

FOR DECISION

RESOURCE MOBILISATION (PART 2): POLICY ON CONTRIBUTIONS

1. PURPOSE

The purpose of this paper is to seek the approval of the Board of the Policy on Contributions attached as **Annex 1** to this paper, and if approved, the terms of reference of the Contributions Committee attached as **Annex 2**. The Policy on Contributions covers both financial contributions and contributions of goods and services (also known as “in kind” contributions).

2. DECISION REQUESTED

The Board is requested to approve the following decision:

BM.01/DEC.XX: The Board approves:

- a. the Policy on Contributions attached as Annex 1 to BM.01/DOC.06 (Part 2); and*
- b. the Terms of Reference of the Contributions Committee attached as Annex 2 to BM.01/DOC.06 (Part 2).*

The Board requests the Chair to consult with Board members interested in membership in the Contributions Committee and to present the membership to the Board for approval as soon as possible using the procedure set out in Article 2.9a of the Bylaws.

3. REASON FOR RECOMMENDATION

3.1 In order to enable the Secretariat to continue to work with potential donors, the Board will need to decide on the kinds of contributions that GCERF will accept, including restricted financial contributions (also known as “earmarked” or “targeted funding” or “donor-designated funds”) and contributions of goods, commodities, services and staff (also known as “in-kind” contributions).

Background: the Framework Document

3.2 The GCERF Framework Document¹ states as follows regarding these issues:

¹ See Annex 1 to document BM.01/DOC.02

C. Policy on Contributions

- i. **Earmarking.** “Earmarking” (i.e. restrictions on the use of contributions) may create significant policy challenges (restricting the independence of GCERF and its ability to make policy choices in the projects that it funds) and raise transaction and management costs. Nevertheless, permitting some “soft” earmarking will open up additional channels for contributions and in so doing increase the resources available to GCERF. Ultimately, GCERF’s position on earmarking will be determined by its Governing Board, which may want to consider three options: (1) absolute prohibition on earmarking, (2) “soft” earmarking, where the primary channel for contributions remains open for general contributions, but earmarking may be permitted in restricted circumstances (e.g., for programs for certain countries or thematic issues, or to facilitate contributions from partners where national parliaments may require some higher degree of oversight), (3) permitting earmarking without restriction. Should the Governing Board opt for option two, it should retain the right to weigh the value of accepting the terms of a particular earmark against the degree to which the terms might impinge on its ability to govern the organization in line with its overarching mission.
- ii. **In-Kind Contributions.** There is general support for permitting in-kind contributions to the operations of the GCERF, both at the global and project level. There are certain considerations that the Governing Board will define, however: (1) how/whether to credit donors for such contributions, if seats on the Governing Board are to be allocated among donors based on contribution amounts; and (2) how to mitigate conflicts of interest which may arise due to such contributions.

Restricted Financial Contributions

3.3 Restricted financial contributions are those that are contributed to GCERF and “earmarked” for certain activities/costs, projects, themes or geographical areas. The GCERF should aim to have a diverse donor pool and encourage all GCERF donors to provide unrestricted financial contributions. However, it is understood that some donors may be required to impose particular conditions on uses of contributed funds due to the policies of their own government, corporation or foundation.

3.4 There are a number of risks related to restricted contributions, including the following:

- Having a high proportion of restricted contributions, and therefore funds that are only available for certain activities/costs, geographical regions or themes, could potentially undermine the Board’s authority over funding decisions, the independence of the grant review process, and the beneficiary-driven nature of GCERF’s grant-making.
- Restricted contributions, which will be made publicly transparent, undermine the benefit of the “anonymity” of a multilateral fund, in that for the donor and the beneficiary the source of the funds is from an international body rather than a specific donor.

- Its availability may mean that donors will choose to fund only programmatic activities, without including the operating expenses of GCERF, which are needed in order to achieve the intended results.
- Restricted funding is more difficult to administer and track. Accounting procedures will need to be put in place to “match” the funding to the activity and to be able to report to donors. This will require increased Secretariat staff time. The administrative burdens need to be weighed against the benefits of receiving the funds.
- Agreements for restricted contributions will take longer to negotiate, therefore delaying release of funds to GCERF and adding uncertainty to its financial position.

