



WHO FRAMEWORK CONVENTION  
ON TOBACCO CONTROL

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### Voluntary assessed contributions

1. This report has been prepared in line with decision FCTC/COP5(17), *Arrears in the payment of assessed contributions*, paragraph (3), which requests the Secretariat to draw up a report on the feasibility of changing from voluntary assessed contributions (VAC) to assessed contributions and other possible incentives for Parties that continue to have arrears in payments, and to present it to the sixth session of the Conference of Parties (COP6).

#### Background

2. The COP decided on VAC as the means by which Parties to the Convention would make their contributions at COP1 (Geneva, 6–17 February 2006), as part of decision FCTC/COP1(11), *Budget and workplan 2006–2007*.

3. The issue had been discussed earlier by the Open-Ended Intergovernmental Working Group on the WHO FCTC, in preparing COP1, during which different views were expressed on the nature of Parties' contributions; for example on whether contributions should be entirely voluntary or compulsory.

4. The scale of VAC was adopted by the COP at every subsequent session in conjunction with and as part of the COP's decisions on biennial workplans and budgets. Five scales of assessment were adopted by the COP, linked to, respectively, the budgets and workplans for 2006–2007, 2008–2009, 2010–2011, 2012–2013, and 2014–2015 (ranging from US\$ 8 million in the 2006–2007 workplan and budget to US\$ 9.1 million in the 2014–2015 workplan and budget). The VACs are calculated on the basis of the WHO scale of assessment, which is itself based on the United Nations scale, taking into account the difference in membership of WHO and of the Convention.

5. The actual collection of VAC over the past financial periods was on average close to 95%, ranging from 90% to 97% at different times. However, the number of countries that did not make payments remained relatively high. For example, according to the report submitted to COP5 on arrears in the payment of assessed contributions (document FCTC/COP/5/21), as at 30 June 2012, some 62 Parties were in arrears on their VAC for one or more bienniums, and the situation has not changed much since then; 55 Parties had not paid their contributions for the 2012–2013 financial period as at the end of 2013. As at 5 May 2014, the date when this report was finalized, close to 60 Parties had arrears for one or more bienniums, including 21 Parties that have never paid any contribution. The status of collection of VAC has been regularly reported to the COP as part of the Secretariat's biennial performance reports.

6. The fact that the COP had adopted the scales of assessment in its decisions to adopt the biennial workplans and budgets suggests that the COP considered the timely and full payment of contributions to be organically linked to full implementation of the workplan. Another notion indicating the expectations of the COP that the assessed contributions, although called voluntary, were expected to actually be paid, can be followed from the respective decisions of COP4 and COP5 in which the Parties that had not paid were referred to as Parties in arrears.

7. At COP4 the COP expressed deep concern at the situation whereby a very large number of Parties had outstanding VAC and that a number of Parties had never paid their VAC. The COP subsequently requested (in decision FCTC/COP4(22), *Arrears in the payment of financial contributions*) the Convention Secretariat to prepare and present to COP5 a report on ways and means to improve payment of VAC, taking into account relevant practice in the United Nations system.

8. At COP5 the Secretariat presented the report in question (document FCTC/COP/5/21). During the debate on this matter some countries expressed the view that the fact that contributions were referred to as “voluntary” hampered their ability to make payments. The option of replacing “voluntary assessed contributions” with “assessed contributions” was raised. The COP subsequently requested the Secretariat in the relevant decision to provide a report on the feasibility of making that change and that the report also include other possible incentives for Parties that continue to have arrears in payments.

### **Feasibility**

9. The feasibility of changing from voluntary assessed contributions to assessed contributions could be considered from the following points of view.

10. The first is that the current approach to voluntary assessed contributions has become established as a practice through COP decisions to approve biennial workplans and budgets, and may therefore be changed by another COP decision. It is not contained in the Convention itself.

11. Making the change from voluntary assessed contributions to assessed contributions would not contradict international practice and would, indeed, be consistent with such practice. Research undertaken and commissioned by the Secretariat did not identify any examples of voluntary assessed contributions as the financing mechanism of other multilateral agreements. The prevailing model for treaties involves assessed contributions, typically based on the United Nations scale of assessment. Treaties employing this model also generally receive voluntary contributions, which constitute a distinct category of contribution serving to supplement the assessed contributions.

