Report to SPG 2023 on the Sustainable funding of the ePhyto Solution

(*Prepared by the CPM Focus Group*)

A. Purpose

This paper outlines options for sustained funding of the IPPC ePhyto Solution and seeks feedback and guidance from the Strategic Planning Group, prior to finalising a paper with recommendations for CPM 18 (2024).

B. Background

The ePhyto Solution enables countries to produce, send, and receive harmonized electronic phytosanitary certificates with other participating NPPOs through the ePhyto Hub in a secure, low cost, and efficient manner. The initial stages of the development and implementation of the ePhyto Solution were supported by the Standards and Trade Development Facility and donor countries.

Since that time the operating and implementation costs have been funded from substantial donations by a few contracting parties and implementation programmes run by the Standards and Trade Development Facility (STDF), World Bank, and the Global Alliance for Trade Facilitation (GATF). These contributions have enabled the solution to be supported and implemented for a few years, but the current funding will run out in 2024. Without secure funding for 2025 the ePhyto Solution will not be able to continue operating. A new funding model must be agreed in 2024.

Countries using ephyto are now enjoying the direct benefits including easier verification, reduced fraud, and the cost savings from moving away from paper-based processes.

CPM 14 (2019) considered but did not agree a 5-year plan for the ePhyto Solution. There were calls for a sustainable funding model to be established that did not rely on donors.

At CPM 15 (2021), the Secretariat presented a paper with seven options for financially sustaining the ePhyto Solution. CPM 15 agreed to establish a focus group to prepare a funding proposal for CPM to consider in 2023. In the interim the CPM anticipated the ePhyto Solution would continue to be funded through donor country contributions (however there is no guarantee that sufficient funding will be available).

At CPM 17 (2023) the focus group presented recommendations for a sustainable funding mechanism. Many recommendations were agreed however, the mechanism to determine expected contributions among contracting parties was not agreed. The CPM requested “the focus group, secretariat and CPM bureau would work together to develop a detailed final proposal on the system for the funding mechanism, including a detailed overview of the expected financial contributions from individual contracting parties exchanging ephytos through the Hub, to be adopted by CPM-18 (2024).”[[1]](#footnote-1)

The focus groups have continued to meet and has explored multiple options for a funding mechanism, guided by the principles presented to CPM and the guidance provided during CPM discussions. Although not formally agreed, many countries expressed strong support for:

* a funding model with the expected contribution being differentiated by development status
* not charging the least developed contracting parties
* a funding model that provides a level of predictability and certainty on how much a country would pay.

Contracting parties were invited to provide additional information and proposals for consideration by the focus group. The European Union provided an alternative proposal.

C. Principles

While developing the funding model, the focus group has been mindful of the following principles: accessible, transparent, efficient, user pays, simplicity, predictability.

D. A Modified Funding Model Proposal

The focus group has concluded:

* **the model must be able to include funding from FAO or other sources** e.g., donor countries or international organisations. Such funding would reduce the expected contributions sought from contracting parties.
* **the model should not expect contributions from contracting parties not using the ePhyto Solution**.

Over the course of several meetings, the focus group explored several options to cater for the feedback from CPM. It concluded that an ideal ephyto funding model would have a portion of funding based on development status of the user (a base fee), and a portion of funding based on usage of the ePhyto Solution (usage fee). Having a split is common across similar models that support information exchanges. Such a funding model would help to align with the accessible and user pays principles.

Three key components then must be decided:

1. What proportion of the fee should be a base fee and what proportion should be a usage fee?
2. How should the base fee vary according to development status?

Should the usage fee vary according to the level of usage? If yes, then how?

D1. Proportion of funding collected from base fees and usage Fees

A base fee is typically applied to all users of a system without consideration of the amount of use they make. For example, a base fee for streaming television services is typically a fee charged every month regardless of how much or how little the service is used in that month. The focus group considers a base fee is appropriate to include in the funding model. A base fee recognises there are fixed costs associated with hosting, maintaining, and continuing to develop the ephyto solution.