3.5 Despite the risks listed above, restricted contributions are quite commonplace in the philanthropic/development aid field. UN agencies, for example, have different categories of funding, such as “core” and “co-financing”, and some create and administer specific trust accounts for certain targeted activities, usually with their own governance mechanism². In fact, the Accelerated Funding Mechanism proposed in BM.01/DOC.05 is a type of restricted financial contribution. As such, some accommodation may be necessary. However, simplicity should be sought if at all possible, in particular for the first few years, when the Board will be making key decisions regarding the countries that will take part in the pilot phase and the applications to be funded there.

In-Kind Contributions

3.6 Acceptance of in-kind contributions, both at a country grant level and at the Secretariat level, may include the following risks:

- Administration of in-kind contributions (including staff time, as well as associated costs for donation of goods such as delivery fees, etc.) are not cost-neutral compared to the value of the contribution.
- In-kind contributions are an exception to the normal use of competitive procurement processes, where the value of the goods or services being provided is weighed against the cost; as such, there is a risk that the quality of the in-kind contribution may be questionable and its provision not necessarily as reliable as a contracted service.

² In some cases donors also earmark funding for certain activities/countries that are eligible to be reported as Official Development Assistance.

- The 'bait and switch' issue: donated goods or services may lead to reliance on a certain supplier (e.g. limited to one technology platform), and when supplies need to be replenished at a cost, they may not be the best value for money.
- Secondment and loaning of staff may be affected by issues of conflict of interest and undue influence.

Key Elements of the Proposed Contribution Policy

3.7 The key elements of the proposed policy include the following:

- All contributions must be used in line with Board-approved priorities and budgets as well as in compliance with all established policies, rules and procedures.
- No contributions should result in unreasonable transaction costs.
- All contributions must be recorded in writing; the financial rules to be approved by the Board will include provisions dealing with handling contributions from an accounting perspective.
- As contributing to operating expenses of GCERF is a shared responsibility of all donors, any restricted contribution must include at least 15 per cent allocated to such expenses.
- In-kind contributions of goods, commodities, services and staff to the Secretariat need to be determined by the Executive Director to be of benefit and use to the GCERF.
- The secondment or loan of staff will be subject to the human resources policies (to be established) and the Policy on Ethics and Conflict of Interest³.
- Any proposed exception or waiver from this policy may be decided by a Contributions Committee of the Board. The proposed terms of reference and membership of the Contributions Committee for Board approval are included as **Annex 2** to this paper.

3.8 It is noted that this policy deals only with direct contributions to GCERF. While in-kind contributions from, for example, the private sector, to Country Support Mechanisms or grant recipients in beneficiary countries would be welcome where appropriate, these are not strictly within the Board and Secretariat's control and are therefore not covered by this policy.

³ See Annex 2 to BM.01/DOC.04

Terms of Reference for Contributions Committee

3.9 Annex 2 to this paper contains the proposed terms of reference of the Contributions Committee, for Board approval. For efficiency purposes, the membership of the Contribution Committee would be kept small, yet representative, including the Chair of the Board (who will chair the committee) and three other members; one from a donor country, one from a beneficiary country and one from a non-governmental entity on the Board. In cases where the donor whose contribution is being considered is a member of the committee, he or she will be replaced temporarily with another member.

3.10 The role of the Contributions Committee is to oversee the enforcement of the Contributions Policy, approve any waivers or exceptions to the policy and undertake any other responsibility or task delegated to it by a Board decision. The Contribution Committee will report back to the Board on its activities at each face-to-face Board meeting.

4. EFFECT ON OPERATING EXPENSES

The requested decision will not increase the operating expenses of GCERF beyond the budget requested for Board approval in BM01.DOC.07.

5. NEXT STEPS

Should the Board approve the Policy in Annex 1, it will become effective immediately and posted on the GCERF website for transparency. The Chair will also proceed with identifying members of the Contribution Committee and propose such membership for approval by the Board by using an email no objection process.

Annex 1

POLICY ON CONTRIBUTIONS

1. Purpose of GCERF

The purpose of the Global Community Engagement and Resilience Fund (“GCERF”) is to support community-level initiatives that strengthen resilience to violent extremist agendas and sustainably address the drivers of radicalisation to such agendas and other sources of insecurity.

