

Program and Budget Committee

Eighteenth Session
Geneva, September 12 to 16, 2011

REPORT

adopted by the Program and Budget Committee

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1. The eighteenth session of the WIPO Program and Budget Committee (PBC) was held at the headquarters of WIPO from September 12 to 16, 2011.

2. The Committee is composed of the following Member States: Algeria, Angola, Bangladesh, Barbados, Belarus, Brazil, Bulgaria, Cameroon, Canada, China, Colombia, Croatia, Cuba, Czech Republic, Djibouti, Egypt, France, Germany, Greece, Guatemala, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Jordan, Kazakhstan, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Senegal, Singapore, South Africa, Spain, Sweden, Switzerland (*ex officio*), Tajikistan, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, United States of America, Uruguay, Venezuela (Bolivarian Republic of) and Zambia (53). The members of the Committee which were represented at this session were the following: Algeria, Bangladesh, Barbados, Belarus, Brazil, Bulgaria, Cameroon, Canada, China, Colombia, Czech Republic, Djibouti, Egypt, France, Germany, Greece, Hungary, India, Italy, Iran (Islamic Republic of), Japan, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Senegal, South Africa, Spain, Sweden, Switzerland, Thailand, Ukraine, United Kingdom, United States of America, Venezuela (Bolivarian Republic of) and Zambia (42). In addition, the following States, members of WIPO but not members of the Committee, were represented as observers: Afghanistan, Andorra, Australia, Bahrain, Chile, El Salvador, Ethiopia, Holy See, Iraq, Kuwait, Lithuania, Madagascar, Malaysia, Monaco, Nepal, (the) Netherlands, Panama, Philippines, Portugal, Saudi Arabia, Slovenia, Sri Lanka, Togo, Trinidad and Tobago (24). The list of participants appears in the Annex to the present document.

ITEM 1: OPENING OF THE SESSION

3. The Chair welcomed the Member States' delegations and requested them to limit the length of their opening statements in view of the heavy agenda for the session. He added that the focus of the session was to build on the work carried out during the PBC 17th session (June 27 to July 1, 2011). The Chair invited delegations to consult the Summary by the Chair (document WO/PBC/17/8) as well as a second Q&A paper on the Program and Budget that the Secretariat had compiled. The Chair apologized for the delay in the availability of the Chairpersons' paper on governance that he had been preparing with the Ambassador of Barbados (the Chair of the Coordination Committee), which was due to the unfortunate conflicting schedules of the two Chairs and added that the paper would only be available later in the week. The Chair invited the Director General to deliver his opening remarks.

4. The Director General welcomed the delegations and recalled that numerous informal consultations had taken place between the informal PBC June meeting and the present session. He thanked Member States for their very intense and constructive involvement in the process of consultations. He also thanked his colleagues in the Secretariat for their hard work during the consultations and the preparation of the requested new documents. Referring to the agenda heading "Audit and Oversight", the Director General was pleased to report that very good progress had been made in this area this year. The new Independent Advisory and Oversight Committee (IAOC) had been established. The Director General welcomed the Chair of the IAOC, Mrs. Sanz Redrado, who was present at the session. The Director General added that the new IAOC had adopted a risk based approach and had provided the Secretariat with extremely helpful guidance. The Director General said that the Secretariat was looking forward to continuing close cooperation with the IAOC. He added that a good number of the IAOC recommendations had been closed and the number of outstanding recommendations had been brought down. The Director General announced that the selection process for a new Director of the Internal Audit and Oversight Division (IAOD) had been concluded. In accordance with the procedure, the selected candidate would be proposed to the Coordination Committee at its September 2011 meeting. The Director General explained that under the heading "Policy Proposals", two very important policy proposals were put before the PBC, i.e., Policy on

Investments and Policy on Languages, both of which had been under preparation and in discussion with the Member States for over one year. The Director General hoped that conclusions would be reached on both of proposals. Regarding the Strategic Realignment Program (SRP), the Director General said that regular updates, both to the Member States and to the IAOC had been provided and, in great summary, the program was on track for completion at the end of 2012. Thereafter, the Organization would enter into the normal phase of continuous improvement. The Director General believed that one of the major achievements of the SRP in the course of this year was the obtention of much more understanding and involvement on the part of the staff in various SRP projects. Regarding the heading "Progress Made on Major Projects", the Director General said that the Organization was involved in three such projects. Under the New Construction Project, the move to the new building housing some 500 staff had taken place. Extremely positive feedback on the quality of the working environment that it provided had been received. The inauguration of the new building would take place on September 27, 2011. The construction site, however, would remain for the next two years because the construction on the new conference hall had started following conclusion of the contract with the general contractor. He added that a great deal of work was going on in the forecourt of the building, which would continue for two years and would involve a certain amount of disruption to the AB building lobby, where there eventually would be a connection through the lobby to the new conference hall. The second inconvenience was the road works on the Route de Ferney, where WIPO had completed the renovation of the part of the road under its responsibility. What remained uncompleted was under the responsibility of the Geneva City Council. It was hoped that the work would be completed before the end of this year. The Director General then referred to yet another major project, i.e., the Enterprise Resource Planning (ERP), where work was well under way on further modules, in particular the modernization of the Human Resources systems and the development of business intelligence. The Director General stressed that the central point on the PBC agenda was the 2012/13 Program and Budget. He believed that all the inputs received at the informal PBC session in June had been incorporated into the present proposal, with only one exception, i.e., the level of the Program and Budget. The Director General thought that this was a complex issue. Because of the specifics of the WIPO budgeting process, which was slightly different from such processes in other international organizations, the budget proposal in WIPO was not so much a request for financing but rather a request for an authority to spend. The Director General explained that when the Secretariat had estimated that the income would rise by 4.7 per cent, it was estimating it in terms of developments in the WIPO revenue generating registration systems in the ensuing period of two years. He added that there was no change in the Member States' contributions, which were subject to zero nominal growth. The Secretariat had predicted a 4.7 per cent increase in revenue. However, there was a great deal of uncertainty, which was causing considerable anxiety in relation to the future outlook of the global economy. Uncertainty was very difficult to quantify, so the Secretariat believed that the best approach was to proceed on the basis of what WIPO forecast model and the data demonstrated, and to adjust when the data indicated that adjustment was called for. The first six months of the year had seen the number of PCT applications rise by 9.58 per cent. The Director General pointed out two enduring trends in the economy, which perhaps marked out WIPO from other areas: one of those was that the rate of investment in intangibles was increasing more rapidly than the rate of investment in tangibles, which had been the case for the past 15-20 years in the advanced economies. Indeed, in some economies the overall investments in intangibles were higher now than the overall investments in tangibles. The second enduring trend was multi-polar growth. For example, this year applications from China (in the first six months) were up by 42 per cent (on a base that was 7.5 per cent of the PCT filings). The applications from the Republic of Korea were up by well over 20 per cent, as well on a base that was 5.8 per cent of the PCT filings. The Director General believed that these two enduring trends provided a part of the explanation for the reason why the data might be seen as being not entirely consistent with the data that one saw everywhere else in the economy and why the Secretariat believed that the proper professional approach was to go on the basis of what the data demonstrated and to use the available mechanisms to adjust when the data

suggested adjustment. WIPO's internal Crisis Management Group, meeting regularly to review the latest financial results and trends in the level of applications received and the possibility of a revision of the Program and Budget should it be necessary, was one such mechanism. The "wild card" element was the exchange rate and the appreciation of the Swiss franc against the major currencies in which WIPO received its revenue. The Swiss franc had appreciated by more than 25 per cent in a very short period of time and had caused WIPO to forego income that it might otherwise have expected to receive. Although it was very hard to make any predictions about currency movements, the Secretariat thought that WIPO was not going to continue to forego large amounts of income as a result of currency appreciation. This was due to the adjustment mechanism in the PCT. That adjustment mechanism took about six months to take effect, so the very rapid and steep rise in the Swiss franc value had left the Organization without the protection of the adjustment mechanism for a period. However, that protection would be coming in at the end of this year when the adjustments of the Swiss franc would take effect. The Director General also recalled that the Swiss National Bank (BNS) had committed to spending an unlimited amount of money to protect the Swiss franc at the level of 1.2 to the euro. For these reasons the Secretariat was disinclined to change what the model was suggesting. Regarding the Organization's expenditure, the Director General said that the Secretariat recognized Member States' repeated calls for some rigor in relation to the Organization's expenditure. In this regard, and as a result of consultations with Member States, the Director General proposed that the expenditure should not be increased by the same amount as the Secretariat predicted the Organization's income to increase (4.7 per cent) but that the expenditure would only be increased by 3 per cent, i.e., a 1.7 per cent drop from the original proposal. The Director General believed that such a drop could be achieved mainly through efficiency measures and added that it would not affect the delivery of results or the Secretariat's commitment to improve delivery of development assistance and capacity building. In closing, the Director General stressed that commitment to, and the delivery of results for development cooperation would not be affected. He added that this step would contribute to providing a needed measure of rigor that Member States had been requesting from the Organization.

ITEM 2: ADOPTION OF THE AGENDA

5. Discussions were based on document WO/PBC/18/1 Prov.2.

6. The Chair announced that the Chair of the WIPO Independent Advisory Oversight Committee (IAOC), Mrs. Sanz Redrado, was only available to address the PBC that morning. Therefore agenda item 3 (Report and Recommendations by the IAOC) would be taken up as part of the agenda for that morning. The Chair added that the External Auditor, Mr. Didier Monnot, had confirmed his availability during the morning of Wednesday, September 14, 2011 to deliver his report. Therefore, agenda item 9 would precede agenda item 8 so as to render it more meaningful. The Chair explained that the agenda had been structured as in the previous year, to contribute to and facilitate the easy review and discussions within the following high level grouping: Audit and Oversight, Program Performance and Financial Review, Policy Proposals, Planning and Budgeting, Strategic Realignment Program and Progress Reports on Major Projects. The Chair proposed proceeding item by item to enable a complete discussion of the relevant issues. In the absence of any comments the agenda was adopted as presented.

General Statements

7. The Chair opened the floor to general statements.

8. The Delegation of Switzerland, speaking on behalf of Group B, was confident that great progress would be made under the Chair's able stewardship. Group B thanked the Secretariat for the preparation of all documents and especially for the consultations held over the past few

months. Group B recognized the productive discussions that had taken place during the 17th session of the PBC. It recalled its position and appreciated the answers provided so far. Group B hoped that Member States and Groups would focus on refining previously stated positions and would build upon what had already been discussed. The present session of the PBC was a turning point of sorts for WIPO. On the one hand, the proposed Program and Budget was a first one to be constructed within the results based framework, which should contribute to improving the quality of data available in the future. On the other hand, the global economic crisis had increased doubt on income projections. Similarly, there were significant concerns over the increased expenditure level. Group B believed that the Secretariat should immediately identify savings and efficiency gains and implement measures to reduce spending. Group B would further elaborate its position during discussions of agenda item 13. Group B took note of the information provided by the Director General in his introductory statement. Group B appreciated the effort of the IAOC to work with the Secretariat to reduce the 11 very high risk recommendations to one and the 96 high risk recommendations to 44. Group B assured of its continuous active engagement with the IAOC on the remaining recommendations, as well as future recommendations, in an effort to exercise better governance. It appreciated recent briefing session and looked forward to the report of the last IAOC meeting. Group B also assured the Chair of its constructive engagement and support in order for the session to achieve positive results.

