

RESOLUTION 400

**MODIFICATIONS OF THE FINANCIAL RULES
AND THE RULES OF PROCEDURE OF THE GENERAL DIRECTORATE
ON MISCELLANEOUS INCOME**

HAVING SEEN:

Document IICA/CE/Doc. 424(03), "Report of the Special Advisory Committee on Management Issues-2003,"

CONSIDERING,

That Article 88 of the Rules of Procedure of the General Directorate ("RPGD") states that the Regular Fund includes "quotas of the Member States and miscellaneous income, including funds received for unspecified purposes";

That Article 89 of the RPGD divides the Regular Fund into two subfunds: the General Subfund and the Working Subfund;

That Articles 89 and 90 of the RPGD provide that quota and miscellaneous income received during the course of the fiscal year is deposited in the General Subfund to finance the Program Budget, and that the Working Subfund, which cannot exceed 15% of the total approved quotas for that year, is funded by the balance of unobligated appropriations at the end of the fiscal year and such other resources as may be approved by the Inter-American Board of Agriculture (IABA);

That in its 2003 Report, the Special Advisory Committee on Management Issues (SACMI) concluded that unobligated miscellaneous income in the General Subfund of the Regular Fund at year end should be separated from the Regular Fund so as to avoid the automatic year-end transfer to the Working Subfund, thereby making that income immediately available to finance pressing institutional needs and priorities;

That the Financial Rules and RPGD must be modified to implement that recommendation;

That, pursuant to Article 3(h) of its Rules of Procedure, the Executive Committee is authorized to modify the Financial Rules to the extent such Rules are consistent with the RPGD and that, pursuant to Article 3(o) of those Rules, it is authorized to modify the RPGD provisionally and place those modifications into force provisionally *ad referendum* the IABA,

RESOLVES:

1. To approve the modifications to the Rules of Procedure of the General Directorate set out in Annex A *ad referendum* the Inter-American Board of Agriculture (IABA), at its next Regular Meeting; to put those modifications into force provisionally in accordance with Article 3(o) of its Rules; and to recommend that the IABA approve those modifications at its next Regular Meeting.
2. To approve the modifications to the Financial Rules set out in Annex A. Those modifications shall cease to have effect if the corresponding modifications to the Rules of Procedure of the General Directorate set out in Annex A are not approved by the IABA at its next Regular Meeting.

ANNEX A

**MODIFICATION OF THE RULES OF PROCEDURE OF THE GENERAL
DIRECTORATE AND THE FINANCIAL RULES WITH
REGARD TO MISCELLANEOUS INCOME**

In the modified provisions that follow below, the text in italics is the new text added; the text in strikethrough is the text eliminated from the rules currently in force. A Section Analysis follows each amended Article or Rule:

I. RULES OF PROCEDURE OF THE GENERAL DIRECTORATE

Article 88. The following funds are administered by the Institute and classified according to their source and purpose:

- h. THE MISCELLANEOUS INCOME FUND – Consisting of miscellaneous income, as defined in the Financial Rules, derived from the outstanding balance of miscellaneous income deposited in the General Subfund of the Regular Fund each fiscal year and which is not obligated under the Program Budget by the end of the fiscal year in which it was received. The Director General is authorized to program and use this fund to address the immediate financial needs of the Institute, and the Director General shall report to the Executive Committee on its use at its annual regular meeting.*

SECTION ANALYSIS

Section h establishes a new fund within the Institute's funds for accounting for miscellaneous income received in excess of the amount obligated each year to fund the Program Budget. In accordance with the recommendation of the SACMI on page 10 of its report, the establishment of this fund will provide needed flexibility in the programming and use of miscellaneous income received in excess of the amount of that income obligated under the Program Budget.

Article 89. The Regular Fund includes the following subfunds:

- a. **GENERAL SUBFUND-** The following shall be credited to this subfund: quotas paid by the Member States; miscellaneous income, unless the Board *or the Executive Committee* has approved it for specific purposes; and funds advanced by the Working Subfund.
- b. **WORKING SUBFUND –** The purpose of this fund is to ensure normal financial operation of the Institute. Its amount shall not exceed 15 percent of the total amount of quotas approved for the corresponding fiscal year, unless the Board *or Executive Committee* specifically provides otherwise. Its income shall derive

from the balance of uncommitted appropriations *financed by quotas* outstanding at the end of each fiscal year and with additional funds specifically allotted to it by the Board or the *Executive Committee*.

SECTION ANALYSIS

This modification to Article 89(a) extends to the Executive Committee the authority to direct the use of miscellaneous income held in the General Subfund of the Regular Fund. It is consistent with the changes in the RPGD and Financial Rules which delegated more authority to the Executive Committee from the IABA for the purpose of allowing the IABA to devote its limited time to broader policy issues consistent with its ministerial functions assigned under the new institutional dimension in 1999.