2. Purpose of Policy

The Governing Board of GCERF (the “Board”) encourages contributions by donor governments, foundations and private sector actors for purposes that will assist GCERF to further and fulfil its mission. The following policy governs the acceptance of financial and in-kind contributions made to GCERF and provides guidance to prospective donors and their advisors when making contributions to GCERF. The provisions of this policy shall apply to all contributions to GCERF.

3. Guiding Principles

The following guiding principles shall apply to all contributions to GCERF including unrestricted and restricted financial contributions or contributions of goods, commodities and services:

- a. The Board, as the supreme governing body of GCERF, has the authority to make or delegate to other bodies (committees and/or the Secretariat) all financial decisions for GCERF, including on grant-making and the operating expenses budget.
- b. All contributions should be used solely for the purpose of supporting activities (including grant-making and operating expenses) approved by the Board in line with beneficiary country-driven, Board-determined priorities of GCERF.
- c. All donors share responsibility for contributing to the operating expenses of GCERF.
- d. A contribution should not result in unreasonable transaction costs for GCERF, substantial changes to GCERF systems and processes, or the responsibilities of the Trustee, or any deviation from GCERF rules and procedures.
- e. The majority value of financial contributions to GCERF should be unrestricted.
- f. Any restrictions on the use of contributions must be recorded in writing and signed by both GCERF⁴ and the donor. Verbal agreements of restrictions between GCERF and its donors that are not recorded in a contribution agreement are prohibited.

⁴ Signing authority for GCERF is specified in the Bylaws.

4. Restricted Financial Contributions

4.1 Definition

For the purpose of this Policy, “restricted financial contributions” (sometimes referred to as “targeted funding” or “earmarked funding”) has the meaning assigned by accounting standards applicable to contribution income, i.e. contributions that have been provided by a donor with specific restrictions on how they may be used by a recipient.

4.2 Restricted Financial Contributions for Grant Activities

The Secretariat may mobilize and accept financial contributions which are restricted to broad categories such as thematic (including, but not limited to, education, professional development, women’s empowerment, etc.) or geographical areas,⁵ provided that:

- a. such restricted financial contributions comply with the Guiding Principles outlined in paragraph 3 above;
- b. any restricted financial contribution is required to allocate a minimum of 15 per cent to fund the budget for the operating expenses of GCERF, as approved by the Board on an annual basis; and
- c. the Secretariat maintains accounting records necessary to record restrictions attached to contributions, identify the expenditure that satisfies such restrictions, and include them in the financial statements to be provided to the Board on an annual basis.

4.3 Restricted Financial Contributions for Operating Expenses

The Secretariat may mobilize and accept restricted financial contributions for use to pay operating expenses. Such restricted financial contributions may be made either directly to GCERF or to third parties in payment for the liabilities of GCERF, provided that such contributions comply with the Guiding Principles outline in paragraph 3 above.

5. Contributions of Goods, Commodities, Services and Staff

The Secretariat may accept contributions of goods, commodities, services and staff for its operations, provided that such contributions:

- a. comply with the Guiding Principles outlined in paragraph 3 above; and
- b. are determined by the Executive Director to be of benefit and use to the Secretariat.

⁵ Note that due to Guiding Principle 3b above, during the pilot phase, geographical restrictions on contributions will only be accepted for those pilot countries or particular initiative/window approved by the Board.

The secondment or loan of staff to the Secretariat shall be subject to the human resources policies, rules and procedures, as well as the policy on ethics and conflicts of interest to be approved by the Board.

6. Contributions Committee

Any waivers from this Policy may be granted by a Contributions Committee to be established. The terms of reference of the Contributions Committee, including its membership, shall be subject to approval by the Board.

7. Financial Rules

GCERF's financial rules, policies and procedures will include provisions addressing restricted and unrestricted financial contributions and contributions of goods, commodities, and services in compliance with international accounting standards.

8. Review

This Policy shall be reviewed by the Board two years from the date of its approval.