9. The Delegation of Slovenia, speaking on behalf of the Group of Central European and Baltic States (CEB), thanked the Secretariat for organizing and preparing all the documents for the informal June session of the PBC. CEB found the discussions held during the informal session of the PBC extremely useful due to the higher level of engagement shown by many delegations. In CEB's view the issues discussed during the informal session should not be raised again. CEB hoped that this view was shared by other regional Groups, especially, since all the Groups supported the idea of improving and enhancing efficiency and productiveness at all WIPO meetings. Therefore, CEB wished to refrain from any duplication of work and repetition of already expressed positions. With regard to the proposed 2012/13 Program and Budget, CEB supported the proposal as amended during the informal session of the PBC. Nevertheless, CEB was in favor of exploring any possible options for cost savings and reduction in expenditures. However, any potential cuts to the expenditure side should not harm result oriented goals and should not hinder the essential services which WIPO provided to its users. By searching for efficiency gains, Member States' main task should remain securing a well functioning Organization. That being said, CEB wished the Chair a successful and fruitful work and assured of the Group's full support.

10. The Delegation of Nepal, speaking on behalf of the least developed countries (LDCs), wished to address the proposed 2012/13 Program and Budget instead of waiting for that particular agenda item, as well as to make more general remarks. LDCs were pleased to see the Chair preside over this important session of the PCB and assured him of their support, hoping for a successful conclusion of the session. LDCs thanked the Secretariat for preparing documents on time and commended the Director General for strong and unwavering commitment to promote and protect LDCs' interest in the work and functioning of the Organization. LDCs were pleased to see initiatives in the areas of development of intellectual property in the LDCs regions. They welcomed launching of the important projects to facilitate LDCs' access to technology and capacity building and also for these projects' early implementation. LDCs also welcomed the information in the Program and Budget document that development remained a priority and that it had been mainstreamed in the Program and Budget for the next biennium. LDCs took note of the slight increase in development expenditure (from 19.4 per cent to 21.3 per cent) and appreciated that a number of undertakings had been intended for the LDCs' direct benefit, including the establishment and improvement of digital infrastructure in the IP offices of the LDCs as well as the delivery of knowledge serving platform and establishment of technology and innovation support centers and the transfer of technology offices in the LDCs. LDCs welcomed the commitment to make increased effort to enhance access to and the use of IP information and knowledge by IP institution and the public. LDCs

were encouraged by this Program and Budget's commitment to enhancing human resource capacities in LDCs to use IP for the development by, in particular, provision of training in various IP related sectors. LDCs faced multiple constraints such as low disposable income, low development and economic inner structure that were handicaps to growth. These constraints stood as both causes and consequences of poor performance of LDCs in the world of development, including in the area of IP. LDCs wished to see WIPO's role increased in helping LDCs build their competitiveness, identify product capacity and create opportunities for the people where they can help themselves by developing and strengthening IP system. LDCs needed concrete support, including technological innovation, to translate their rich resources into regions and make development relevant to the lives of poor people. In this context, LDCs recalled the 2009 Ministerial declaration which had called for, among others, a separate section of Program and Budget for LDCs in WIPO's biennial Program and Budget. LDCs recalled that the Fourth UN conference on the LDCs in May 2011 (LDC-IV) had adopted a program of action for the LDCs for the decade 2011 to 2020 (the Istanbul Program of Action), which underlined science, technology and innovation as priority areas for LDCs' development. The Istanbul Program of Action (IPA) invited all UN agencies and international organizations to contribute to the IPA implementation by integrating it into their respective work programs. LDCs underlined the importance of the agreed declaration and wished to see them fully reflected in the 2012/13 Program and Budget, as well as the future ones. The Group appreciated WIPO's active and constructive role in the preparative process of the UN LDCs forum, including the organization of a high level forum and promoting development in LDCs through innovation which was greatly appreciated. The forum had agreed on a number of WIPO deliverables aimed at promoting innovation and creativity for social, economic, cultural and technological transformations in the LDCs. LDCs urged that WIPO Program and Budget articulate a specific program on all seven deliverables and stressed that appropriate monitoring needed to be assured for effective implementation of this program. The Group requested that WIPO consistently mention LDCs as a category of Member States throughout the narrative of the Program and Budget document and asked to reinsert deliverables where such deliverables should be mentioned.

11. The Delegation of Panama, speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC), was pleased to see the Chair at the helm of this PBC session and reiterated the GRULAC's willingness and determination to continue to work on all agenda items. GRULAC thanked the Secretariat for the preparation of the session documents and saluted the efforts to review and incorporate changes suggested by Member States in the proposed Program and Budget document. GRULAC pointed out the following issues of importance: (i) that the presentation of the contents of the Program and Budget should be transparent, simple and concise, both for this budgetary period and future ones; (ii) the need to continue to strengthen programs for capacity building in regions, in particular those concerning developing countries regions; (iii) the importance of continuing to strengthen the language policy of the Organization, with sufficient resources attributed to improve the quality of translation and the timely availability of the documents and webcasting in all of the official languages of WIPO.

12. The Delegation of South Africa, speaking on behalf of the African Group, announced that its statement would be specific to the proposed Program and Budget. The African Group thanked the Secretariat for the documents prepared and for holding informal briefings in preparation for the present session. The African Group had previously provided its preliminary views on the first proposed draft Program and Budget. Regarding the present draft of the document, the African Group stressed that development remained a priority in the 2012/13 biennium and noted that this was reflected in the overall increase in development expenditure from 19.4 per cent in 2010/11 biennium to 21.3 per cent for the upcoming biennium. The African Group welcomed the growth in the Organization's revenue foreseen for the next biennium and added that it needed to be allocated wisely to achieve maximum efficiency gains for WIPO program operations, at the heart of which was the mainstreaming of the Development Agenda (DA). The African Group was of the view that the PBC should ensure that

mainstreaming developing activities did not lead to a reduction in resources allocated to assist developing countries. It was within this context that additional information was needed on the nature of development activities to ensure that 21.3 per cent [of the budget] would be spent on them as opposed to the previous practice where regional bureaus had been carrying out certain developing activities. This also related to the definition of the concept development expenditure. The African Group noted with discontent that the proposed 2012/13 Program and Budget integrated Program 30 (SMEs) into Program 1 (Patent Law and Innovation) and Program 2 (Trademarks, Industrial Designs and Geographical Indications). SMEs were important to all economies in the world but especially to those in developing countries. They were often the driving force behind innovation and creativity in Africa and generated not only industrial intellectual property but copyright and intellectual property in the form of traditional knowledge, traditional cultural expression and genetic resources. The activities of the SMEs were of crosscutting nature and it was for this reason that the African Group supported establishment of an independent program for SMEs where its activities were sufficiently visible and could be easily monitored. The African Group stressed that program activities related to cooperation arrangements and partnership between and among countries had to take into consideration the different levels of development and recognize the special needs of developing and least developing countries and needed to avoid the universal applicability of "one size fits all" model. The African Group recalled that Africa was home to over two thirds of the world's LDCs and welcomed the commitment made by WIPO to LDCs at the high level forum on building a Comprehensive Framework for promoting development in the least developed countries through innovation and creativity (Fourth United Nations Conference on the Least developed Countries) held in Istanbul from May 9 to 13, 2011. The African Group recommended the inclusion of these deliverables in the Program and Budget, particularly under Strategic Goal III, Programs 8 and 9 and would be making suggestions under the relevant programs. The African Group noted that Program 18 on IP and Global Challenges addressed important issues such as public health, climate changes and security and noted that the activities of this Program were not being discussed by Member States on any platform in WIPO. The African Group therefore recommended that the activity of this Program be discussed in the existing intergovernmental forum, largely because the scope of the Program comprised complex international and public policy issues discussed in other fora. Furthermore, some of these activities required WIPO to closely coordinate its efforts with other United Nation agencies and organizations. Such undertaking would be in line with Recommendation 40 of the DA. The responsible section could report on its activities to the Standing Committee on the Law of Patents or the CDIP. In respect of Program 20 (External Relations, Partnerships and External Offices), the African Group noted that the future role of external offices was subject to ongoing process of consultation with Member States. However the African Group recommended that WIPO allocate increased resources for external offices and did not decrease them by 3.9 per cent as was currently proposed. This was to allow WIPO to be in a position to implement WIPO policy on external offices once it was adopted. The African Group said that it would make additional comments during discussion of the proposed Program and Budget.

13. The Delegation of India, speaking on behalf of the Development Agenda Group (DAG), agreed with the sentiment expressed by Group B, i.e., that having seen the Chair preside over earlier meetings gave every confidence in his abilities to make the present meeting a successful and productive one. DAG thanked the Director General and the Secretariat for the extensive documentation, very useful formal and informal briefing sessions held in the run up to the present session and the effort put in preparing a comprehensive compilation of the Q&A. Regarding the proposed Program and Budget for the 2012/13 biennium, DAG welcomed the measure initiated in the draft Program and Budget to introduce needed efficiencies and changes in procedures and processes within the Secretariat as well as program delivery, as highlighted by the Director General in his foreword. DAG was happy to note that the next biennium was expected to see a welcome return to growth of the Organization's revenues, estimated to grow by 4.7 per cent. This growth needed to be allocated prudently to ensure optimal efficiency for WIPO programs while integrating the DA in an intrinsic manner, including through DA programs and projects. DAG noted, from the Director General's opening remarks, that the budgetary

increase for the 2012/13 biennium would be reduced from 4.7 per cent to 3 per cent and the assurance that there would be no budgetary cuts in development orientated expenditure. DAG was looking forward to the details of the proposed efficiency gains and reserved its comments on them until then. DAG welcomed the Director General's statement that development remained a priority for the 2012/13 biennium which was reflected in an overall increase in development expenditure from 19.4 per cent in the 2010/11 biennium to 21.3 per cent in the next biennium. Mainstreaming development was a strategic direction for WIPO and DAG believed that it would be useful for both the Organization and its Member States to have a clear and common understanding of what constituted development expenditure. DAG had therefore requested a written clarification from the Secretariat on that matter and looked forward to working with the Secretariat to clarify the precise scope of the term 'development expenditure' and to identify the specific activities accounting for the 21.3 per cent allocated for development activities in the coming biennium. While development had been designated as a strategic goal for WIPO and a priority for the forthcoming biennium, DAG noted that the growth in the Organization's revenue was not matched by the growth in the resource allocated to development. While WIPO's revenue was estimated to grow by 4.7 per cent the resources allocated for development expenditure were estimated to grow only by 1.9 per cent. Further, DAG noted that under Program 8, resources table showed that the budget allocation was decreased by 9.1 per cent (from 5,337 million Swiss francs in 2010/11 to 4,788 million Swiss francs in 2012/13). Similarly, in Program 9, the resources allocated to the program (table on page 88) clearly decreased by 4 per cent. As stated in paragraph 9.2: "This Program is at the forefront of WIPO cooperation and engagement with Member States, particularly from the developing and the least developed countries, and brings to the Organization the depth and breath of its accumulated knowledge and understanding of the various regions. As such, it serves as the primary interface between the said Member States and the various programs of WIPO." DAG believed that in order to achieve these important objectives, sufficient mechanism should be put in place to ensure that mainstreaming development activities did not lead to reduction in resources allocated to assist developing countries. In this context, DAG requested that the Secretariat provide details of the transfer of resources to other programs from Program 9 to understand this important aspect clearly. With regard to the important area of norm setting, DAG welcomed WIPO's continuous engagement to facilitate enhanced cooperation and greater consensus among Member States on the drafting of a balanced international framework for IP. DAG strongly emphasized that this international IP normative framework should not only be balanced but also development oriented. In order to ensure that new norms responded to all Member States' needs, all new norms should inherently integrate a development dimension as recognized in the DA. Some of the ongoing norm setting initiatives related to copyright, access to knowledge and protection of critical assets such as traditional knowledge, cultural expression and genetic resources, were aimed at restoring balance in the global IP system and should continue to receive the upmost attention and serve as benchmarks for the progress in the area of norm setting. DAG said that, in the interest of time and efficiency, specific comments on SMEs, the WIPO Academy, Global Challenges division and several other specific programs would be made under the relevant agenda items and discussion on the relevant sections of the proposed budget document. DAG hoped that these and other concerns raised by it would be taken on board by the PBC. DAG assured that it stood ready to listen to the concerns and the views of other Member States with an open mind and looked forward to a constructive and productive dialogue.