A usage fee is typically applied to all users of a system in proportion to the amount of the service used. For example, an electricity provider will typically charge a base fee and then a charge per kilowatt hour of electricity used. The focus group considers a usage fee is appropriate to include in the funding model. A usage fee recognises and attributes costs to system users in proportion to their level of use.

**The focus group has concluded that both base fees and usage fees should be used in the funding model** because:

* During CPM 17 (2023) many countries supported the concept of a base fee that would vary according to development status.
* There was significantly less support for a usage model based on the number of exchanges.
* Some countries have quickly adopted ephyto and others are yet to start. A funding model strongly biased towards usage at this time may significantly penalise early adopters and discourage others from adopting.
* Usage charges could make the cost to countries less predictable.
* Usage charges are consistent with the user pays principle.
* Usage charges recognise the benefits that accrue to users.
* Most well-established models have a significant portion of funding from usage fees.

On balance **the focus group considers** **base fees should be used to meet 2/3rd of the required funding for the ePhyto Solution and usage fees should be used to meet the remaining 1/3rd**.

D2. Varying the base fee according to development status

There is recognition that some countries have variable ability to contribute to the cost of the ePhyto Solution. At the CPM 17 (2023) meeting, there was strong support for varying the fee according to development status. Several options have been examined to determine how to vary fees according to development status including the UN Assessment Scale, the FAO Scale, and the World Bank income group classification. Some of the options are quite complex, for example by providing a proportional payment specific to every country. The focus group considers the principle of simplicity is important to ensure all contracting parties can easily understand how the funding model works.

The IPPC uses the World Bank classification to determine travel and DSA eligibility. There was good support at CPM 17 (2023) for use of the World Bank country classification. This classifies countries into four categories: Low-income, Lower-middle income, Upper-middle income, and High income. In addition, the focus group considers the UN Least Developed Countries (LDC’s) should be grouped with the World Bank Low-income group (there is considerable consistency in these lists).

This would provide for base fees to be set across four levels of development: Low/LDC, Lower-middle, Upper-middle, High. **The focus group considers countries in the Low/LDC group should be exempt from contributing a base fee.** This is important to support the accessibility principle: we need to ensure the barriers to adopting ephyto are low.

**The focus group considers the** **base fee for countries in the remaining development levels should increase by a factor of two as development status increases (Upper-middle countries would by twice the base fee of Lower-middle countries, High countries would pay twice the base fee of Upper-middle countries)**. This keeps the base fee relatively low for Lower-middle countries but still affordable for High countries.

D3. Varying the usage fee according to usage level

Having a usage fee assumes that the expected contribution will vary according to the amount of usage. This is fundamental to the principle of user pays.

Each message sent to or received from the ephyto Hub can be counted. The focus group considered setting a usage fee for each individual message sent to or received from the Hub. This is possible but has some drawbacks. While we are in an early phase of implementation there are significant extremes in usage. Some contracting parties have only a few hundred exchanges. It would be hardly worth the administrative cost to collect the expected contribution from those contracting parties. Some developing countries have adopted early and are significant users of the ePhyto Solution. Calculating contribution based on every exchange would penalise early adopters and result in those countries contributing an inordinate proportion of ePhyto Solution costs. Given that the ePhyto Solution is still early in its implementation, **the focus group considers a direct per exchange charge is not desirable**.

The focus group considered a range of options to group categories of usage levels (e.g., a grouping for users with less than 1,000 exchanges, 1,000 to 50,000 exchanges, 50,000+, etc) as a method of moderating challenges outlined in the paragraph above. At one extreme there could be 100 usage groups, and at the other end there could be only one or two. The focus group needed to ensure all the principles (accessible, transparent, efficient, user pays, simplicity, predictability) were applied to develop an appropriate usage fee.

The focus group recognises that the current usage levels will change significantly during the implementation phase as new countries continue to join ephyto and existing users migrate their systems from paper-based to electronic.

