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SECOND INFORMAL WORKING PAPER ON
A NEW MECHANISM TO FURTHER INVOLVE MEMBER STATES IN THE
PREPARATION AND FOLLOW UP OF THE PROGRAM AND BUDGET

I. INTRODUCTION

1. At the first round of informal consultations on a mechanism to further involve Member States in the preparation and follow up of the program and budget of the Organization held on April 7, 2006, it was agreed to convene a second round of informal consultations. It was also agreed that this second round of informal consultations should focus on the identification of the various tasks of the WIPO Program and Budget Committee (PBC) and, based on such identification, develop proposals for a mechanism which would take into due account the time and inputs required to carry out those tasks.

2. The traditional and newly established tasks of the WIPO Program and Budget Committee are described in Part II of this informal paper. A revised proposal for a new mechanism, taking into account those tasks and the discussions at the previous round of informal consultations, is presented in Part III.

II. TASKS OF THE WIPO PROGRAM AND BUDGET COMMITTEE

3. The WIPO Budget Committee was first established in 1976 and, with the introduction of results-based budgeting in 1998, was transformed into the WIPO Program and Budget Committee (PBC). The latter also absorbed the tasks previously carried out by the WIPO Premises Committee.

4. The traditional tasks of the PBC are those which have been directly mandated to it by decisions of the Member States and the requirements contained in the WIPO Financial Regulations (Financial Regulation 3.2). These are:

(a) To examine a preliminary draft program and budget and submit a report of its deliberations and its recommendations to the WIPO Assemblies of Member States. (With reference to this task, it is evident from the first round of informal consultations that Member States would wish to see the PBC engage in more substantive review and discussion of the draft program and budget, to have greater involvement in its design and to have a greater role in reviewing previous program performance in preparing programs for the subsequent biennium);

(b) To review the biennial accounts and External Auditor Reports and make recommendations to the WIPO Assemblies of Member States as appropriate;

(c) To give advice to the WIPO Assemblies of Member States and the Director General in relation to matters pertaining to WIPO premises (this task was assumed by the PBC when the Budget Committee and Premises Committee were merged);

(d) To examine any financial question which may be referred to it by the WIPO Assemblies of Member States or submitted to it by the Director General;

(e) To make recommendations on any matter with financial consequences.

5. In addition, the 2005 Assemblies of Member States adopted an Internal Audit Charter (as per document A/41/11) and decided to establish a WIPO Audit Committee (as per document A/41/10). This provided two additional tasks for the PBC:

(a) to consider presentations made to it by the Internal Auditor on a regular basis on his/her activities (A/41/11, Annex II, paragraph 22); and

(b) to act on recommendations made to it by the WIPO Audit Committee (A/41/10, Annex II, paragraph 2, sub-paragraph (d)).

6. The diagrammatic scheme contained in Appendix I to this paper illustrates the interrelationship between the PBC and the other bodies which form part of the governance system of WIPO, including the recently established WIPO Audit Committee, and the inputs of other relevant external and internal oversight bodies, including the Internal Auditor.

7. Appendix II complements this information by providing a list of the various inputs, which are relevant to the mandate of the Program and Budget Committee, and the dates at which, in the course of a given biennium, these inputs are available.

III. REVISED PROPOSAL FOR A NEW MECHANISM

8. Based on the information contained in Part II above, the Secretariat submits to the consideration of Member States the mechanism illustrated in Appendix III of this informal paper.

9. This mechanism innovates on the past in a number of ways. In particular, it strengthens the involvement of Member States in the earlier stages of the design of the draft program and budget; it improves the links with lessons learnt from evaluation of past program and financial performance in the preparation for future program and budgets; it integrates in the process inputs from internal and external oversight mechanisms, including those recently adopted; and it provides for the separate and explicit approval of revised budgets. (The new elements are shaded in Appendix III.)