14. The Chair responded that the Secretariat had provided written explanation requested by DAG (in response to its letter) last Friday and could provide copies if need be.

15. The Delegation of China believed that the session would achieve expected results under the able leadership of the Chair. The Delegation thanked the Secretariat for the careful and considerate preparation of the meeting and appreciated the receipt of documents in the Chinese language version well before the meeting. The Delegation believed that this reflected the positive progress made in the promotion of a comprehensive language policy in the Organization. On the proposed Program and Budget 2012/13, the Delegation hoped that the

important issues such as more appropriate mainstreaming of DA, its projects and the implementation of the DA recommendations were of great concerns for the developing countries and would be given more attention and funds in order to actively facilitate the establishment of a balanced IP system. As for the language policy, the Delegation reaffirmed its interest in the WIPO language policy and appreciated the detailed proposals and analysis from the Secretariat on the methods of implementing this policy by the Secretariat, with the support of the Director General. The Delegation hoped that all six official languages would be provided for the committees' and working group meetings in WIPO, that all languages would be equally treated, which would also facilitate active involvement of all Member States. The Delegation assured of its continuing active participation in the discussion of WIPO Program and Budget. The Delegation hoped that WIPO's work would continue on the path to high efficiency. The Delegation indicated that it would take the floor on other agenda items as appropriate.

16. The Delegation of Egypt thanked the Secretariat for the effort put into the preparation of all PBC documents, especially the proposed Program and Budget, and for holding preliminary consultations. The Delegation supported the statement made by DAG and said that it would be submitting comments on Program 13 at a later stage. The Delegation endorsed DAG's position on the use of the expected increased revenue of the Organization for the purposes of development activities. It noted that the amount allocated to development programs was 19.4 per cent in the past biennium and had increased to 21.3 per cent. The Delegation stressed that development activities were one of the Organization's development strategies and thanked the Director General for his explanatory statement, including the surprising change in the expenditure levels, which should not affect the allocation for development. The Delegation indicated that it would submit specific inquiries at a later stage and hoped that they would be answered. It also hoped to be given sufficient time to examine the changes in allocations in the budget in view of the change of budget increase from 4.7 per cent to 3 per cent. Although assured that the overall level of expenditure should not affect the deliverables for development, the Delegation nevertheless stressed the importance of appropriate expenditure level for developing countries. The Delegation looked forward to examining carefully the amended Program and Budget document and hoped that the new policies described therein would increase the efficiency of the Organization.

17. The Delegation of Venezuela (Bolivarian Republic of) was pleased to see the Chair preside over the present session and thanked him for his efforts to ensure that the PBC, whose work was vital for the working of the Organization, achieve consensus. The Delegation was grateful to the Director General for his statement and to the Secretariat for the documents given out for this session. The Delegation endorsed the statement made by GRULAC and added that it was essential to give priority to development in the budget of the Organization; only in this way results satisfactory to all could be obtained. The other priority was the adequate language policy, which dealt with issues related to cultural identity of Member States. The Delegation stressed that if the policy were to work, there should be equality between the six official languages, including in receiving documents in the six languages on time. Documents were important for preparing interventions in the committees. The Delegation remarked that, the previous week, document PCT/4/1 (the report on the fourth working group of the PCT) had not been available in Spanish. It added that these elements were an important component of the development issue and should be finally corrected as part of the path taken by the Organization, as a UN body, towards achieving the UN Development Goals by 2015. Finally, the Delegation congratulated the Director General for maintaining the level of resources for development and hoped that they would not only remain the same but would be increased.

**ITEM 3: REPORT AND RECOMMENDATIONS BY THE WIPO INDEPENDENT
ADVISORY OVERSIGHT COMMITTEE (IAOC)**

18. The Chair of the IAOC considered it a great honor to address delegates in her capacity of IAOC Chair. She informed the PBC that her nomination in January 2010 had come as a great surprise because not having a United Nations background she had thought her chances of selection to be slim. It was with great enthusiasm therefore that she had joined the IAOC, a Committee that carried out periodic oversight in support of the control exercised by Member States, and which advised on best practice in governance, risk management and internal control within the context of the Organization's operations. She confirmed that all IAOC members were equally motivated and had taken their responsibilities on board with seriousness. On behalf of the newly elected IAOC members, the Chair wished to thank Messrs. Gian Piero Roz (former IAOC Chair and Member) and George Haddad (former IAOC Vice Chair and Member) for their invaluable help in providing information on the former membership's work, in particular on the numerous recommendations issued. On behalf of the IAOC, she also thanked the Director General, the Assistant Director General for Administration and Management and the Controller (Chief Financial Officer) who, with patience and willingness to make themselves available, had provided the IAOC with the context necessary for the Committee to understand the Strategic Realignment Program (SRP), which will soon become the basis for the operations of WIPO in the near if not immediate future. Turning to the work of the Committee, the Chair noted the three meetings of the IAOC since the PBC 16th session (January 2011). The reports of the 20th (March 2011) and the 21st (May 2011) sessions were contained in document WO/PBC/17/7. The report of the 22nd session (August/September) was contained in document WO/PBC/18/2. Rather than going through all issues dealt by the committee in detail, the Chair wished to highlight specific aspects of the IAOC work. With respect to topics dealt with in 2010, the Chair began by noting that the IAOC had met with the Director General and his Senior Management Team, as well as with the Director of the Internal Audit and Oversight Division (IAOD), the External Auditor, and those responsible for certain SRP initiatives namely: initiative 5 (Enterprise Resource Planning); 16 (Financial Performance) and 17 (Ethics). The Committee had also met with the Deputy Director General for Development, the Director in charge of the New Construction Projects and various other Programs or SRP initiative coordinators. At its 20th session (March), the IAOC had agreed to focus in 2011 on the issue of governance at WIPO, specifically through: (1) an analysis of the coherence of oversight architecture at WIPO; (2) an assessment of risk management and internal controls; (3) discussions on the functioning of internal and external audit; (4) an exchange of views on investigation and evaluation methodologies; and, (5) discussions on Ethics in the WIPO context. Following the new membership's first Information Session for Member States, the IAOC had added to their already long list of tasks an examination of outstanding recommendations of the former IAOC membership with a view to identifying areas that might present major risks to WIPO. This task became a major preoccupation for the Committee, which was understandable given that the recommendations totaled 307. In order to provide Member States with clarity on the status of the recommendations, the IAOC had: (1) Evaluated each recommendation according to impact and inherent risk likelihood, and assigned to each a ranking of "very high", "high", "medium" or "low" risk; (2) submitted 11 recommendations ranked as being of very high risk to the Director General for a formal response on their implementation status (fully implemented, implementation under way, implementation not initiated or cancelled); and, (3) requested IAOD to verify the status of 96 recommendations ranked as being of high risk to enable the IAOC to reach a conclusion on the extent of implementation. The IAOC Chair recalled that its 21st session report contained the risk matrix which showed the distribution of the 307 recommendations according to the risk exposure, showing 96 ranked as high risk and 11 as very high risk. The IAOC Chair was pleased to announce to the PBC that of the 11 very high risk recommendations, the IAOC considered that sufficient action had been taken for 10, which left only one recommendation open. That recommendation concerned IAOD, to which the Chair would revert later. Concerning the 96 high risk recommendations verified by IAOD, 52 had been judged by IAOD as having been implemented. The IAOC Chair added that much discussion had taken place between the IAOC and IAOD to ensure that once the

recommendation was considered as implemented (closed), it would be removed from the list of open recommendations. With IAOD's assistance, the IAOC would continue to monitor the remaining 44 recommendations periodically to ensure implementation. In order to avoid a repeat accumulation of IAOC recommendations, the IAOC Chair informed the PBC that the Committee had agreed with the Director General that he would provide a response on recommendations issued at an IAOC meeting in time for the subsequent IAOC meeting. In addition to providing transparency on the Director General's commitment, this approach would also provide the IAOC with specific dates, or at least a timeframe, for implementation of recommendations that had been accepted by the Secretariat. A second topic to which the IAOC had devoted much time was the analysis of the functioning of the various oversight bodies at WIPO, namely IAOD, the External Auditor and the IAOC. The IAOC wished to apply to itself the same rigor expected from others. To that end, the Committee had prepared and adopted a road map for the upcoming four years, which was contained in Annex II of the report of the IAOC's 21st session (document WO/PBC/17/7). In addition, the Committee had reviewed texts setting out the roles, responsibilities and interaction of the three oversight bodies. In the IAOC's opinion, certain provisions needed to be revised to ensure coherence, coordination and compliance to international standards and, to this end, the IAOC had proposed various revisions to the texts, which were contained in Annex III of the report of the IAOC 21st session (document WO/PBC/17/7). For the sake of transparency and pedagogy, the IOAC had annotated its revisions to the text of the Internal Oversight Charter. The proposed revisions were significant and would lead to greater coherence between the various oversight actors. While the IAOC appreciated that Member States may wish to wait for the new Internal and External Auditors to be on board before discussing the IAOC proposed revisions, it had also seen value in presenting its proposed revisions to Member States at this stage. The IAOC Chair then turned to the topics of Risk Management, Internal Controls and the SRP. She informed Member States that the IAOC had met on a number of occasions with the Assistant Director General for Administration and Management and members of his team, including the Controller (Chief Financial Officer) and the Director of the Resource Planning, Program Management and Performance Division. Operational risk management had been discussed. The IAOC believed that a well-built system had been put in place, which represented a great improvement at WIPO, and that the approach adopted by the Secretariat was in line with the standards prescribed for internal control by both the International Organization of Supreme Audit Institutions (INTOSAI) and the Institute of Internal Auditors (IIA). Nevertheless, the IAOC wished to draw Member States' attention to the fact that the system was not yet fully operational. As a consequence, when the IAOC was carrying out its evaluation of risks associated with the IAOC's outstanding recommendations, it ran up against the fact that WIPO had no clearly defined "risk appetite" policy for WIPO. The IAOC Chair explained that "risk appetite" referred to the level of risk that an organization was prepared to accept, before action was deemed necessary to reduce it. She added that it was WIPO top management's responsibility to define the risk appetite threshold. A risk policy would also serve as a guide for action to be taken when assessing various strategic options, determining associated objectives and developing further measures for managing related risks. In this connection, the IAOC had noted work underway on the ERP, foreseen for completion in 2015. The ERP system would provide WIPO with tools for analysis of effectiveness and cross-cutting operational control. At present, it was difficult to provide reasonable assurance on the efficiency of internal controls using the existing information systems. This was not to state that the current system was ineffective but rather to underscore that without an ERP system for consolidating and verifying information, processing of information was slower. Consequently, the IAOC was unable to conclude that internal controls at WIPO were efficient. In addition, the IAOC had observed that the IAOD was not part of the risk management policy and the IAOC had therefore recommended the IAOD's acknowledgement. Turning to the topic of Ethics, the IAOC Chair informed Member States that the IAOC had met with the Chief of Staff and the Chief Ethics Officer to discuss the draft WIPO Code of Ethics. The IAOC considered that implementation of this Code would contribute to the overall internal control environment within WIPO. Regarding internal audit, the IAOC Chair said that the Committee had met the Director of IAOD at each of its meetings. She said that the