**On balance the focus group considers** **four usage categories to be the most practical**:

|  |  |
| --- | --- |
| **Usage Group** | **Exchange numbers**  |
| Low | < 1000 |
| Medium | 1,000 - 49,999 |
| High | 50,000 - 149,999 |
| Very High | 150,000+ |

Based on current usage trends, of the 77 countries using ephyto in 2023, 17 are expected to have less than 1,000 exchanges this year. Six countries will have more than 150,000 exchanges and the highest single country usage will be over 600,000 exchanges in 2023.

**The focus group considers that countries in the Low usage group should not pay a usage fee.** A single usage fee is set for each usage group. This recognises that usage by countries will vary from year to year and especially while countries are still coming on board, usage by each country will rise over time.

The usage fee for the high usage group is twice the fee for the medium usage group and the usage fee for the very high usage group is twice the fee for the high usage group. The fee for the medium usage group is set at a level that results in the total of all the usage fees equalling 1/3rd of the total required funding.

Usage categories make the model simple to operate and simple to understand. Note that even if a country’s usage increases substantially, they will just pay the fee for the usage group they started in, until the fee is revised (every two years). However, it also means a country with usage at the low end of the range for a group will pay the same usage fee as a country at the high end of the range for the group.

D4. Modelling

Three scenarios have been developed (see the tables below and Appendices 1 to 9). The scenarios should help SPG participants understand how the base fee and usage fee work together to meet the costs of the ePhyto Solution. They explore the impact of having three usage groups or four usage groups, and the impact of in the size of the low usage category. The table below shows how the three factors (a base fee that varies by development, a usage fee that varies by usage level, and the size of the low usage category) work together to produce a contribution level for each country.

**The preference of the focus group is Scenario 101**. The features of this scenario follow the focus group consideration set out in the above (in bold) are:

1. the model must be able to include funding from FAO or other sources.
2. the model should not expect contributions from contracting parties not using the ePhyto Solution.
3. both base fees and usage fees should be used in the funding model.
4. base fees should be used to meet 2/3rd of the required funding for the ePhyto Solution and usage fees should be used to meet the remaining 1/3rd.
5. countries in the Low/LDC group should be exempt from contributing a base fee
6. base fee for countries in the remaining development levels should increase by a factor of two as development status increases (Upper-middle countries would by twice the base fee of Lower-middle countries, High countries would pay twice the base fee of Upper-middle countries)
7. a direct per exchange charge is not desirable.
8. four usage categories to be the most practical.
9. countries in the Low usage group should not pay a usage fee.

E. Development of a CPM ePhyto Funding Procedure

A procedure is being developed to support adoption of the funding mechanism by the CPM. The procedure will include the following matters:

1. **Purpose** – purpose of the procedure.
2. **Application** – the parties to which the procedure applies.
3. **Governance** – establishing Bureau oversight.
4. **Scope of Costs** – the costs that can be included in the funding mechanism and specifying others that may not be included.
5. **Initial Total Annual Funding Level** – the initial funding required to support the system.
6. **Changing the Total Annual Funding Level** – the process for reviewing the funding level including CPM approval.
7. **Determining the Contracting Party Expected Contribution** – the model for how expected contributions are determined e.g., base fee and usage fee.
8. **Changing the Funding Model** – the procedure for altering the funding model including CPM approval.
9. **Payment Method** – how contracting parties are notified of their expected contribution by letter or by invoice if requested.
10. **Reporting and Transparency** – annual financial reporting from the IPPC Secretariat to the CPM.
11. **Voluntary Contributions to the Multi-Donor Trust Fund** – donor contributions may go into reserves or be used to reduce contraction party expected contributions.
12. **Review** – describing frequency of review of the procedures and the funding model.

The draft procedures are included in Appendix 7. Feedback from SPG on the procedures would be helpful.

F. Other concerns raised at CPM 17 (2023)

FAO Funding

Several contracting parties wanted the FAO to provide additional regular programme funding to operate and implement the ePhyto Solution. This would recognise the substantial contribution the ephyto system makes to advance the goals of the FAO. Since CPM 17, IPPC Secretariat has discussed with FAO senior officers the request that FAO provides the long-term funding necessary to operate the IPPC e-Phyto system. Senior leaders at FAO recognize the e-Phyto system as an innovative and efficient system in support of the global trade of agricultural products. The FAO has noted the request and plans to take it under consideration for the next budget cycle in 2026. The focus group notes the FAO is under severe budgetary pressures so may not be able to include ephyto funding in the budget unless FAO member countries make strong interventions during FAO forums where budgets are discussed. AT CPM 17 (2023) and at the recent IPPC Regional Workshops contracting parties were encouraged to engage with their permanent representatives to the FAO.

