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**Purpose**

1. The purpose of this paper is to propose for FAC's consideration criteria for when and how to accept voluntary contributions from members and other entities.

**Background**

2. The Financial Regulations envisage as one of the sources of funds for the Commission in regulation 5.1(b) voluntary contributions by members and other entities. Voluntary contributions above and beyond assessed contributions may be accepted by the Executive Director provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Commission (8.2). The same treatment is for voluntary contributions offered by nonmembers.

3. In the last two years there has been substantial increase in the level of voluntary contribution pledged in support of the activities of the Commission. From experience, the pledges are made during the course of FAC discussions on the annual budget or other times during the course of the financial year.

4. Pledges of voluntary contributions made at FAC discussions of the annual budget are usually treated to offset the budget. For example, if a member or an entity pledge to fund project X then the estimated budgetary provision for the said project is removed from the annual budget estimates but the project remained in the annual work programme for that fiscal year. However, the funding for project X is reflected separately as one of the projects to be funded from voluntary contributions.

5. Since project X remains in the annual work programme its implementation is subject to the availability of the funds pledged. Depending on the member or the entity that pledged to fund the project, the availability of is subject to a lot of unknown variables. The variables include uncertainty as to when the funding as pledged will be forthcoming because project documentation are still to be drawn up

and must comply with the requirements of the member or entity that pledged the funds. It also remains uncertain if all the activities originally contemplated for the project will eventually be funded by the voluntary contribution. For many of the funds pledged, 100% of the funding is not provided up front and may only be fully provided in full when the project is completed. The timing of when the full funding is received for an activity is critical as additional funds need to be identified while waiting to receive the full funding from the member or the entity that pledged to fund the project.

6. With more members and entities making pledges of voluntary contributions during FAC, the Secretariat continue to experience increased administrative burden in managing and monitoring these voluntary contributions and they become a serious challenge to the timely implementation of projects because of extended delays in securing the voluntary contributions.

7. Voluntary contributions pledged during the course of the financial year are less troublesome as they are not linked directly to the funding of the annual budget and the annual work programme. In most cases they are provided to supplement the activities in the annual work programme or generally in support of the work of the Commission and its subsidiary bodies.

### **Improving the management of voluntary contributions**

8. The current practice surrounding the treatment of voluntary contributions pledge during the FAC discussions of the annual budget is unsustainable and is negatively impacting on the implementation of the annual work programme. So there must be tighter criteria to manage when pledges of voluntary contributions made during the FAC could be considered and accounted for in the annual budget and annual work programme. The criteria are not to discourage members and other entities from pledging voluntary contributions but must be developed to better reflect the realities of the requirements (procedural and governance) of the members and entities pledging voluntary contributions in terms of the time taken to disburse and the coverage of their funding support.

9. Accordingly, voluntary contributions pledge during the FAC discussion of the annual budget may be accepted and accounted for in the annual budget and work programme if they satisfy the following criteria:

- i) There must be assurance by the member or entity pledging voluntary contributions that the funds will be disbursed to the Secretariat by no later than 1<sup>st</sup> May into the financial year concerned;
- ii) The funds are either provided in full at the start of the project or are in alignment with the funding needs for the successful implementation of the project;
- iii) The voluntary contribution must cover all activities originally intended for the project or activity the voluntary contribution is intended to fund; and
- iv) The FAC accepts that the voluntary contribution satisfy the above criteria.

10. For voluntary contributions that do not satisfy the criteria in the paragraph above, they will not be accounted for in the annual budget. However, they will be

noted for further discussion between the member or entity pledging the voluntary contribution and the Secretariat on how best to account for the voluntary contribution.

11. For voluntary contributions made during the course of the financial year, they will be the subject of discussion between the member or the entity making the voluntary contribution and the Secretariat on how best to account for the voluntary contribution provided they are consistent with the policies, aims and activities of the Commission.

### **Recommendation**

12. The FAC is invited to consider and support the following criteria for managing voluntary contributions to the Commission:

- a) Voluntary contributions pledged at the FAC discussions of the annual budget will not be accounted in the budget and annual work programme unless:
  - i. there is assurance by the member or entity pledging the voluntary contribution that the funds will be disbursed to the Secretariat by no later than 1<sup>st</sup> May of the financial year concerned;
  - ii. The funds are either provided in full at the start of the project or are in alignment with the funding needs for the successful implementation of the project;
  - iii. the voluntary contribution must cover all activities originally intended for the project or activity the voluntary contribution is intended to fund; and
  - iv. the FAC accepts that the voluntary contribution satisfy the above criteria.
- b) Voluntary contributions pledged during the course of the financial year will be the subject of discussion between the member or the entity making the voluntary contribution and the Secretariat on how best to account for the voluntary contributions provided the objectives of the voluntary contribution are consistent with the policies, aims and activities of the Commission