IAOD Director planned his internal audit activities biennially based on an evaluation of the risks contained in the “audit universe”. She explained that “audit universe” referred to the list of potential auditable areas within an organization, which was an approach in line with best practices. 83 audits at WIPO, 35 per cent of which were classified as very high or high risk areas, are WIPO audit universe. The IAOC had noted that the audits carried out to date had not covered all high level risk areas and that this in itself was a risk. According to the IAOD Director, the low coverage was partly due to the use for investigation work of some of the resources earmarked for auditing. The arrival of the new IAOD Director at the beginning of 2012 should make it possible to speed up recruitment for vacant posts and allocate sufficient resources to carry out the internal audit plan fully. The IAOD Director had also confirmed that his team had done very little follow-up work on management action plans for the implementation of outstanding recommendations, and that when this work was done, it was mainly when a new audit of the same area was carried out. In view of audit resource scarcity, and the size of the audit universe (83), the IAOC considered this to be a risky approach. In its view, covering the same topic twice might not be feasible given that some 83 topics had to be covered, of which 35 per cent had been classified as being of high risk. With respect to implementation of oversight recommendations, the IAOC considered critical to clarify the various responsibilities for implementation of oversight recommendations accepted by operational managers. The IAOC had agreed with the IAOD Director that operational managers were responsible for preparing action plans to implement recommendations. Nevertheless, in the IAOC’s view, the internal audit section, as an independent body, should exercise oversight of those plans to provide reasonable assurance that the recommendations were being effectively implemented. At present, that work is not being carried out and the current follow-up system is limited to management statements. This had resulted in significant gaps and a lack of reliable data on corrective actions. In view of the imminent change of IAOD Directorship, the Committee thought appropriate that a revised follow-up policy and system be reviewed with the new Director. The IAOC planned to meet with him as soon as was on board in early 2012 to discuss improvements to the current auditing processes and hoped that by June 2012, revised procedures would be operational and would fully cover WIPO’s needs. Turning to the topic of Financial Management and External Audit, the IAOC Chair stated that the IAOC had held discussions on the proposed 2012/13 Program and Budget focusing on expected and actual results, and the contribution of each Program to development expenditure. Although the IAOC had noted tangible improvements, it wished to draw the attention of Member States to the fact that calculation of indicators in the absence of a fully implemented ERP presented reliability risks and that the IAOC had urged the Controller to be particularly vigilant. Finally, the IAOC wished to recognize the Secretariat’s efforts in implementing International Public Sector Accounting Standards (IPSAS) at WIPO, in particular the efforts of the Controller and the professional contribution of the External Auditor. In this connection, the IAOC believed that WIPO should take steps to ensure that it had sufficient in-house IPSAS knowledge and expertise over and above that provided by a consultant. This would ensure sustainability of the progress made so far. The IAOC Chair closed her statement by thanking delegations for their attention and stated that she was ready to answer any questions.

19. The PBC Chair thanked the IAOC for its very focused and deliberative action and the IAOC Chair for her statement which had greatly enriched Member States’ understanding of many issues. Through this understanding, Member States had a high level of confidence that the IAOC was a very expert team. The Chair also thanked the members of the Selection Panel who had consecrated a great deal of time and effort to identify a strong external oversight team.

20. The Delegation of Germany inquired whether the IAOC had been involved in the selection of the new Director the IAOD, whether an increase in resources was foreseen for the IAOD and whether such resources were sufficient in comparison to other organizations and in view of 83 audit areas.

21. The Delegation of Switzerland thanked the IAOC and its Chair for the very important work done.

22. The Delegation of Spain thanked the IAOC Chair for her excellent presentation and the excellent work of the Committee. With reference to internal audit and the amount of resources being spent on investigations, the Delegation requested further information on those investigations in terms of the results and how they affected internal auditing in general.

23. The Delegation of India thanked the Chair of the IAOC for the excellent work that she and her team had been doing. In response to the PBC Chair's expression of gratitude to the Selection Panel, she stated that she had been a Panel member and that the Delegation was proud for the entire Panel to have selected such an excellent IAOC team. The Delegation was very encouraged by the statement just delivered and by the opening remarks by the Director General. It noted from the IAOC report that many of the outstanding recommendations made by the previous Audit Committee had now been streamlined and prioritized. It also noted that the IAOC had grouped them in two risk categories: very high risk (11) and high risk (96) and that out of the 11, ten could be considered as settled. The Delegation sensed that the only area that really required urgent attention and focus was internal control and internal audit. The Delegation commented, in line with the comments of the Delegations of Germany and Spain, on internal control, about which the IAOC report said: "Internal Audit and the overall effectiveness of internal control, the Audit Committee is of the view that the residual risk remains very high within the context of non-implementation of appropriate and adequate internal audits." The Delegation recalled that the IAOC Chair had mentioned the need for speeding up recruitment in the IAOD, the need for a well-defined policy on risk management that also included internal control and the Ethics Office, as well as the need for the new IAOD Director to put in place a new policy for oversight. The Delegation inquired whether the necessary resources were allocated in the proposed 2012/13 Program and Budget to address the lack of resources for the IAOD. It added that if the lack of resources was one of the reasons for which internal control was not effectively operational, then the allocation of sufficient budgetary resources for the IAOD would be a key issue to address during the session. The Delegation inquired about the status of the recruitment process for the IAOD, which had been a recurring issue in the last few PBC sessions and the IAOC briefings

24. The Chair invited the IAOC Chair to respond to the questions asked.

25. The IAOC Chair said that the Committee had been asked to participate in the selection process for the new IAOD Director but that this had been logistically difficult because the IAOC only met four times per year. Although the IAOC had received the curricula vitae of the short-listed candidates before the election took place, the IAOC did not wish to take on board a role that was for the Management and the Selection Panel to assume and had therefore not asked to meet the candidates. She added that, following internal discussions, the IAOC was satisfied with the extent of its involvement and the selection process taking into account time constraints. She remarked that the IAOC would have wished to review the Vacancy Announcement before it had been issued but this was a question of timing because the new members had been elected after its publication. Regarding IAOD resources, the Chair believed that in his statement to the PBC the IAOD Director would inform delegates that his resources were insufficient. This was not the IAOC view. In the Chair's opinion, the issue was rather one of knowing how to best structure the team. For example, if a staff of seven included four managers, it left little resources for staff auditors to carry out the planned audit. The IAOC might be of the opinion that IAOD resources were adequate but they might need to be positioned differently. At present, the resources of the Internal Audit Section comprised a consultant, the Director of IAOD and a Head of Internal Audit. The consultant performed audit work but the Chair wondered what tasks would be assigned to a Head and whether it was appropriate to have a so little span of control with a manager managing only one person. She added that her opinions were based on her experience in the private sector. Nevertheless, she did not see the economic sense of the current set-up and hoped that the new IAOD Director would take a different approach. The IAOC Chair stated again that the IAOC considered that IAOD had sufficient resources, as set out in the proposed 2012/13 Program and Budget, and wished to underscore the point on staffing structure. Regarding investigations, the IAOC Chair

said that the Committee had only discussed this topic briefly. This was partly because the IAOD Director had seemed reluctant to provide detailed information in his first meeting with the new membership. During their second meeting, the IAOC had received some general reports on the work of the Investigation Section but no individual investigation case reports on the grounds of confidentiality. The IAOC Chair also reminded that focus and priority had been given to internal audit methodology and the outstanding oversight recommendations. As such, the IAOC would discuss their views and recommendations on how internal audit methodology could be improved with the new IAOD Director. Furthermore, the IAOC had already planned to focus on investigations, as well as evaluation, at its session in November and that the IAOC would participate to the IAOD evaluation seminar to be held at the beginning of October. The IAOC Chair stated that the IAOC had decided to focus on one topic at a time rather than try to tackle a number of topics at once, which risked non-action. She opined that the IAOD Director might have focused more attention on investigation than internal auditing adding that, IAOD might have found more interesting investigation work compared to routine and regular assurance audit assignments. She further opined that if an internal auditor with investigation skills were to be taken on board, then it might not be useful to have two Section Heads. She hoped that the new IAOD Director would be able to define very clearly the boundaries of internal audit, evaluation and investigation. On the question of resource breakdown for audit, evaluation and investigation, the IAOC Chair stated that she did not have this information to hand but that it could be provided by the IAOD Director.

26. The Chair thanked the IAOC for the frankness of her response which was greatly appreciated. He then passed the floor to the Director General for further clarification.

27. The Director General stated that, as the IAOC Chair had explained, the timing for the selection process for the Director of the IAOD had fallen between the Committee's meetings. He added that at the IAOC last session, a future process had been discussed and worked out, especially given the paucity of details in the Internal Oversight Charter, which stated only that the IAOC should be consulted. On the issue of the IAOD resources, the Director General thought that there were probably two questions: one was the level of resources and the other was the speed of recruitment. As far as the level of resources was concerned, resources table for program 26 (page 162 of the proposed budget document) indicated 37 per cent increase in human resources for the IAOD. The Director General believed that this was satisfactory at this stage. The new Director of the IAOD would review the situation and make recommendations on any resourcing that he might need. Concerning the speed of recruitment, the Director General said that a new Head of the Evaluation Section had been appointed and that a first seminar on evaluation in the area of development would be held on October 6 and 7, 2011. In the past six to nine months a new Head of Internal Audit had also been appointed. A competition for a new Head of Investigation Section was also under way with the Selection Board due to make its report by September 15, 2011. Finally, selection of a candidate for the post of Senior Internal Auditor was also at an advanced stage of completion. On completion of that competition, the resource situation would be reassessed with the new Director.

28. The Chair, in the absence of further questions, thanked the IAOC Chair for answering questions and congratulated the IAOC for its work.

29. The Program and Budget Committee took note of the contents of document WO/PBC/18/2.

ITEM 4: GOVERNANCE AT WIPO

30. Discussions were based on document WO/PBC/18/20.

31. The Chair recalled that at its 17th session in June 2011, the PBC had agreed that the Chairpersons of the Coordination Committee (CoCo) and the PBC should jointly produce a

chairperson's paper incorporating comments made by Member States and reflecting requests for additional information. The two Chairs were to report to Member States at the PBC September session. First, the Chair thanked the delegations for their input and said that it was clear that a number of delegations had taken the time to lay out alternative visions and possibilities. In preparing their approaches, delegations had taken the time to flesh out their goals and the options to achieve them. The Chair apologized for the delay in producing the document but, unfortunately, he and the Chair of the CoCo had never been present in Geneva at the same time. Additionally, as it was the summer time, many delegations had not been there either. There had not been much progress done on the document, partially because positions were very different and discussion had to take place on the next steps. The Chair reminded delegations that this issue had already been put on the table by the old IAOC, which had identified some lacuna in the governance structure without giving a lot of direction. The issue had been bouncing around in the PBC where delegations had exchanged views but discussions seemed to be back at square one. The Chair wished to hear delegations' comments and ideas on how to proceed from this point forward. The Chair commented that he did not have the magic wand or the solution that was going to resolve the problems. More work was needed and one of the options that merited consideration was to request the new IAOC (since the IAOC was very good at running through outstanding issues and giving fresh vision) to have a look at the issues from their perspective.

32. The Delegation of Spain said that, were it to be very strict, discussions on the document could not take place because it was only available in the English version. However, it was ready to make an exception in this case.

33. The Delegation of Germany considered that sending the matter to the IAOC for its review was a good idea. The Delegation recalled that the recommendations made by the old audit committee were mainly the result of the lack of interaction with Member States, which was rectified by including a clause to that effect in the revised terms of reference of the IAOC. At present, the IOAC could concentrate on other issues, once it acquired better understanding of the Organization.