Governance

Some contracting parties called for the creation of a governance structure to oversee the funding model and to provide strategic direction for the future of the ePhyto Solution. This idea is out of scope for the focus group but could be addressed either prior to or soon after the funding model is implemented.

Low/LDC status countries and countries not using ephyto

Some contracting parties were concerned about a funding model because they cannot afford to pay or are still in the very early stages of considering ephyto for their countries. The funding model is only applicable to countries using the ePhyto Solution and does not expect low/LDC status countries to contribute a base fee. It is important to note that all funding and support has come from donor bodies or voluntary contributions from willing countries, but this is not a sustainable way to fund critical infrastructure for trade.

When contracting parties are expected to start contributing

Contracting parties can start contributing immediately. Some countries have been voluntarily contributing for several years already. This is the only way the ePhyto Solution has been able to operate. Some countries will want to wait until the new funding model is approved. In that case, the first contribution would be made in 2025. The following timeline would be followed:

* The funding model needs to be approved at CPM18 (2024) for the ePhyto Solution to continue to operate.
* When it is approved, the Secretariat would use 2023 usage data to calculate the expected contribution for each country. The usage data would not include ‘test’ exchanges.
* The Secretariat would inform country contact points before 1 July 2024 of their expected contribution for the 2025 year. This gives countries time include the contribution in budgeting process for 2025).
* The first contributions using the new funding model would be made in 2025.
* Country contributions would only be reviewed every two years. This provides countries more certainty and predictability for budgeting.
* In 2026 the Secretariat would calculate the expected contribution for 2027 using the unchanged model but with usage data from 2025.
* The Secretariat would inform country contact points of the new expected contribution by 1 July 2026 and countries would make the new expected contribution in 2027.

Contracting parties that do not contribute funding

Some contracting parties were concerned that the funding model is not mandatory and that some contracting parties using the ePhyto Solution may choose to not contribute or some NPPO’s may have difficulty securing the budget to contribute if it is not mandatory. The Secretariat has been very clear that we cannot impose a new mandatory obligation on contracting parties. At a minimum a supplementary agreement would have to be developed or the Convention may need to be altered.

Once countries start using ephyto for a large proportion of their phytosanitary certification the cost is minimal compared to the cost of a paper-based system. For many countries, the contribution to the ePhyto Solution could be much less than the current paper phytosanitary certificate system. In addition, there are many operational efficiencies and a greater level of trust in the assurances the NPPO is receiving through the ePhyto Solution Hub. The focus group hopes countries will recognise the value the ePhyto Solution provides and be willing to contribute their share.

Item ix of the ephyto funding procedures requires that a detailed list of contracting party’s expected and actual contributions for the past current and next year is presented to CPM each year. If contracting parties that should contribute do not, it will create a shortfall in funds which will mean less can be done to support development of the solution and less support to contracting parties as they start to use the system.

Contracting party in-country arrangements.

Some contracting parties were concerned they had no way to raise the money to contribute to running the ePhyto Solution. Each contracting party has unique circumstances – some have administrative systems that enable them to charge for the cost of producing official assurances for exporters, some require regulations to be passed by the government, others may have to bid into the annual government budgeting process to secure the necessary funds. Each situation is unique, and each country will need to work out for itself the best approach to suit their domestic situation.