10. For this new mechanism to become operational with effect from September 2006, the Assemblies of Member States would need to agree, at the September 2006 session, to an amendment of the text of Financial Regulation 3.2 as follows (suggested amendment in square brackets and italics):

“The Director General shall submit to the Budget Committee, for observations and possible recommendations, by the first of [May][*July*] of the year preceding the financial period, the draft budget for that financial period;”

11. This amendment would have the advantage of allowing the Secretariat several additional weeks to submit the first draft program and budget for the next biennium to the PBC. This could be done without prejudice to any other amendment of the current text of Financial Regulation 3.2 that may be considered in the framework of the comprehensive

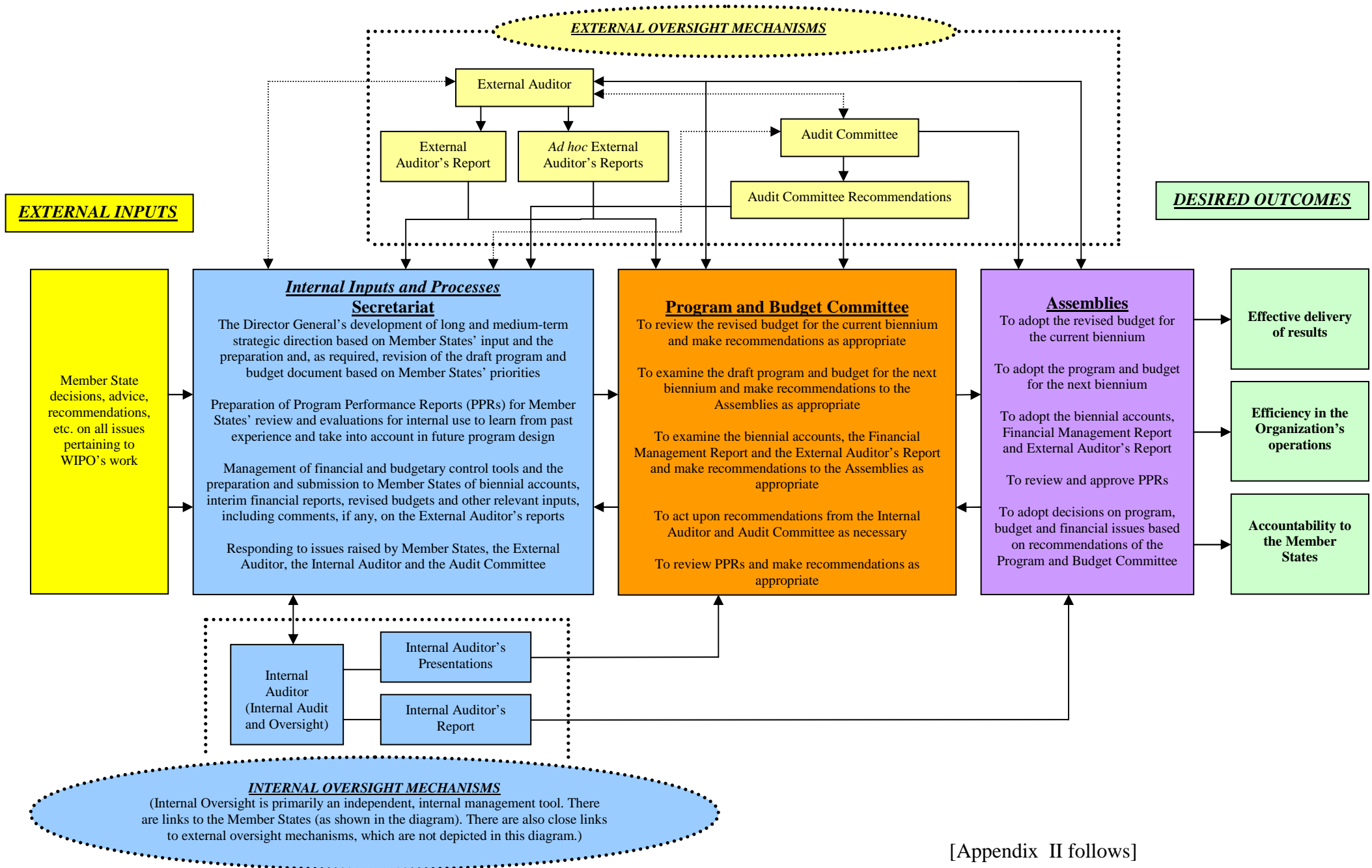
revision of WIPO Financial Regulations which has been requested by the September 2005 Assemblies of Member States. It could be recommended by the next session of the PBC (July 11 to 13, 2006) to the 2006 WIPO Assemblies of Member States.