34. The Delegation of India thanked the two Chairs for having prepared the document, which the Delegation found useful as it presented a historical overview, i.e., what had happened in WIPO on the issue of governance, especially the details of the Working Group on constitutional reforms whose recommendation, particularly with regard to the composition of the CoCo itself was very pertinent. After lengthy deliberations at that time, there had been an underlying consensus that a working group had been required. Its recommendation was important because there had been a need to streamline the CoCo and a need for a system of governance in WIPO which would function better as an executive body (this had been the lacuna identified at that stage). Many years had passed since and Member States had yet to address this lacuna and that was where the old audit committee's recommendation came into the picture. The old audit committee had recommended that this lacuna (regarding executive governance) be addressed. The recommendation on setting up of an executive body was very specific and even gave a figure on the membership (between 12 and 16 members). The audit committee not only addressed the lacuna identified by WIPO Member States almost a decade ago but also went ahead to propose a solution. It was the role of Member States to look at this suggestion and agree on what would make the Organization function better. Therefore, in this context, the Delegation welcomed the Chairpersons' paper and said that it had forwarded it to its capital. The Delegation did not expect to receive any instructions at this late stage of the session. It agreed with the Chair that delegations needed to reflect on this matter as all of them acknowledged that governance issues in WIPO were important. They needed to be addressed and the views on how this should be done were varied. The Delegation supported the Chair's suggestion to ask the IAOC to follow up on the recommendation of its predecessor and provide its input and recommendation. However, ultimately, it depended on Member States to move the process forward and for that delegations had to sit together and have a discussion. Therefore, while the Delegation agreed that the IAOC could be asked to give its input and

recommendations in the matter, it suggested that an informal working group of interested Member States be set up, under the chairmanship of the PBC or the CoCo Chair, to look at what could be a way forward and whether there was any common ground. The Chairpersons' paper showed that there was a lot of common ground. The Delegation saw certain improvements that could be put into effect immediately. It added Member States needed a forum to discuss these matters, which a working group would provide. Such working group would work within a finalized timeframe (to set a date for that process), e.g. March 2012 and would informally dialogue on this issue, taking into consideration the recommendations made by the IAOC. The results of the dialogue would be submitted to the September 2012 session of the PBC, or for consideration and recommendation to the General Assembly, as appropriate.

35. The Delegation of Switzerland, speaking on behalf of Group B, flagged the fact that the setting up of another committee and the issue of governance had been discussed at length in the June session. At that time, delegations did not think there had been any need to continue discussions seeking to set up a new committee. Group B saw this question as already dealt with and exhausted. Hence, at this stage, Group B thought that discussions on the subject could be brought to an end at the present session. Group B was surprised to hear the Delegation of India say that in the frame of the working group many delegations recognized the need to review a lot of issues. The Delegation stressed that it had also sat in those committees and did not remember having recognized those needs or requirements. Group B favored bringing these discussions to an end at this very session as extensive discussions had already taken place in June and there was no need to repeat them. If, however, there was something that needed to be done, Group B could accept the idea to task the IAOC with this matter.

36. The Delegation of South Africa, speaking on behalf of the African Group, thanked the Secretariat for including information on the constitutional reform, which had been missing from the previous (June) document. The African Group had briefly examined the document that morning and concluded that it had not had sufficient time to examine it thoroughly. It added that since there had been no agreement on the way forward in the June session, it did not think that delegations could agree on anything at present. It thought that the way forward would be to defer the debate to the next PBC session. The African Group was flexible on the way forward but formally emphasized that the issue had to be finalized. Paragraph 7 of the Chairpersons' paper highlighted that there was a common denominator extrapolated from Member States' written contributions. Matters could be taken from there i.e., looking at the existing governance structure rather than focusing on what the IAOC or the audit committee said in terms of establishing a new body. The African Group wished to achieve finality in this matter without discussing it for ten years. However, the Group did not see how the matter could be finalized that day.

37. The Delegation of Slovenia, speaking on behalf of CEB, stated that in view of the past in-depth discussions on this topic and without any new arguments in store, it saw no need to continue the discussion. The recommendation for improvement of governance had come from the previous audit committee and had been caused by (resulted from) the lack of communication between the old committee and the Member States. All delegations would agree that this had improved in the last year. Therefore, CEB fully supported the Chair's proposal to seek advice from the IAOC. CEB also proposed that after the IAOC take a look and explore options to improve governance within the existing WIPO mechanism, options could be discussed. CEB was confident that by doing that the concerns raised by the previous audit committee some years ago would be accommodated.

38. The Delegation of Egypt found the Chairpersons' paper very useful because it provided the background and different proposals as well as the methods regarding the 11 proposals, which needed to be discussed. However, there was no process and no timeframe to discuss them. Some of the proposed improvements were very ambitious (a new body), other called for improvement of the existing system. The point of convergence was that efficiency needed to be

addressed. Therefore, the matter required a process and a timeframe in either informal working group or consultations led by the two Chairs.

39. The Delegation of India expressed its surprise at the statement by Group B. The Delegation did not agree at all that the issue had been closed at the 17th session of the PBC. If it had been, the Chairpersons of the PBC and the CoCo would not have been asked to produce the present paper. The discussions at the last PCB had been inconclusive and Member States believed that they needed further dialogue. The Delegation recognized and understood Group B opposition to the idea of creating a new executive body. The Delegation explained that creating a new body through the process of this dialogue was not its aim. The creation of a new body was one option. The Delegation's submission proposed that existing bodies be redesigned to make them function more as executive bodies. The Delegation requested Group B colleagues to not be obsessed with the idea that the sole focus of the proposal was the creation of a new body. Paragraphs 6 to 9 of the Chairpersons' paper summarized the suggestions made by various Member States and Groups on WIPO reform. The Delegation believed that a lot could be improved without creating a new body and this needed to be discussed. The Delegation was also surprised at the Group's B resistance to informal consultations and pointed out that if the IAOC was to present its report and recommendation on this issue, such report would have to be considered at the next PBC anyway. The Delegation said that it had proposed informal consultations in a spirit of constructive engagement, with the hope that such consultations would clarify Member States' opinions on different proposals, i.e., what could be accepted, what had to be left out or was not acceptable at all. Alternatively, there could be no agreement at all and the issue would be closed.

40. The Delegation of France supported the statements made by Group B and the individual speakers from Group B. It wished to further clarify what Group B had meant. Group B was not talking of the closure of discussions as such but, at the same time, it did not envisage rehashing the discussion that had already taken place. A number of positions had been shared at the June PBC session and no clear direction emerged from those discussions. Group B wished to stress that while all delegations were in favor of arriving at more efficient governance, they had not seen a clear way forward to call for reforms. Group B, like other delegations, was in favor of more effective governance. It emphasized that the primary role of the PBC was to deal with budgetary matters effectively, which had direct impact on governance. The Delegation referred to calls for structural changes and changes in the mandates of WIPO bodies and said that the mandates were good as they were. It was rather a question of commitment on the part of Member States to attend the meetings and bear responsibilities in the given circumstances. The Delegation did not think that there was any theoretical lacuna. Although the former audit committee had made its diagnosis, the context had changed since that time. The Delegation was not at all against referring the matter to the IAOC so that Member States could have a fresh and updated opinion. The Delegation stressed, however, that it did not wish to see the role of the PBC diminished in any way.

41. The Delegation of the United States of America supported the Group B statement and the comments made by the Delegation of France. It added that, having listened to the discussion for a few years now, Member States were at a point where they dialogued on this issue but were still very far apart, even with the commitments made by the Delegation of India. The Delegation said that it had examined DAG's proposals. It reiterated that delegations were very far apart in terms of restructuring existing committees, not to mention any debate on whether to have a new executive body. The Delegation remarked that given the divergence of opinion, developing a new process on this issue did not seem to be a very useful step. The Delegation found the Chairpersons' paper very helpful. It thought that what membership was faced with at present was figuring out where to go from this point. Because this issue had originated from the old audit committee, and since the IAOC had new members, it would be useful if they could reexamine the issue and the new developments. At this stage, the Delegation did not feel an informal process on these issues would be very useful.

42. The Delegation of Switzerland, speaking on behalf of Group B, emphasized Group's B openness to dialogue, which it had proven during the entire process. The dialogue had reached a dead end and the Group did not wish to continue to repeat itself. On the follow up of the process, Group B said that there had been no agreement. Group B saw no point in trying to reform the CoCo as there had been no agreement on this in the past. Group B believed that Member States could work within the existing committees, as the PBC had proven possible. With the delegations' good will, the PBC objectives had been met and good results achieved. In answer to the question how membership should move forward, Group B believed that the best way forwards was: since the issue originated with the audit committee, it should be referred back to the IAOC who would report back at the next PBC session.

43. The Delegation of Brazil took note of information provided in the Chairpersons' paper and welcomed the contributions submitted by different delegations. The Delegation said that it would transmit the document to the relevant authorities in the capital. The Delegation supported the need to continue discussing the matter, which could be done in a dedicated forum. It did not consider the issue closed and believed that improvement to the governance structure of the Organization could be made. How such improvements could be made was an issue that only continued dialogue between delegations would resolve.

44. The Delegation of Algeria reiterated the statements made by the African Group and DAG. It said that the question of governance had been raised for the first time by the old audit committee. The Delegation did not wish to say that there had been a negative approach. However, it underlined that there had been a need for WIPO to try to strengthen its management processes. There would be some necessary mechanisms to do so, perhaps even a need to create some new body. Referring to the proposals made by DAG and the African Group, the Delegation said that they were easily understandable and covered all governance related questions. The question of governance was different at present than in 1970s or in 2000. Member States' concerns in 2011 were different. It was time to look at the Organization's bodies, created long ago, their competencies and mandates in order to ensure that the Organization could grow. There was need to continue consultations, even if delegations' positions were sometimes much far apart, which in itself might be a reason to continue the discussion, which should be under the chairmanship of the Chairs of the PBC and the CoCo. The matter could be discussed at the next PBC or CoCo meeting.

45. The Delegation of South Africa aligned itself with the statement it had made on behalf of the African Group and wished to emphasize the importance of the issue. It pointed out that the input from Member States had not been discussed contrary to what some delegations had said. There had been no debate but merely the 'stating of positions', which made a big difference. The Delegation recalled that DAG was absent at the June session so its proposal had not been presented at the time. The Delegation emphasized that it was not saying that a new executive body would be created. It simply advocated dialogue, listening to each other to understand what other parties were saying. The Delegation recalled that the Delegation of the United Kingdom had said (opinion reproduced in Annex II, page 5 of the document WO/PBC/18/20): "In principle we would be against any arrangement which could lead to duplication of existing arrangements and responsibilities, and potentially create confusion. Rather, we would look to improve the existing governance structure, and there certainly are ways we can do this without having to redesign the organisation." That view had been shared by the Delegation of Japan which had said: "(...) members should seek possibilities to use existing bodies in more effective manner to the extent possible rather than rush to create new body (...)". The Delegation believed that these inputs needed to be discussed. Therefore, the Delegation was in support of informal consultations. The African Group's proposal specifically listed three options: a new executive body; a review of the PBC and the CoCo mandates; strengthening the CoCo by providing it with executive functions. These options had not been discussed, hence there was no finality to the discussions as they had not been exhausted yet.

46. The Delegation of Morocco stated that since it had received the document only that morning it had not had the time to examine it. However, the first recommendation of the old audit committee was to establish a limited membership executive body. The Delegation was aware of the difficulties in creating a new body and shared the concerns of certain delegations in this respect. It remarked that decision to establish a new body to improve governance of WIPO was something that would greatly surprise the Delegation. It said that such process took a great deal of time and added that the reform of 2002 had not been fully implemented yet. Establishing a new body might take 10 or 15 years. Therefore, Member States could continue discussion on how to improve governance. Such discussion could take place within the current institutional framework and the short term measures to improve governance could be looked at there. Member States could also look at the long term measures as a way of continuing negotiations.