G. Recommendations

The focus group requests SPG to:

1. *Provide* feedback on the revised model:
2. Does SPG support the underlying principles that should drive the costs for users? (i.e., base fee & usage fee).
	* 1. the model must be able to include funding from FAO or other sources.
		2. the model should not expect contributions from contracting parties not using the ePhyto Solution.
		3. both base fees and usage fees should be used in the funding model.
		4. countries in the Low/LDC group should be exempt from contributing a base fee
		5. a direct per exchange charge is not desirable.
		6. four usage categories to be the most practical.
		7. countries in the Low usage group should not pay a usage fee.
3. Which recommended option(s) does SPG wish to have presented for CPM, which meet CPM requirements and expectations?
4. Provide feedback on the draft procedures (Appendix 10)
5. Is anything else missing which will assist CPM to make a decision, keeping in mind the urgent need to reach consensus on a funding mechanism?

**Appendix 1: Scenario 101 – Summary Table**

|  |  |
| --- | --- |
|   | **SCENARIO 101 - Four usage categories, Low usage category upper range set at <1,000 exchanges** |
| - | Total revenue from base fee is set at 66% of total annual funding required. |
| - | Countries classified as Low/LDC pay no base fee. |
| - | Base fee starts at $4,000 and increases x2 for each higher development status level. |
| - | Remaining 33% of revenue is from usage fee. |
| - | 4 usage categories with usage fee starting at nil for low usage (<1,000 exchanges) then $4,800 for medium and increases x2 for each higher usage level. |
|   |   |   |   |   |   |   |
|   |   |  | **DEVELOPMENT STATUS** |
|   |  |  | **LOW** | **LOWER-MID** | **UPPER-MID** | **HIGH** |
|   |   |  | 2 countries | 17 countries | 19 countries | 39 countries |
| **USAGE** | **LOW** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| < 1000 | Usage Fee |  $ -  |  $ -  |  $ -  |  $ -  |
| 17 countries | **Total** |  **$ -**  |  **$ 4,000**  |  **$ 8,000**  |  **$ 16,000**  |
|   |  |  |  |  |   |
| **MEDIUM** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 1,000 - 49,999 | Usage Fee |  $ 4,800  |  $ 4,800  |  $ 4,800  |  $ 4,800  |
| 44 countries | **Total** |  **$ 4,800**  |  **$ 8,800**  |  **$ 12,800**  |  **$ 20,800**  |
|   |  |  |  |  |   |
| **HIGH** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 50,000 - 149,999 | Usage Fee |  $ 9,600  |  $ 9,600  |  $ 9,600  |  $ 9,600  |
| 10 countries | **Total** |  **$ 9,600**  |  **$ 13,600**  |  **$ 17,600**  |  **$ 25,600**  |
|   |  |  |  |  |   |
| **VERY HIGH** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 150,000+ | Usage Fee |  $ 19,200  |  $ 19,200  |  $ 19,200  |  $ 19,200  |
| 6 countries | **Total** |  **$ 19,200**  |  **$ 23,200**  |  **$ 27,200**  |  **$ 35,200**  |

**Appendix 2: Scenario 101 – Model Calculations**



**Appendix 3: Scenario 101 – Country Specific Calculations**



**Appendix 4: Scenario 102 – Summary Table**

|  |  |
| --- | --- |
|   | **SCENARIO 102 - Three usage categories, Low usage category upper range set at <1,000 exchanges** |
| - | Total revenue from base fee is set at 66% of total annual funding required. |
| - | Countries classified as Low/LDC pay no base fee. |
| - | Base fee starts at $4,000 and increases x2 for each higher development status level. |
| - | Remaining 33% of revenue is from usage fee. |
| - | 3 usage categories with usage fee starting at nil for low usage (<1,000 exchanges) then $4600 for medium and increases x3 for each higher usage level. |
|   |   |   |   |   |   |   |
|   |  |  | **DEVELOPMENT STATUS** |
|   |  |  | **LOW** | **LOWER-MID** | **UPPER-MID** | **HIGH** |
|   |   |   | 2 countries | 17 countries | 19 countries | 39 countries |
| **USAGE** | **LOW** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| < 1000 | Usage Fee |  $ -  |  $ -  |  $ -  |  $ -  |
| 17 countries | **Total** |  **$ -**  |  **$ 4,000**  |  **$ 8,000**  |  **$ 16,000**  |
|   |  |  |  |  |   |
| **MEDIUM** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 1,000 - 49,999 | Usage Fee |  $ 4,600  |  $ 4,600  |  $ 4,600  |  $ 4,600  |
| 44 countries | **Total** |  **$ 4,600**  |  **$ 8,600**  |  **$ 12,600**  |  **$ 20,600**  |
|   |  |  |  |  |   |
| **HIGH** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 50,000+ | Usage Fee |  $ 13,800  |  $ 13,800  |  $ 13,800  |  $ 13,800  |
| 16 countries | **Total** |  **$ 13,800**  |  **$ 17,800**  |  **$ 21,800**  |  **$ 29,800**  |

