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PROPOSED UTILIZATION OF AVAILABLE RESERVES IN THE MEDIUM TERM

Document prepared by the Secretariat

I. INTRODUCTION

1. The Secretariat submitted a proposal to the eleventh session of the Program and Budget Committee (PBC) (June 25 to 28, 2007), on the possible options for the utilization, in the medium term, of available reserves in excess of the target level established by the Member States (WO/PBC/11/10). Following the discussion by Member States on this item, and taking due consideration of the priorities expressed during this discussion, the Secretariat has prepared this revised proposal, which submits a defined package of multi-year projects for funding out of available reserves in excess of the established target level.

2. This document presents the overall funding proposal for a package of investment projects, with further details provided for each project, as follows:

- Funding of Development Agenda Activities (WO/PBC/12/4(a));
- Down Payment for the New Construction Project (WO/PBC/12/4(b));
- Implementation of an Enterprise Resource Planning (ERP) System (WO/PBC/12/4(c));
- Upgrading of the Security Standards of WIPO (WO/PBC/12/4(d)); and
- Information Technology (IT) platform modernization for the Madrid and Hague systems (as per the proposals submitted to the Madrid Union Assembly (document MM/A/38/4) and the Hague Union Assembly (document H/A/24/2), respectively).

II. ESTIMATED AMOUNT OF RESERVES IN EXCESS OF THE TARGET LEVEL

3. As noted in WO/PBC/11/10, it is presently estimated that, if Member States continue to be satisfied with the target level for reserves established in the year 2000 and if the current schedule of fees for the PCT system remains unchanged, the reserves of the Organization are going to be, in the medium term, in excess of the target level, as illustrated in Chart 1 below.

Chart 1. Estimated Level of Reserves in the Medium Term
(in millions of Swiss francs)

	2006/07 Revised Budget	2008/09 Proposed Budget	2010/11 Preliminary Estimate
INCOME	595.1	646.8	678.6
EXPENDITURE	562.1	630.2	678.6
RESULT (Surplus/(Deficit))	33.0	16.6	0.0
RESERVES OPENING BALANCE	127.0	159.9	176.5
TOTAL RESERVES*	159.9	176.5	176.5
RESERVES AS % OF EXPENDITURE	28.4%	28.0%	26.0%
TARGET LEVEL FOR RESERVES	104.4	117.4	126.5
AVAILABLE FROM RESERVES	55.5	59.0	50.1

* at end 2007, 2009 and 2011, respectively

4. As Chart 1 shows— all other parameters remaining unchanged – it is currently estimated that by the end of the 2006/07 biennium the reserves of the Organization will total 159.9 million Swiss francs (28.4% of the corresponding biennial expenditure). This figure includes the estimated surpluses for the Contribution Financed Unions (0.6 million Swiss francs), the PCT Union (23.8 million Swiss francs), the Madrid Union (8.9 million Swiss francs); the Hague Union (0.5 million Swiss francs), and an estimated deficit of 0.8 million Swiss francs for “Other”. This is illustrated in Chart 2 below.

Chart 2. 2006/07 Revised Financial Overview by Union
(in thousands of Swiss francs)

	CF Unions		PCT Union		Madrid Union		Hague Union		Other		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
RWCF, End 2005	21,760		87,746		17,053		355		41		126,955	
2006/07 Income	36,489		456,083		92,361		5,605		4,572		595,110	
2006/07 Expenditure	35,855		432,265		83,497		5,110		5,415		562,142	
Surplus/Deficit	633		23,818		8,864		495		-843		32,968	
RWCF, End 2007	22,393		111,564		25,917		850		-802		159,923	
RWCF, Target	17,928	50.0	64,840	15.0	20,874	25.0	767	15.0	-	n/a	104,408	18.6
Balance	4,465		46,724		5,043		84		-802		55,514	

*Reserves and Working Capital Funds (RWCF)

5. It should be noted that the 55.5 million Swiss francs, estimated to be available in excess of the target reserve level at the end of 2007, includes an estimated 5.0 million Swiss francs under the Madrid Union. The Madrid Union Assembly, at its September 2007 session, would have to endorse the allocation of this amount to the proposed investment project for the establishment of a new IT platform for the Madrid System, as described in document MM/A/38/4.