47. The Delegation of the Republic of Korea concurred that views on governance were divergent. At the same time, as paragraph 7 of the document indicated, there were common denominators as well. It seemed to the Delegation that the common denominator was how the operation of the existing bodies could be improved. The divergent views referred to the creation of a new executive body: whether it should be created and how it could improve the Organization. The Delegation raised the issue of a mandate for the discussion, from the procedural perspective. The discussion had started at the PBC's request and had been going on since the early 2011. At present, Member States were not in a position to discuss whether this discussion should continue further. The Delegation thought that there were two issues: internal matters and an external matter. By internal matters, the Delegation meant the improvement to the existing bodies. The external matter was the reorganization of the existing bodies and possibly the creation of a new body. The internal matters might fall within the mandates of the PBC and the CoCo. The Delegation thought that the external matters belonged to the mandate of GA only. Therefore, if Member States wished to discuss the internal matters any further (how to improve the operation of the existing bodies) it would be sufficient to have the mandate to do so from the existing bodies (the PBC or the CoCo). Should Member States wish to talk about reorganization of WIPO, they would need a mandate to do so from the GA. The Delegation suggested continuing to discuss how to improve the operations of the PBC and the CoCo. However, for any other matters GA's mandate would be necessary.

48. The Delegation of Mexico thought that there was an agreement in favor of improving governance at WIPO. The question was how to go about it. The Delegation opined that creating committees where there would be new documents and new positions and opinions was not a very good idea. It might be better to ask the IAOC to deal with these issues. With regard to the Chairpersons' paper, the Delegation felt that it contained a number of elements which would make it possible to take immediate steps to improve matters. The Delegation was in favor of continuing discussions.

49. The Delegation of Egypt believed that all Member States in the PBC had one goal, which was to ensure that a UN organization functioned efficiently, fulfilled its mandate as a specialized UN agency and improved its activity. Therefore, reform as a constant process could be ensured through dialogue and discussion and for that reason an oversight body and its recommendation were important. There was a need to set up a forum to discuss new ideas to reform the Organization. In this context, the Delegation supported the proposal made by DAG to set up an informal committee to discuss governance. If there were difficulties with setting up of such a committee, a middle ground would be that governance issues should be discussed, as a standing agenda item with sufficient time allocated to it, in all PBC meetings.

50. The Delegation of Japan thanked the two Chairs for preparing the document and the Delegation of South Africa for having referred to Japan's written submission. The Delegation supported the statement made by Group B and the views expressed by the Delegations France and the United States of America. The Delegation added that the issue had been discussed for a certain period time. There had been no agreement then and there was still no agreement.

Various opinions were expressed and were reproduced in the annex to the document. Since the issue originated with the old audit committee, it could be referred back to the IAOC for review. Once the feedback from the IAOC was received, the issue would be considered, if needed.

51. The Delegation of Slovenia, speaking on behalf of CEB, reiterated its previous comments as it was under the impression that they had not been heard. CEB wished to highlight the following. First, CEB supported more efficient governance in WIPO, which meant that it believed that governance could be improved. Second, creating yet another body was not a viable option. Third, proposal by the Chair to leave this matter to the IAOC was very pragmatic and useful. CEB believed that since the old audit committee initiated the issue through its recommendation, they (the new IAOC) should reflect on it again, due to the time that had passed since the recommendation was first made. Fourth, bearing in mind Member States' very divergent views and lengthy discussions already had, CEB believed that continuation of this discussion would not be productive.

52. The Delegation of Cameroon supported the statements made by the African Group and the Delegation of India on the importance of governance and preferred that that Member States take more time to arrive at a concerted decision.

53. The Delegation of Monaco associated itself with the statement made by Group B as well the statements by the Delegations of France, Slovenia and the United States of America. The Delegation believed that in an organization like WIPO, governance could always be improved. This issue was Member States' collective responsibility as part of the PBC. Committees themselves were only as efficient as their members. Before looking at an extreme solution, i.e., establishment of a new body, Member States might first look at how they could improve their own processes, how they worked together collectively with the existing parties and their existing mandates. With regard to the question of sending the discussion back to the IAOC, the Delegation thought that this was a wise proposal as the IAOC had changed and the recommendations had been made quite a long time ago.

54. The Delegation of India felt confused by the contradictions it heard in the statements from Group B countries and others. What the Delegation understood was that there should be no new body, of which the Delegation had taken note already. CEB enunciated very clearly that more efficient governance was needed and that there was room for improvement. It seemed to mean that there was a need to redesign or improve the existing WIPO bodies and mechanisms. It was also stated that the IAOC should review the recommendations of the old audit committee and give its views, which the Delegation found logical. The Delegation was baffled that these comments had been said in the same breath as the statements that there was no need to discuss this further. The Delegation found such statements contradictory. The Delegation asked what should be done with the IAOC report and wondered why the IAOC should be asked to produce another report if the first one would not be discussed. The other contradiction was in the fact that delegations had discussed their positions pertaining to the recommendation on creating a new body at the last PBC, while the same PBC had not discussed at all how the existing bodies and mechanisms, such as the CoCo, could be improved. Therefore, to say that this had been discussed in detail and that the dialogue was at a dead end was factually incorrect. One could not reach a dead end without a beginning. The Delegation considered its proposal 'the beginning' of the issue of how the existing structures could be improved. The Delegation said that Member States needed to dialogue on how they could make improvements, however small, e.g. starting meetings on time. The Delegation expressed its regret at what seemed to be an unwillingness to engage in improving the Organization.

55. The Delegation of Chili thanked for the preparation of the document on governance. It said that the issue on the table was of the greatest importance and for this reason delegations had to be very cautious regarding the way in which this matter was dealt with. On the basis of the statements made, the Delegation concluded that there was a desire to take stock of the

situation and see whether Members could do better in the areas where there was room for improvement. The Delegation considered asking for the IAOC's opinion a very good initial step forward. At the same time, if the PBC were to present its conclusion/ opinion on this matter, the upcoming meeting of the PBC would be the right time to do that. Although the matter at hand was important, the Delegation did not see any great urgency to set up a working group to discuss it. Member States had to proceed in a cautious manner, step by step. A good initial step could be the request for review by the IAOC, to be discussed in full at the next PBC. Looking at the different aspects of improvements, the Delegation commented that a working group did not need to be set up to start meetings on time.

56. The Chair recapitulated that there seemed to be agreement to request the IAOC to take a fresh look at the matter. Since the IAOC report was submitted to the PBC, the PBC would have to examine such a report. At the same time, some delegations felt that the talking had been done and others who wished to have new bodies created. Therefore, modalities had to be found and a decision paragraph on this agenda item needed to be drafted.

57. The Delegation of Switzerland, speaking on behalf of Group B, believed that the Delegation of Chili summed up perfectly well the direction in which the consensus was moving, i.e., that matters should be referred to the IAOC and then brought to the next PBC session.

58. The Delegation of El Salvador believed that Members were moving toward consensus. It fully agreed with the Delegation of Chile. It added that Member States should continue examining the matter, the IAOC could make its contribution, which could be reviewed in the next PBC meeting. The Delegation also agreed with the Delegation of India and DAG, that Members should have the opportunity to continue focusing on these matters and make greater contributions.

59. The Delegation of South Africa was happy to see that delegations were moving forward on this matter. It highlighted again that the written contributions by Member States were very important and the document presenting views of Member States had all the ingredients that were needed to continue the debate. That was why, in addition to referring the matter to the IAOC, a small PBC working group could be established on an *ad hoc* basis to consider the document and make recommendations to the PBC. The document contained many suggestions made by Member States, from all regions, who wanted reforms in WIPO. The focus should not be solely on the IAOC's opinion. The requested additional information had been provided (in the document) and, as Member States, delegations should be given an opportunity to go through this information.

60. The Chair concurred that it had been an important but also elucidating discussion. He suggested that all delegation take the time during the break to consider a draft of a possible decision on this agenda item.

61. The Delegation of India endorsed the suggestion made by the Delegation of South Africa that the next PBC consider the matter from a wider perspective (include Member States' contributions) and not only examine the IAOC review because the original recommendation had been very limited and clearly Members had moved past that point (on which there was not much consensus). When the IAOC would be asked to review its recommendations it should be asked to take into account the contributions made by Member States. The review had to be a wider one from where the old audit committee' recommendation had originally started.

62. The Delegation of Egypt wondered if the recommendation of the IAOC would be different from that of the old audit committee because of the change in the mandate and the membership of the Committee. It also wondered as to the background of the recommendation and whether it resulted from the previously existing circumstances (rare PBC meetings, old audit committee mandate and composition). The Delegation observed that perhaps there was a parallel work to be done while the matter was back with the IAOC. For instance, the Secretariat could prepare a

document on governance structure in other UN agencies, consultations could be held led by the chair of the PBC or CoCo to put together different approaches.

63. The Secretariat explained that, at the time of the specific recommendation, there had been a number of outstanding audit committee recommendations that had not been followed up. The PBC was not able to deal with the numbers and the audit committee was unable to get through [to the PBC]. In light of those constraints, one of the recommendations was to find a way of dealing with the oversight issue, which needed to be addressed. That was the context in which this particular recommendation had emerged. On the issue of comparing the various governance structures, the Secretariat said that this had already been done and was part of an earlier document on governance submitted to the January 2010 PBC session.

64. The session resumed in the afternoon and the Chair invited comments on the draft decision for item 4.

65. The Delegation of India, speaking on behalf of DAG, proposed the following modifications to the draft decision prepared by the Secretariat. Sub-point (ii), second line, delete the word “related”, so it would read: “Requested the Independent Advisory Oversight Committee to review the recommendations of the Audit Committee (the predecessor of the IAOC)”. In the sentence: “(...) on the governance of WIPO as contained in (...)”, delete reference to paragraph 74 of document WO/GA38/2, so the text would read: “(...) as contained in document WO/GA38/2 (...)”. Delete the word “and” and replace it with “while taking into account the follow up process, including (...)”. Delete the word “thereon” and insert “on WIPO’s governance, document WO/PBC/18/20”. Sub-point (ii) should read: “Requested the Independent Advisory Oversight Committee (IAOC) to review the recommendations of the Audit Committee, the predecessor of the IAOC, on the governance of WIPO, as contained in document WO/GA/38/2, while taking into account the follow up process including Member States’ inputs on WIPO’s governance, document WO/PBC/18/20 and all relevant documents (...)”. Sub-point (iii) should read: “requested the IAOC to submit its recommendations on the same to Member States by May, 31 2012.” The Delegation proposed to add a new sub-point (iv) reading: “following the submission of the IAOC’s recommendations, the Chair of the PBC shall convene informal consultations on WIPO’s Governance among Member States and report on the same to the 19th session of the PBC”. The existing sub-point (iv) would be renumbered as (v). In sub-point (v), the words “decided that” should be deleted, so that the sentence would start: “the issue of Governance at WIPO would be kept on the agenda of the Program and Budget Committee’s 19th session” The following should be added that the end of this sentence: “where document WO/PBC/18/20 containing inputs submitted by Member States would be deliberated”.

66. The Delegation of Switzerland, speaking on behalf of Group B, thought that reference made to paragraph 74 in the text of sub-point (ii) was pertinent as the only issue that remained to be discussed from all recommendations was the issue of governance. Deletion of reference to paragraph 74 would broaden the scope of discussions. Regarding the second part of the proposal, the Delegation reminded Members that the process for Member States to provide their views on the issue of governance had already been set up in January. Two days had been set aside in June to discuss this issue and that discussion had been concluded. Group B saw no reason to reinitiate the process. Group B was perfectly willing to discuss it, but wished to give the IAOC the time to examine all documents, without interfering with its schedule. It would suffice to say that the IAOC receive the documents and submit its recommendations to the next PBC. There was no need to undertake consultations and having a Chairman’s report for the next PBC. The process was in place, the only missing part was the reevaluation by the new IAOC, which should be enough for the next PBC. Group B preferred the proposal as presented and did not feel that it was necessary to keep this issue on the PBC agenda. It recalled that these issues had been discussed in the June PBC. It should be borne in mind that no agreement had been reached agreement on these points and there might be no agreement if the discussion recommenced. The Group felt that it did not serve any purpose to back

delegations into the corner. Group B also recalled that the old audit committee had not considered this as one of its top priorities.