**Appendix 5: Scenario 102 – Model Calculations**



**Appendix 6: Scenario 102 – Country Specific Calculations**



**Appendix 7: Scenario 103 – Summary Table**

|  |  |
| --- | --- |
|   | **SCENARIO 103 - Four usage categories, Low usage category upper range set at <5,000 exchanges** |
| - | Total revenue from base fee is set at 66% of total annual funding required. |
| - | Countries classified as Low/LDC pay no base fee. |
| - | Base fee starts at $4,000 and increases x2 for each higher development status level. |
| - | Remaining 33% of revenue is from usage fee. |
| - | 4 usage categories with usage fee starting at nil for low usage (<5,000 exchanges) then $6,200 for medium and increases x2 for each higher usage level. |
|   |   |   |   |   |   |   |
|   |  |  | **DEVELOPMENT STATUS** |
|   |  |  | **LOW** | **LOWER-MID** | **UPPER-MID** | **HIGH** |
|   |   |   | 2 countries | 17 countries | 19 countries | 39 countries |
| **USAGE** | **LOW** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| < 5000 | Usage Fee |  $ -  |  $ -  |  $ -  |  $ -  |
| 37 countries | **Total** |  **$ -**  |  **$ 4,000**  |  **$ 8,000**  |  **$ 16,000**  |
|   |  |  |  |  |   |
| **MEDIUM** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 5,000 - 49,999 | Usage Fee |  $ 6,200  |  $ 6,200  |  $ 6,200  |  $ 6,200  |
| 24 countries | **Total** |  **$ 6,200**  |  **$ 10,200**  |  **$ 14,200**  |  **$ 22,200**  |
|   |  |  |  |  |   |
| **HIGH** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 50,000 - 149,999 | Usage Fee |  $ 12,400  |  $ 12,400  |  $ 12,400  |  $ 12,400  |
| 10 countries | **Total** |  **$ 12,400**  |  **$ 16,400**  |  **$ 20,400**  |  **$ 28,400**  |
|   |  |  |  |  |   |
| **VERY HIGH** | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 150,000+ | Usage Fee |  $ 24,800  |  $ 24,800  |  $ 24,800  |  $ 24,800  |
| 6 countries | **Total** |  **$ 24,800**  |  **$ 28,800**  |  **$ 32,800**  |  **$ 40,800**  |

**Appendix 8: Scenario 103 – Model Calculations**



**Appendix 9: Scenario 103 – Country Specific Calculations**



**Appendix 10: Scenario 104 – Summary Table**

|  |  |
| --- | --- |
|   | **SCENARIO 104 - Three usage categories, Low usage category upper range set at <5,000 exchanges** |
| - | Total revenue from base fee is set at 66% of total annual funding required. |
| - | Countries classified as Low/LDC pay no base fee. |
| - | Base fee starts at $4,000 and increases x2 for each higher development status level. |
| - | Remaining 33% of revenue is from usage fee. |
| - | 3 usage categories with usage fee starting at nil for low usage (<1,000 exchanges) then $4600 for medium and increases x3 for each higher usage level. |
|   |   |   |   |   |   |   |
|   |  |  | **DEVELOPMENT STATUS** |
|   |  |  | **LOW** | **LOWER-MID** | **UPPER-MID** | **HIGH** |
|   |   |   | 2 countries | 17 countries | 19 countries | 39 countries |
| **USAGE** | LOW | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| < 5,000 | Usage Fee |  $ -  |  $ -  |  $ -  |  $ -  |
| 37 countries | **Total** |  **$ -**  |  **$ 4,000**  |  **$ 8,000**  |  **$ 16,000**  |
|   |  |  |  |  |   |
| MEDIUM | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 5,000 - 49,999 | Usage Fee |  $ 5,800  |  $ 5,800  |  $ 5,800  |  $ 5,800  |
| 24 countries | **Total** |  **$ 5,800**  |  **$ 9,800**  |  **$ 13,800**  |  **$ 21,800**  |
|   |  |  |  |  |   |
| HIGH | Base Fee |  $ -  |  $ 4,000  |  $ 8,000  |  $ 16,000  |
| 50,000+ | Usage Fee |  $ 17,400  |  $ 17,400  |  $ 17,400  |  $ 17,400  |
| 16 countries | **Total** |  **$ 17,400**  |  **$ 21,400**  |  **$ 25,400**  |  **$ 33,400**  |