6. The reserves of the Organization are estimated to further increase by an incremental amount of 16.6 million Swiss francs by the end of the 2008/09 biennium, bringing the total amount of the reserves to 176.4 million Swiss francs. In such a scenario, 59.0 million Swiss francs (or 3.5 million Swiss francs more than at the end of 2007) would be available in excess of the target level established by the Member States.

III. PROPOSED UTILIZATION OF AVAILABLE RESERVES

7. In line with the views expressed by Member States at the eleventh session of the PBC, the Secretariat proposes the following package of projects for funding out of the reserves available in excess of the target established by Member States.

Chart 3. Proposed Utilization of Available Reserves
(in millions of Swiss francs)

Projects	Project Budget
Funding of Development Agenda Activities	5.0
Down Payment for the New Construction Project	15.0
Enterprise Resource Planning (ERP) System	22.8
Upgrading of the Security Standards of WIPO	6.6
Establishment of a New IT Platform for the Madrid and Hague systems	12.3
Total:	61.7¹

8. Detailed proposals for each of the above projects, together with the respective reporting modalities are submitted to Member States for their consideration under documents WO/PBC/4 (a), (b), (c) and (d), respectively. Detailed proposals on the establishment of a new IT platform for the Madrid and Hague systems are contained in the documents submitted to the 2007 Madrid Union Assembly (document MM/A/38/4) and Hague Union Assembly (document H/A/24/2), respectively. In this connection, the attention of the PBC is drawn to the fact that upon conclusion, in July 2007, of the study commissioned by the Secretariat to estimate the cost of the project for the establishment of a new IT platform for the Madrid system, it appeared that it would be more cost effective to also establish, under the same project, a new IT platform for the Hague system (thus enabling economies of scale).

9. Finally, the attention of the Committee is drawn to document WO/PBC/12/5, entitled "Proposal by the United States of America to reflect a 15% reduction in the Patent Cooperation Treaty (PCT) International Filing and Handling Fees effective on January 1, 2008". It is stressed that if such a 15% reduction were approved (and subject to the approval of the Proposed Program and Budget for the 2008/09 biennium as per document WO/PBC/12/3), as shown in Annex IV of document WO/PBC/11/17, the implementation of the projects described above would be no longer possible. If, on the other hand, a fee reduction of less than 15% were to be approved, the amount of funds available from the reserves for financing these projects would be significantly lower (the higher the percentage

¹ The total estimated cost of these five projects (61.7 million Swiss francs) is 2.7 million Swiss francs above the estimated level of available funds from the reserves by the end of the year 2009.

of fee reduction, the lower the amount of funds available from the reserves). In such case, the proposal contained in the present document to finance these projects from the reserves would need to be revised accordingly.

IV. FINANCIAL REPORTING

10. Substantive reporting on the implementation of the proposed projects will be done regularly on a project-by-project basis, as described in the respective project proposals. In addition, the Secretariat proposes to put in place regular reporting to Member States on the overall utilization of the amount appropriated from the reserves for these projects as follows.

- The funds approved by Member States will be transferred from the reserves to a separate accounting entity, which will enable accurate tracking of detailed expenditure items for each project;
- Financial reports on the utilization of funds will be provided to the Member States semi-annually; and
- Financial statements for the utilization of these funds will be included as part of the Financial Management Report, and audited accordingly.

11. The Program and Budget Committee is invited to recommend to the Assemblies of the Member States to:

(i) approve the proposed package of investment projects as set out in this document; and

(ii) approve the appropriation of 61.7 million Swiss francs for this purpose, to be available to utilize, with the balances taken forward from one biennium to the next, for the envisaged duration of such projects.

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