67. The Delegation of India responded that there was one simple explanation to the changes that it had proposed, which was to get beyond the straight jacket of setting up of a new body in WIPO. The Delegation recognized that views on this issue were very divided. Therefore, in order to be constructive the Delegation wished to examine, in a noncontroversial manner, what improvements were possible in the existing bodies and to find the areas that were agreeable to everyone. It believed that there were many such areas, as pointed out by the Delegation of South Africa. There was a lot of common ground in what Member States viewed as improvements to WIPO's governance without bringing about any radical institutional restructuring. That was why the Delegation proposed making reference to the inputs by Member States as they would serve a useful basis for discussion. That was also the reason for proposing that the Chair convene consultations, prior to the PBC, to find the elements that could be agreed upon at the PBC. The Delegation was encouraged by the statement of willingness to dialogue expressed by delegations. It agreed that views on the proposed executive body were extremely divergent. However, discussion on what could be done to improve, for example, the CoCo or the PBC had not taken place at all. As the Delegation of Switzerland pointed out, it could well be that there would be no agreement, but it was incumbent upon the Member States to at least make the effort to talk to one another and see if an agreement was possible.

68. The Delegation of South Africa, speaking in its national capacity, fully endorsed the proposal made by DAG. It reiterated the outcome of the June PBC session. It pointed out that June session had been an informal meeting. Some Member States had been absent at the time. At the June session, Member States had also indicated that they had reserved the right to come back to these issues. The Delegation concurred that some days had been set aside to discuss other issues on WIPO governance. However, there had been no debate but merely the statement of different positions. What had mainly been said in that meeting was that the majority of Member States did not want a new executive board. It was understandable that there would not be an agreement on that issue. However, other issues pertaining to governance had been raised and this was reflected in the Chairpersons' paper. The Delegation wished to move forward on that basis, i.e., Member States' contributions, which the delegations had not had the opportunity to discuss. There might, or might not be any agreement but Member States needed finality and finality was not to say that this had been discussed and that was it. At present there were two views: one was that this had been discussed in June and therefore the item was closed and the other was to give Member States an opportunity to at least identify issues presented in their written contributions. The Delegation encouraged colleagues to be constructive and, thus, move forward. It stressed that it did not insist on creating a new body. It knew that this was not feasible at this stage.

69. The Delegation of Egypt made the following points: first, to the Delegation's knowledge there was no change in the terms of reference of the IAOC, only the title was changed. Henceforth, member had to ask themselves what the added value of referring the issue back to the IAOC would be. Second, In addition, the old audit committee had done extensive research on this issue and had stated that this research had confirmed the relative weakness of the governance structure of WIPO as compared to other UN organizations. Third, paragraph 74 recommended that Member States consider the establishment within the WIPO of a new body. Therefore, basically, it was now the responsibility of Member States to take up this issue and not be seen as not wanting to assume responsibility by referring it back to the IAOC. So, if was decided to send it back to the IAOC, there had to be some added value in such decision. It should not result in the mere reiteration of the same process, which would not look good and would not be consistent with the delegations' responsibility as Member States. That was why the Delegation supported a process proposed by DAG, led by Member States, which would provide an opportunity to discuss the best way forward.

70. The Delegation of Switzerland responded to the comments on the proposed deletion of reference to paragraph 74, which the Delegation did not wish deleted as its content was the point of departure for the entire discussion. On the other hand, taking into account Member States' contributions, it thought that the existing text reflected that and therefore did not need to be changed. It was obvious that the starting point was the recommendation in paragraph 74, which had now been clarified by Member States' comments. The Delegation recognized that and wished to have the point of view of the IAOC on the entirety of the matter. Regarding the IAOC mandate, the Delegation recalled that it had changed to be enlarged and that nothing had been removed from it. The IAOC, in its review of the matter, would take into account the subsequent developments [since the time the recommendation had been made], e.g., the decision taken at the September 2010 PBC, endorsed by the Assemblies and then strengthened by the PBC during its June session this year to extend the duration of the PBC sessions. The Delegation reminded members that it had been a long process that made it possible and matters had been discussed in detail in June. The invitation to that meeting had been sent out long before other meetings had been scheduled. The exercise was right, was well advanced and now the schedule was proposed in the Chair's text. The Delegation believed that this was quite sufficient and if delegations really wanted to work further, this was the correct basis on which to do so. Of course, delegations could informally interact among themselves before the PBC session as had been the case in the past. There was no need to set up a formal process involving the Chairman. Member States could discuss those issues among themselves outside the scheduled meetings.

71. The Delegation of Germany supported the view that Members should concentrate on paragraph 74 because the submissions by Member States (Annex II, WO/PBC/18/20) indicated that a large number of countries concentrated their contributions on this one issue, i.e., an executive body. Only a limited number of countries had made broader proposals. The meant that the pool of ideas for the IAOC was limited because half of the Member States that had responded had not raised other issues at all. It meant that, in order to give them a chance to contribute again, the process had to be reopened.

72. The Delegation of France supported the statement made by the Delegation of Switzerland on behalf of Group B. The Delegation stressed that Member States were greatly involved in the governance debate. It said that it was always available to discuss the matter in all of the respective committees. It reminded delegations that governance was not the objective in itself. It was a concept, the important thing was what lay behind it. The Delegation was surprised to hear that the PBC had not thought how to improve its functioning. The Delegation added that it [could not] discuss what could be improved in a very concrete way and was not in favor of that but was prepared to accept a compromise as submitted by the Chair. It remarked that such decision was going to change the IAOC mandate, but if it was a priority this could be added to the mandate. The Delegation was open to keeping up a discussion to which it had already contributed at length and had agreed to it being on the PBC agenda. These were the concessions it had made in order to reach an agreement. The Delegation wished to see a compromise text of the draft decision.

73. The Delegation of Algeria thought that two points merited consideration. The first was whether Members really needed to continue discussions on governance. The second point was: what should be done in order to engage in the discussion. In answer to the first point, the Delegation thought that all the elements were there and, at least, everybody agreed on the need to continue to examine the matter, each Delegation in its own way. The Delegation believed that the fact that delegations were engaged in negotiations was in fact the objective of the exercise. This was Member States' mission – trying to discuss different issues on the table and trying to reach agreement on them. There were proposals and, in spite of the great difference of opinions, there was a need to discuss them. The Delegation could not understand why some colleagues did not wish to continue the debate, especially since the matter had first been raised by a WIPO's structure, i.e., the audit committee, and there was a need, whether urgent or not, to start a discussion. The Delegation supported amendments to the draft decision made by the

Delegation of India on behalf of DAG. It explained that, at this stage, the work had been done by different delegations and Groups which had made efforts to make proposals. These proposals had not been examined from a substantive point of view. If negotiations in any organization meant looking through proposals quickly and saying that discussion had taken place, then, something was wrong. The Delegation thought that the Members who took the time to present their comments and proposals were entitled to be listened to and to have these proposals and documents studied. Regarding the amendments proposed by DAG, the Delegation did not oppose submitting the matter to the IAOC but underlined that Members had to make a step forward. Something else had to be tried, whether it was consultations, negotiations or whatever else. As for removing the reference to paragraph 74, the Delegation explained that the purpose was to get rid of the great suspicion that some delegations were trying to set up a new committee. The Delegation added that it would even be prepared to examine that option, although it was not in favor of it.

74. The Chair pointed out that the point of convergence was that Members wished the IAOC to review the situation. Having heard the IAOC Chair, it was clear that the new IAOC was an extraordinary independent group who would look at the relevant documents. The Chair did not think that being too prescriptive would be beneficial, because if Member States tried to limit the IOAC, it was not going to be limited and would look at all relevant documentation and find out what needed to be done. The PBC could simply ask the IAOC to take a look at WIPO's governance structure and report back to the PBC. There was divergence on the issue of informal consultations and the big question was what to do after the review by the IAOC.

75. The Delegation of India commented that informal consultation was the key issue, not being prescriptive was very important and that was the reason for which the Delegation was asking for deletion of paragraph 74 as it only talked about setting up of an executive body, which was a non-starter. As for other governance related recommendations; paragraph 73 talked about better interaction between the IAOC and the Member States; paragraph 81 listed a number of governance issues, e.g. operational independence of the IAOD. A lot of time had been spent in the PBC trying to see how this could be improved. Members had given careful attention to the IAOC recommendations on improving the Internal Audit. It was one of the key governance issues and yet delegations wished to limit the consideration by the new IAOC only to paragraph 74. The Delegation wished no reference to paragraph 74 because it would directly limit the debate to something which, as everybody knew, was not going to happen. Therefore, paragraph 74 had to be removed and there had to be a reference to the document itself (WO/GA/38/2). Further, the IAOC was going to look at all governance related recommendations. The second difference of opinion was on the issue of informal consultations. Although Group B said it was ready to dialogue outside of the meetings, it was not ready to sit in a meeting room to do the same. The Delegation did not fully understand the difference, as the Delegation was asking for an informal dialogue which was not going to be recorded or reported. It would help resolve the issue if the Delegation understood why there was reluctance to talk about it in a room while it was fine to talk bilaterally or trilaterally in the corridors. The Delegation felt that many aspects could be improved, starting with the calendar of WIPO meetings. All Delegates complained when there was a series of meetings week after week in WIPO. Similarly, there were other noncontroversial issues which could be agreed to.

76. The Delegation of the United States of America supported the elements noted in the Secretariat's version of the text. The text did focus, the primary issue being the governance issue, on paragraph 74. The Delegation thought that it had understood the reasons for deleting reference to paragraph 74, which had seemed to be the need to have a broader discussion than the executive body proposal. However, having listened to the comments made by the Delegation of India, the Delegation was a little confused as to whether other recommendations were being added to this "process" [*sic!* quotation marks used by the Delegation]. The Delegation thought that it would probably be useful for Members not to focus any further work on paragraph 74. The Delegation was open to new formulations with respect to looking at how governance in general could be improved within the existing committees. The Delegation did

not wish there to be any misunderstanding that Members were only looking at this old argument and not willing to discuss evolved comments on this issue. On the timeline, the Delegation believed that it made sense to bring this to the next PBC session. The IAOC had other pressing matters, so it should be given enough time to be reflective and responsive to this issue. That was why the September 2012 time frame seemed logical. The big issue was dialogue *vis-à-vis* a formal process. To answer a number of the questions why certain delegations might be fearful of a formal process, the Delegation opined that it was not the fear of the process, but the unfortunate situation where Member States were not using the process they had correctly. Several PBC meetings had been spent last year, with additional days, tackling this subject without getting to the substance of it. Delegations had spent all of their time talking about procedure and process, going around in circles. From the Delegation's perspective it was not very useful to have a process where this would be done over and over again. For the Delegation, there was a distinction between dialogue and a formal process. The Delegation was happy to discuss these issues around the table, not in a corridor. However, it pointed out that for delegations to set themselves up for a formal, Chair presided process, provided no opportunity to have people listen to each other in terms of substance. The Delegation thought that it really understood what India meant by "working within existing committees to improve governance" but believed that Members really had not gotten to the need of that proposal yet. It added that it did not know exactly what "changing the mandate" meant; whether it meant tinkering with the practice only, e.g., starting meetings on time, making sure that representatives from certain regional groups were present so they could express their opinions. The Delegation said it did not know what "improving existing committees' structure" really meant. In the words of the Delegation of Algeria, when it had used the phrase "try something out", this was what Member States had been doing in the formal process all previous year, trying to get to the issue. However, delegations never really talked of the issue. So, the other alternative would be a more informal dialogue where Member States were not forced to have to force the issue through a process but to actually start discussing the content of the proposals. Unfortunately, the Delegation thought that the structure of these types of meetings [like the PBC] tended to be too rigid for such discussions at this stage. Member States did not really know what they were talking about or, one could say, when they were not taking, were they talking or were they not? In fact, perhaps delegations wished to show that they were not closed off to any idea and were trying not to be too rigid, but, in essence, nothing new was being said. The Delegation proposed to try a new route, e.g. a dialogue in an informal setting.