12. Such a change would also be consistent with the WHO Financial Regulations and Rules, which the COP agreed to use as the financial rules of the COP (see decision FCTC/COP1(9)). The Financial Regulations refer to assessed and not to voluntary assessed contributions (see particularly Regulations V and VI and the corresponding Rules), and there is no reference to the voluntary nature of such contributions. Voluntary contributions, in turn, are referred to as a separate category not linked to assessed contributions.

### **Related impact**

13. It should be noted that when fully aligning the Parties’ contributions with the WHO Financial Regulations and Rules (which are also the financial rules of the COP), the following adjustments would need to be considered.

14. The biennial assessed contributions of Parties would be divided into two equal instalments in the scale of assessment, which is the longstanding practice in WHO (in line with Regulation 6 of the WHO Financial Regulations and Rules). This change would also be in line with the actual practice and wishes of a growing number of Parties to the WHO FCTC, which prefer to pay in annual

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instalments, even if the COP scale of assessment is adopted on a biennial basis, for reasons of conformity with their annual national budgets.

15. The COP may also wish to apply the provision, as per Regulation 6 of the WHO Financial Regulations and Rules, that the annual instalments of assessed contributions should be due and payable as at 1 January of the year to which they relate. This, too, would contribute to the timely payment of contributions.

16. Finally, the change from voluntary assessed contributions to assessed contributions would be coordinated with the existing mechanisms to reimburse WHO for its support, under which a programme support costs (PSC) charge is levied on the Convention Secretariat. The WHO Financial Regulations and Rules do not provide for the application of a PSC charge to assessed contributions. An alternative mechanism could, for example, take the form of an agreement setting out services provided and costs or be based on resolution WHA34.17 regarding PSC, also taking account of relevant practices in other multilateral treaties within the United Nations system. Support costs that WHO actually incurs will have to be covered.

### **Other incentives**

17. This aspect was comprehensively reviewed on the basis of relevant international practice among United Nations system organizations and multilateral treaties and the results of the review presented to COP5 in document FCTC/COP/5/21. Such practice includes measures such as suspension of voting privileges, loss of eligibility of nationals of the party in question to elected positions, restrictions on eligibility for certain benefits (e.g. eligibility to obtain funding to attend meetings, to host meetings, or to participate in technical training), differing treatment of interest due, as well as adoption of plans for repayment of outstanding contributions, which have been employed by different organizations and bodies at different times. A further review of this matter commissioned by the Secretariat since COP5 did not identify any notable experiences in addition to those described in document FCTC/COP/5/21.

18. One of the above measures was already applied by the COP in decision FCTC/COP5(17) when requesting the Secretariat to ask Parties with arrears to present the Secretariat with a proposal, including a time frame, for settling such arrears. Although no Party responded to such a request made by the Secretariat after COP5 the request, nevertheless, could be renewed for one more intersessional period to explore the potential of such a measure.

19. The COP may wish to take note of the above international experiences when drawing conclusions on this matter and putting forward further incentives to Parties to the WHO FCTC.

### **ACTION BY THE CONFERENCE OF THE PARTIES**

20. The COP is invited to note the report and decide on how to improve the payment of Parties' contributions to the WHO FCTC.

21. The COP, in particular, may decide, as indicated in its decision FCTC/COP5(17), whether to change the current system of voluntary assessed contributions, to a system of assessed contributions.

22. In case such a decision is taken, the COP may also wish to decide on adjustments concerning the possible annual instalments and timeline of payments as described in paragraphs 14 and 15 above; the COP may also wish to request WHO to harmonize application of programme support costs related to assessed contributions of the COP with those of WHO, as referred to in paragraph 16, as well as to propose an alternative arrangement for the recovery of the cost of hosting the Secretariat.

23. The COP may also decide whether to apply one or more of the international practices concerning incentives for the payment of contributions as described in paragraphs 17 and 18 above and in more detail in the Secretariat report to COP5 (document FCTC/COP/5/21).