**Appendix 11: Scenario 104 – Model Calculations**



**Appendix 12: Scenario 104 – Country Specific Calculations**



**Appendix 10: DRAFT Procedures for the IPPC ePhyto Funding Model**

DRAFT Procedures for the IPPC ePhyto Funding Mechanism

1. Purpose
2. These procedures establish the mechanism to fund the ongoing operation and development of the IPPC ePhyto Solution. The ePhyto Solution comprises the ePhyto Hub, the Generic National System (GeNs), hosting and operation by the United Nations International Computing Centre (UNICC), and the approved IPPC Secretariat programme of work.
3. Application
4. The procedures apply to:
	1. Contracting parties that use or will use the ePhyto Solution
	2. The CPM
	3. The Bureau
	4. The IPPC Secretariat
5. The IPPC ePhyto Solution is funded by the contracting parties that use it. The costs may be partially or fully subsidised from the FAO or donations.
6. Governance
7. The supervision of the funding mechanism will be subject to normal CPM Bureau oversight, supported by the IPPC Secretariat, or any alternative governance mechanism agreed by CPM.
8. Scope of Costs
9. The costs included in the funding mechanism are those costs directly associated with operation and development of the IPPC ePhyto Solution and include:
	1. application management and support,
	2. Operations,
	3. Hosting,
	4. on-going development and enhancement,
	5. IPPC Secretariat programme management and support including support for the ePhyto Steering Group,
	6. webinars, seminars, and other activities to promote use and train users,
	7. limited on-boarding costs to set up the GeNS system in developing countries.
10. The costs excluded from the funding mechanism include:
	1. capacity building projects at regional or contracting party level,
	2. establishing the in-country infrastructure needed to use the IPPC ePhyto Solution.
11. Initial Total Annual Funding Level
12. The initial Total Annual Funding Level to be covered using the funding mechanism is initially set at USD 1,263,000.
13. Funds in the IPPC Multi-Donor Trust Fund (MDTF) account at the end of any financial year that are surplus to operating and developing the ePhyto Solution in that year may be held in reserve or used to reduce the Total Annual Funding Level in a future year. Funds held in the MDTF account as reserves should not be more than the Total Annual Funding Level for the next year.
14. Changing the Total Annual Funding Level
15. The Total Annual Funding Level should be altered infrequently so that contracting parties have some certainty about their expected funding contributions.
16. The Total Annual Funding Level may need to change from time-to-time to reflect changed costs, to fund application development work that cannot be covered by reserves, or other matters that require increased or reduced funds.
17. When it is necessary to alter the Total Annual Funding Level, the IPPC Secretariat, working with ePhyto Steering Group, will recommend a new Total Annual Funding Level to the CPM Bureau. If endorsed by the CPM Bureau, the new Total Annual Funding Level is proposed by the CPM Bureau to CPM for approval at the next CPM meeting.
18. The new Total Annual Funding Level will come into effect in the financial year following CPM approval, i.e., not in the same year as approval. This is to give contracting parties time to adjust any domestic budget processes.
19. If a new Total Annual Funding Level is not agreed to by consensus, and if best endeavours to reach consensus have been made, the CPM Chair, may call for a majority vote.
20. The Total Annual Funding Level may only be altered once in any biennium.
21. Determining the Contracting Party Expected Contribution
22. When the FAO provides any direct contribution to fund the IPPC ePhyto Solution, this will, unless otherwise specified by the FAO, be applied to the Total Annual Funding Level and will reduce future contracting parties’ expected contribution.
23. *Contracting parties’ expected contributions will be allocated using this model [Still to come]. Description of the core of the model with the formula for how the funds are allocated*
