

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Geneva

CONSULTATIVE COMMITTEE**Eighty-Fourth Session
Geneva, October 31, 2012****RESERVE FUND***Document prepared by the Office of the Union*

1. An important consideration in the revision of the Financial Rules and Regulations of UPOV was the level of the reserve fund, which was reflected in the measures set out in document UPOV/INF/4/2 "Financial Regulations and Rules", Regulation 4.6 (see paragraph 4 below). The purpose of this document is to provide information on the reserve fund in relation to the 2010-2011 Biennium and, on the basis of the financial results for the 2010-2011 Biennium, the Program and Budget for the 2012-2013 Biennium and the adoption of the International Public Sector Accounting Standards (IPSAS), to preview the situation with regard to the reserves at the end of the 2012-2013 Biennium.

2010-2011 Biennium

2. The financial results for the 2010-2011 Biennium are governed by the "Financial Regulations" (document UPOV/C/VI/15 available at http://www.upov.int/meetings/en/details.jsp?meeting_id=26467). Document UPOV/C/VI/15, Article 5 (Surpluses and Deficits) states that "(a) If, after the approval of the final accounts, these accounts show a surplus of income, such surplus shall be paid into the Reserve Fund."

3. As explained in document C/46/4 "Financial Situation of the International Union for the Protection of New Varieties of Plants as at December 31, 2011" (see paragraph 1), in accordance with Article 5 of the Financial Regulations (document UPOV/C/VI/15), the surplus of income of CHF 421,994 for the 2010-2011 Biennium was paid into the Reserve Fund.

2012-2013 Biennium

4. For the 2012-2013 Biennium, the financial regulations and rules as set out in document UPOV/INF/4/2 "Financial Regulations and Rules" will apply (document UPOV/INF/4/2 is available at http://www.upov.int/edocs/infdocs/en/upov_inf_4_2.pdf). Regulation 4.6 of document UPOV/INF/4/2 "Financial Regulations and Rules" states that:

"The use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of UPOV, unless otherwise decided by the Council. Any member of UPOV may request that the reimbursement attributed to it be deposited in a special account or trust fund specified by it."

5. The amount of the reserve fund in the Balance Sheet as at December 31, 2011, was CHF 1,459,223 (see document C/46/4 "Financial Situation of the International Union for the Protection of New Varieties of Plants as at December 31, 2011", Annex A.2 "Balance sheet as at December 31, 2011"). This amount represents 21.15 percent of the regular UPOV income for the 2010-2011 Biennium of CHF 6,900,727, or 19.56 percent of the total funding, including extrabudgetary resources, of CHF 7,462,106 (see document C/46/4, Annex A.1).

6. However, the Council, at its forty-fifth ordinary session, held in Geneva on October 20, 2011, agreed to the adoption of the International Public Sector Accounting Standards (IPSAS) beginning with the financial period starting in 2012 (see document C/45/18 "Report", paragraph 9(b)). Document CC/82/4 "Transition to International Public Sector Accounting Standards (IPSAS)" explained the impact of IPSAS adoption on the 2010 statement as follows:

"IMPACT OF IPSAS ADOPTION ON 2010 STATEMENT

"11. At the end of 2010, UPOV's reserves as computed in accordance with UNSAS consisted of CHF 1,180,738 in accumulated surplus, in accordance with Financial Regulations 4.6 to 4.8, and CHF 530,427 representing UPOV's working capital fund, established in accordance with Financial Regulation 4.2, giving a total reserve of balance of CHF 1,711,165. These reserves do not reflect the requirements under IPSAS to offset accumulated fund balances by liabilities that the Organization has accrued in connection with employee benefits. In addition, they do not reflect any adjustment for receivables from members of the Union that have been outstanding for substantial periods.

"12. The Annex to this document [CC/82/4] shows UPOV's balance sheet at the end of 2010 including funds in trust related to voluntary contributions based on UNSAS. Also shown are the adjustments required under IPSAS, along with the opening balances, reflecting UPOV's financial position in accordance with IPSAS. The net effect of the IPSAS adjustments is to reduce the accumulated fund balance by CHF 1,069,112. That balance reflects all of the liabilities which UPOV faces and provides a more accurate indication of the Organization's net financial position upon which to base management and policy decisions. The remaining fund balance is CHF 111,625 which, along with the working capital fund, leaves a total reserve available for short-term financing of CHF 642,052.

"13. The information provided in the Annex to this document [CC/82/4] is unaudited and will be subject to review by the External Auditor should a decision be made to implement IPSAS for UPOV's financial period beginning in 2012."

7. The Balance Sheet as at December 31, 2011, and the corresponding reserve fund do not reflect IPSAS. As indicated in the Annex to document CC/82/4, the impact of IPSAS adoption on the reserve fund, as at December 31, 2011, is anticipated to reduce the reserve fund to considerably less than 15 percent of the total income for the financial period 2010-2011. Therefore, it should not be anticipated that, on the basis of the financial situation as at December 31, 2011, and the Program and Budget for the 2012-2013 Biennium (document C/45/4 Rev.2), the reserve fund will necessarily exceed 15 percent of the total income at the end of the financial period 2012-2013.

8. *The Consultative Committee is invited to note the information on the reserve fund in relation to the 2010-2011 Biennium and to note the preview of the situation with regard to the reserves at the end of the 2012-2013 Biennium on the basis of the financial results for the 2010-2011 Biennium, the Program and Budget for the 2012-2013 Biennium and the adoption of the International Public Sector Accounting Standards (IPSAS).*

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