The elimination of the text referring to “reimbursement costs for administrative services” in Article 89(a) applies only to the English version. Its purpose is to correct a typographical error in that version. Neither the Spanish version of Article 89(f) nor the reprinting of this provision in Financial Rule 3.6.1 includes “reimbursement costs for administrative services” because in 1997, the IABA voted to create the Institutional Net Rate Fund defined in Article 88(f), which now consists of those reimbursements.

Article 89(b) establishes the maximum amount of the Working Subfund at 15% of quotas; however, it goes on to allow the IABA to adjust the 15% cap. It also allows the IABA to direct the transfer of additional resources to that fund. The modification of this rule proposed in italics would extend the authority granted to the IABA under this article also to the Executive Committee. It is consistent with the changes made to the RPGD in 1997 described above and should facilitate and simplify the taking of financial management decisions of this nature.

More important is the change in the text that limits resources moving to the Working Subfund from the General Subfund to those “financed by quotas.” The addition of those three words assures that excess miscellaneous income will not end up in the Working Subfund but rather will be transferred to the new Miscellaneous Income Fund.

Article 94. The Director General may make short-term investments of funds not essential to meet immediate needs, and also short or long-term investments of resources from other funds or subfunds. The interest received on these deposits shall be regarded as miscellaneous income of the General Subfund, unless the:

- a. *In the case of the Regular Fund, the Executive Committee stipulates otherwise;*
- b. *In the case of special and trust funds received from donors, the donor agreement or fund statute provides otherwise; and*

- c. *In the case of a Patrimonial Fund or other fund created by the IABA or Executive Committee, the applicable fund statute otherwise provides.*

SECTION ANALYSIS

This modification to Article 94 conforms the text to Financial Rule 3.16, which allows for the crediting of interest income, which is miscellaneous income, to trust funds and special funds when required under donor agreements or fund statutes.

II. THE FINANCIAL RULES

Rule 3.1 Classification of Funds

- h. Miscellaneous Income Fund. Consisting of miscellaneous income, as defined in the Financial Rules, derived from the outstanding balance of miscellaneous income deposited in the General Subfund of the Regular Fund each fiscal year and which is not obligated under the Program Budget by the end of the fiscal year in which it was received. The Director General is authorized to program and use this Fund to address the immediate financial needs of the Institute, and the Director General shall report to the Executive Committee on its use at its annual regular meeting.*

SECTION ANALYSIS

The purpose of these changes is to conform Rule 3.1 to the modifications recommended for Article 88 of the RPGD, consistent with the recommendation of the SACMI to remove excess miscellaneous income from the Regular Fund.

Rule 3.6 Miscellaneous Income

3.6.1 Article 89.a of the RPGD states:

GENERAL SUBFUND - The following shall be credited to this Subfund: quotas paid by the Member States; miscellaneous income, unless the Board *or the Executive Committee* has approved it for specific purposes; and funds advanced by the Working Subfund; and

- 3.6.2 In this Regard, all other income incident to the Institute's financial transactions, except that income which is otherwise specifically identified by the IABA *or the Executive Committee* shall be considered as miscellaneous income. This includes, among other resources, short and long-term interest received from bank accounts and investments,¹ earnings/losses from the conversion of currencies, and the rental or sale of the Institute's fixed assets, *and funds received for unspecified purposes*. All miscellaneous income deposited in the General Subfund of the Regular Fund will be aggregated to be used as a source of additional income for financing the Regular Fund Program Budget in the year it is received, except as stipulated in Rule 3.16 on the distribution of income. *The amount of miscellaneous income in the General Subfund not so used or otherwise obligated at the end of each fiscal year shall be transferred to the Miscellaneous Income Fund under Rule 3.1(h).*

SECTION ANALYSIS

This modification of Rule 3.6 was necessary to conform this Rule to the modifications proposed for RPGD Articles 88, 89 and 94 above. It further clarifies that the balance of unused miscellaneous income in the General Subfund of the Regular Fund at the end of each fiscal year will be transferred to the Miscellaneous Income Fund.

Rule 3.16 Distribution of Revenue from Investments

- 3.16.1 Interest received and accrued *is miscellaneous income and* shall be distributed to the General Subfund of the Regular Fund as miscellaneous income; however, every three months, *to the extent required under the applicable fund statutes or donor agreements and permitted under Article 94 of the RPGD*, interest shall be distributed to trust or special funds which have had monthly balances in excess of one hundred thousand dollars in United States currency, on the basis of the average percentage earned on investments.
- 3.16.2 *Unless otherwise required under the applicable fund statutes or donor agreements*, interest shall not be credited to special and trust funds with monthly balances of less than one hundred thousand dollars in United States currency. Interest earned by these funds shall be credited to the General Subfund of the Regular fund as miscellaneous income.

¹ See Article 94 of the Rules of Procedure of the General Directorate.

SECTION ANALYSIS

These modifications were necessary to conform this Rule to the proposed modifications for RPGD Article 94 above.