24. An exchange is defined as any message sent to or received from a contracting party through the ePhyto Hub. Messages may contain certification information, acknowledgements, or other phytosanitary certification related messaging. Messages sent or receives while a contracting party is in test mode prior to going to production are excluded.
25. Once per biennium, expected contributions from contracting parties will be updated using the approved funding model. The functioning of the model will not be changed but expected contributions will be recalculated using:
	1. the amount of FAO funding provided for the purpose of supporting the IPPC ePhyto Solution,
	2. the amount of donor funding,
	3. the amount of funds held in reserve,
	4. the number of “in production” exchanges (i.e., not testing exchanges) in the prior year for each contracting party using the IPPC ePhyto Solution.
	5. the development status of the contracting parties using the IPPC ePhyto Solution.
26. The Secretariat will check the outcome with the Bureau and following Bureau agreement, notify each contracting party official contact point by 30 June in the year prior to the new contribution being expected.
27. In the event the amount of funds [collected / provided] in any financial year is less than the Total Annual Funding Level, any reserves in the Trust account will be used to make up the shortfall. If the shortfall is not covered by the reserves, the IPPC Secretariat, working with ePhyto Steering Group, will either:
	1. Provide the Bureau with a recommendation to directing existing regular programme budget or MDTF budget to supporting the IPPC ePhyto Solution, or
	2. recommend a new Total Annual Funding Level to the CPM Bureau and follow the process described in section V: Changing the Total Annual Funding Level.
28. Changes to the Funding Model
29. If it is necessary to change the Funding Model, the IPPC Secretariat, working with ePhyto Steering Group, will recommend a change to the CPM Bureau. If endorsed by the CPM Bureau, the alteration is tested with the Strategic Planning Group, then proposed by the CPM Bureau to CPM for approval at the next CPM meeting.
30. If a new Funding Model is not agreed to by consensus, and if best endeavours to reach consensus have been made, the CPM Chair may call for a vote.
31. Payment Method
32. Contracting parties using the IPPC ePhyto Solution will be notified by June each year, the level of contribution expected for the next year.
33. A letter specifying the expected contribution will be sent to the official contact point for the NPPO.
34. If a contracting party needs an invoice to make a payment, they may request an invoice from the IPPC Secretariat.
35. Payments are made into the MDTF. Payment and MDTF account details will be included in the letter and/or invoice.
36. Reporting and Transparency
37. Annually at CPM, the IPPC Secretariat will present a financial report on the IPPC ePhyto Solution Trust Fund detailing in broad categories the in-comings and out-goings and the financial position of the Trust Fund.
38. An Annex to the report will provide a detailed list of contracting party’s expected and actual contributions for the past current and next year.
39. Voluntary Contributions to the Multi-Donor Trust Fund
40. Contracting parties and other organisations may make voluntary contributions outside this funding mechanisms. Such contributions are for the purpose specified by the donor, may go into reserves, or may be used to reduce contracting party contributions in future years.
41. Review
42. These procedures, including the Funding Model, are to be reviewed in 2027 (prior to setting the expected contributions for 2029 and 2030 ( if adopted in 2024, first two years of contribution 2025 and 2026, second two years of contribution are 2027 and 2028. Need to review in 2027 so in 2028 contribution for 2029 and 2030 can be set), and then at least every six years thereafter.
43. The Bureau, supported by the Secretariat will determine if the review should be conducted by the FAO internal review unit, by an external consultant, or by a small group appointed by the Bureau.
1. Report of the Seventeenth Session of the Commission on Phytosanitary Measures, Rome Italy 27-31 March 2023; p.16. [↑](#footnote-ref-1)