Annex 2

CONTRIBUTIONS COMMITTEE

Terms of Reference

(approved by the Board at its first meeting on 17-18 November 2014)

A. PURPOSE

The Contributions Committee is an *ad hoc* committee established by the Governing Board of GCERF (the “Board”) to oversee the enforcement of the Policy on Contributions approved at the 1st Board Meeting on 17-18 November 2014 (the “Contributions Policy”).

B. MEMBERSHIP

1. Size

The membership of the Contributions Committee shall be composed of a maximum of 4 (four) members including the following:

- a. the Chair of the Board, who shall chair the Contributions Committee and be non-voting; and
- b. no more than 3 (three) other Board members from the following categories of constituencies represented on the Board:
 - 1 (one) from the donor countries;
 - 1 (one) from the beneficiary countries; and
 - 1 (one) from then non-governmental, research and training, foundations or private sector.

In the event that the agenda of the Contributions Committee includes a discussion of the contribution of a member of the Contributions Committee, the Chair shall temporarily appoint another Board member from the same constituency to participate in the committee’s discussions of the contribution.

2. Appointment of Members

The Chair shall consult with Board members to solicit interest in becoming members of the Contributions Committee. The Chair shall propose the membership to the Board for approval either at a face-to-face meeting, or by email using the no objection process outlined in Article 2.9a of the Bylaws.

3. Membership Term

Committee members, other than the Chair, shall serve a term of two years or until a successor has been appointed.

4. Vacancies

A vacancy in the Contributions Committee resulting from death, resignation, disqualification or other reason, shall be filled in the same manner in which the original holder of that office or position was appointed or selected. Individuals selected or appointed to fill vacant positions shall hold such positions for the unexpired term of their predecessor.

5. Assessment

Each Contributions Committee member shall remain engaged and diligent in the performance of his/her responsibilities. Accordingly, each individual serving in such a role shall be subject to the assessments by the Chair. If such assessments determine that the individual has not fulfilled his/her responsibilities, including, without limitation, failing to attend meetings and participate in discussions, the Chair may request the relevant constituency to put forward a permanent replacement to complete the individual's term or remove the constituency from the committee and seek a replacement for the vacant committee seat in accordance with these terms of reference.

C. ROLES AND RESPONSIBILITIES

The Contributions Committee shall have the following roles and responsibilities delegated by the Board:

- a. overseeing the enforcement of the Contributions Policy;
- b. approving any waivers to or exceptions from the Contribution Policy as may be requested; and
- c. undertaking any other responsibility or task delegated to it by a Board decision.

D. MEETINGS

1. Frequency

The Contribution Committee shall meet as needed.

2. Modes

Contribution Committee meetings shall be, as a rule, held by audio-conference. At the discretion of the Chair, they may be held face-to-face or by video conference or any other electronic communication medium that allows a committee member to follow and contribute to meeting discussions as they occur in real time. The Chair shall decide on the medium used for each meeting.

3. Notice

Notice of Contribution Committee meetings shall be provided at least ten calendar days prior to the start of the meeting.

4. Quorum

The Contributions Committee may conduct business only when the Chair (or, in exceptional circumstances, his or her designee) and a majority of committee members are present.

5. Secretariat Attendance

The Executive Director and, where applicable, the Secretariat member designated to act as the focal point of the Contributions Committee shall be invited to attend all meetings of the Contribution Committee, unless the Chair decides otherwise. Attendance by other Secretariat members shall be decided by the Executive Director, in consultation with Chair.

6. Delivery of Meeting Materials

The Secretariat shall distribute meeting materials to ensure receipt by committee members at least one week in advance of the start of the meeting.

E. DECISION-MAKING

The Chair shall use best efforts to ensure that the committee reaches all decisions by consensus. If the Chair believes there is a clear consensus, he or she shall restate the decision/recommendation and declare that the committee has reached consensus. If the Chair believes the debate is too close to reach a consensus, he or she may decide to defer the matter to a later date. The Chair will use all practical efforts to achieve a consensus by encouraging amendments that meet the concerns of all sides of the debate.

F. REPORTING TO THE BOARD

The Chair shall report on the activities and decisions of the Contributions Committee at each of the face to face meetings of the Board.

G. CONFLICT OF INTEREST

Contribution Committee members are subject to the Policy on Ethics and Conflict of Interest.

H. AMENDMENT

This document may be amended from time to time upon approval by the Board.