12. In submitting the proposal contained in Appendix III, the Secretariat is aware that such proposal does not fully reflect the suggestion to synchronize the review of the Program Performance Reports (PPRs) and Financial Management Reports (FMRs) which are submitted to the Member States in each given biennium. The reason for this is related to the current timing of the WIPO Assemblies (traditionally held in September/October) and the time at which the various inputs relevant to the process in question become available (Appendix II).

May 24, 2006

[Appendices to Annex II follow]

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<u>INPUT</u>	<u>CURRENT AVAILABILITY/TIMETABLE</u> <u>(in chronological order starting with the first year of a biennium)</u>
1. Biennial Financial Management Reports (including biennial accounts)	End July of the first year of a biennium (e.g. end July 2006 for the 2004/05 Financial Management Report) Financial Regulations 6.1 and 6.3
2. External Auditor's reports	End July of the first year of a biennium As indicated at (1) above, the Director General is required to prepare the Financial Management Report (FMR) within seven months of the end of the financial period. After audit, the FMR must be transmitted, together with the report of the External Auditor, to all "interested States" (Financial Regulation 6.4). It has been the practice to distribute both these documents (in English and French) at the end of July of the first year of the biennium to all Member States (e.g. the report of the External Auditor on the accounts for the 2004/05 biennium will be made available to all Member States at the end of July 2006). Currently, the biennial accounts, as contained in the FMR, are submitted to the next session of the PBC for that body's prior review and then submitted with the PBC's recommendations to the next session of the Assemblies (e.g. based on the existing mechanism the biennial accounts and report of the External Auditor for 2004/05 would be submitted to the Program and Budget Committee in April 2007 for its prior consideration and then submitted to the 2007 Assemblies for approval).
3. Biennial Program Performance Reports (PPR)	Summer of the first year of the biennium for review and approval at the Assemblies in that year (e.g. the PPR for 2004/05 will be submitted to the 2006 Assemblies in September – October for their review and approval)
4. Interim Financial Reports	First quarter of the second year of the biennium
5. Revised Budget for the current biennium	A revised budget could be prepared at the end of the first year of a biennium. However, the earlier in the biennium this is done the less precise its data can be. This refers in particular to income projections for PCT, Madrid and the Hague.
6. Annual Program Performance Reports (PPRs)	Summer of the second year of the biennium for review and approval at that year's Assemblies in September – October (e.g. the PPR for 2006 will be submitted to the 2007 Assemblies for their review and approval)

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<u>INPUT</u>	<u>CURRENT AVAILABILITY/TIMING</u> <u>(in chronological order)</u>
7. Draft Program and Budget	Currently, Financial Regulation 3.2 requires that the Director General shall submit to the Program and Budget Committee the draft program and budget for the coming biennium by the first of May of the year preceding that biennium. In this respect, however, please refer to the amendment proposed in Section III, paragraph 10, of the present informal working paper.
8. Audit Committee reports and recommendations	As per document A/41/10, the recommendations of the Audit Committee are submitted to the PBC. Also, as per paragraph 3 of that same document, the Audit Committee meets regularly, in general every quarter, and keeps Member States informed of its work on a regular basis.
9. Internal Auditor's reports to the Assemblies	Annually (document A/41/11, paragraph 23)
10. Internal Auditor's presentations to the Program and Budget Committee	"On a regular basis" (document A/41/11, paragraph 22)

[Appendix III follows]