77. The Chair reiterated the Delegation's of Germany remark that Member States' written submissions referred to broader issues than the issue of another executive body. The Chair was under the impression that delegations were too fixated (hang up) on that issue and wondered if the decision paragraph could say something along the lines that the PBC requested the IAOC to review the recommendations of the old audit committee on WIPO's governance structure and all relevant documents. Such wording would be broad enough and would let the IAOC focus on what they were going to focus on, without setting limitations. The Chair realized that this made some delegations uncomfortable. At the end of the text, it could say that following the submission of the IAOC recommendations Member States would conduct informal discussions. The Chair commented that it was a huge leap of faith for delegations to do this and that it would take discipline and trust.

78. The Delegation of Brazil said that should the PBC request the IAOC to review matters related to governance, Members would only profit if the PBC did not confine that request to a very specific question of paragraph 74. The Delegation added that the IAOC pronounced on a lot of matters that could be grouped under the umbrella of governance.

79. The Delegation of Slovenia remarked that it had been absent for several hours and, upon its return, saw that discussion had not been advanced in any way, which was neither efficient nor productive. First of all, delegations were not contributing to any improvement of efficiency. What the Delegation had heard since it reentered the room only confirmed what it had already stated on behalf of CEB: Member States' views were too divergent on this issue so they could

only engage in the repetition of the already known positions, which lead nowhere regardless of the setting (formal or informal). The only way which could lead towards a result was to let the governance issue be first discussed by the IAOC. The Delegation believed that there were ways to improvement but, first, Member States had to look at the already existing mechanisms within this Organization. Since the present discussion led nowhere, the issue should be examined by the IAOC and after they would have reflected on it, Member States would continue.

80. The Delegation of South Africa found the points raised by the Delegation of the United States very pertinent. The Delegation emphasized, however, that Members were used to the process of informal consultations: e.g. the ongoing consultations to establish a mechanism to select committee chairs. The Delegation felt that the Members were “almost there” in the discussions and should not be afraid to engage in informal consultations. The Delegation wished to know more what the Delegation of the United States of America had meant by “informal dialogue”. In the Delegation’s understanding that would be an informal consultation sanctioned by the PBC, with the Chairpersons’ paper as the starting point

81. The Delegation of India shared the sense of optimism conveyed by the Delegation of South Africa. However, the Delegation was intrigued by the comments made by the Delegation of Slovenia: if views were divergent, there was no need to talk. The Delegation remarked that the entire UN would be out of business if it were to follow that dictum. The Delegation believed that divergences would always be there; the more important the issue the more divergent the positions, hence the need for diplomacy and dialogue. In this context, the Delegation was heartened to hear the Delegation’s of the United States of America constructive engagement. The Delegation emphasized that it was open to the idea of an informal dialogue, without a Chair. The only question was who would convene such a meeting. It recalled that the United States’ Delegation had said that Members had not been willing to talk about substance and that was the reason for the present situation. This was exactly what DAG had been saying: talk about the substance of what was put across in the Member States’ contributions and views on WIPO governance. The Delegation agreed on the need to talk about substance and, assured other delegations that it would be focusing on the substance and substance only.

82. The Delegation of the United States of America (regarding the comment by the Delegation of South Africa made on the proposal on working within the existing governance structure) said that it was not quite sure it knew what that meant. It could range from having better practices and using time efficiently to meaning something far more stringent, like “messing around” and jittering the mandates of certain governing bodies. That was where the problem of the lack of understanding lay. With respect to the comment that delegations were not willing to discuss substance, the Delegation believed that everyone wanted to talk about substance. For whatever reason, delegations were incapable of doing it. Delegations actually did not talk about what their proposals meant, e.g. working within the existing governance structure. Delegations kept saying it until it became a sound bite that no one really knew the actual meaning of. As a result, several days of the meeting had been wasted. As regards the question on how to dialogue, the Delegation said that it wished to see the Chair continue on, because of the fundamental problems in terms of communicating and understanding each other. Perhaps one way was to have Regional Coordinators meet with the Chief of Staff and to establish that as the first step. Then, IAOC would conduct its review. In closing, the Delegation remarked that Members truly did not understand each other, were not listening to each other and that maybe they needed to take a step back and have this discussion presided by the Chief of Staff.

83. The Delegation of Algeria thanked the Delegation of the United States of America for its very frank remarks and added that sometimes delegations needed to be blunt as, at times, what was being said in general terms could be interpreted differently from the intention. The Delegation further said delegation had already tackled many more complicated and controversial issues than this one where the consensus had been reached. If Members proceeded in this same spirit, under the Chair’s guidance, understanding might be arrived at.

The Delegation said it was supportive of having the Chairpersons' paper as the basis for discussion. Somehow, delegations could find the way to work to cover all the issues, without trying to limit discussion. As to the format of discussions, the Delegation preferred to conduct them in a very organized manner, to which everybody was used to, have the Chair to convene meetings and have a discussion that was not on the record, with the freedom to express opinions on different issues. The Delegation was grateful to the Delegation of the United States of America for giving hope. It invited the Delegation of Switzerland speaking on behalf of the Group B to join the goodwill spirit that had existed a couple of years ago.

84. The Chair proposed to prepare a redrafted decision text that, as he remarked, no delegation would like. He added that the situation was that, at some point, delegations would have to "swallow and see". In the spirit of true motivation, the Chair hoped that the frankness of the IAOC could help reframe the discussion and possibly give new "points de repères" to look at.

85. The Delegation of Slovenia agreed with the Delegation of India; delegations had divergent views. It was absolutely normal. If delegations would not have them here, they would surely invent them. The Delegation clarified that it had tried to make a very simple point: many hours had already been spent on discussing the same issues over and over again. The outcome was that delegations were not able to reach through these divergent views. The only thing to do was to look for guidance from a credible body such as the IAOC.

86. The Delegation of Germany wished to reflect on the role of the IAOC. The IAOC would issue a report but the important part was that the IAOC would not stop there. The report would be open to interpretation. The IAOC would have to come to meetings or lead the meetings. Guidance could be given during the existing sessions between the IAOC and the Member States. The Delegation believed that the role of the IAOC should be greater than issuing the report.

87. The Chair concurred that the IAOC would issue a report, there would be questions and responses but the Chair thought that delegations were looking for something else.

88. The text of the draft decision on item 4 was distributed and reviewed by the delegations.

89. The Program and Budget Committee (PBC):

(i) took note of the information contained in document WO/PBC/18/20;

(ii) requested the Independent Advisory Oversight Committee (IAOC) to review the issue of WIPO governance in light of relevant documents and proposals submitted by Member States, including, but not limited to, documents WO/PBC/18/20 and WO/GA/38/2, with a view to presenting a report with its recommendations to Member States as quickly as possible. The Chair of the PBC will, immediately following this session, contact the Chair of the IAOC to determine an appropriate timeline;

(iii) requested the Chair of the General Assembly to convene informal consultations with Regional Coordinators and three delegates from each Region on the produced IAOC report on WIPO governance with a view to presenting specific recommendations to the 19th session of the PBC; and

(iv) decided that the issue of WIPO governance would be an agenda item for the 19th session of the PBC.

ITEM 5: PRESENTATION BY THE DIRECTOR OF THE INTERNAL AUDIT AND OVERSIGHT DIVISION (IAOD)

90. The Chair gave the floor to the Director of the Internal Audit and Oversight Division for his presentation.

91. The IAOD Director reminded the PBC that the presentation on the activities of the division was required by the Internal Oversight Charter. The most significant way that the IAOD reported directly to the Member States was through the summary annual report submitted to the General Assembly. The summary report was already prepared and was on the Assemblies web site. The IAOD Director said that he also made other reports on the activities of the division through the normal WIPO result based management frameworks and *via* the Program Performance Report. For each calendar year annual activity reports were prepared for each of the three main oversight sections (Internal Audit, Evaluation and Investigation). These were presented to the Director General and also copied to the IAOC, the External Auditor and were available for staff on the IAOD home page. The IOAD Director explained that every six month a report was submitted to the Director General (with copies to the IAOC) on the activities in the Investigation Section. He added that IAOD was very transparent in its activities to the extent possible, given the confidentiality of some of the topics raised. The IAOD Director said that the Internal Audit Section continued to be as active as possible and had recently completed interesting and significant audit reports. Field work was ongoing at the moment on other audits which the IAOD hoped to complete by the end of this year. The IAOD Director announced that individual internal audit reports were available to Member States to view in his office and that he was happy to answer questions that Member States might have. He remarked that some Member States did come to his office and the Director thanked them for the interest they showed in the internal audit work. He encouraged other Member States to consult reports on the topics of interest to them. This provision for access was set out in the Internal Oversight Charter. The IAOD Director said that one the reoccurring topics was the staffing of the division and in that respect he noted that recruitment was underway for a new senior internal auditor, and an intern had been engaged recently. The recruitment for the head of the section had also now been completed. The IAOD Director invited delegations to examine the recent Joint Inspection Unit (JIU) report on the audit function of the UN agencies and other bodies where the estimate for the numbers of internal auditors that should be in place for an organization in the UN system like WIPO was very much higher than the three staff he hoped to have in 2012. The Investigation Section continued to be very busy with a lot of demands for investigation activities: in the last 12 months, 14 new cases had been received, which was slightly up from the previous period, but lower than two years ago. During the last 12 months, 27 cases were able to be closed, as against the 11 previously. 14 cases were now being processed by the Investigation Section. There were six active investigations. Seven complaints were undergoing a preliminary review, which was a normal procedure for examining them closely to see whether the expense of a full investigation was required and one case was "closure pending". This was a significant ongoing workload and unfortunately the backlog experienced in the past was building up again. Other non investigation activities in the section were, among others, the priority development of a hotline system to be able to assure staff of the confidentiality of complaints, and which was a normal process in UN organizations. Work was also ongoing with the Ethics Office to develop a whistleblowers protection policy, and this now was close to completion. The IAOD Director congratulated the Ethics Office for a lot of hard work done on this issue. He added that development of such policy was a very good step forward for WIPO. The IAOD has also been collaborating with the Controller to develop a policy on preventing and deterring corruption and fraud, which was also very close to completion. This would be a very important and completely new document for WIPO. Work on the Investigation Policy remained ongoing because of lack of resources in the section, and the priority given to the investigation case workload. As requested by member states we learn lessons from our investigation activities. Where lessons can be learned from investigations the relevant managers are made recommendations about actions that can prevent such wrong doing or misconduct happening again or strengthening the control

system so that procedures may work better in the future. As far as the staffing of the section was concerned, the IAOD Director indicated that the staff of the Section were: a temporary head of section and a temporary assistant. He added that recruitment of a consultant investigator was under way and that once the new head of the section was on board the staffing levels agreed with the Director General (of three staff) would be achieved. The IAOD Director said that the new head of the Evaluation Section came on board at the beginning of July to complement a part time senior evaluator and an intern working for the Section and expressed thanks to the country we are talking to about the provision of a JPO in 2012. This was a very big step forward towards institutionalizing evaluation in WIPO. The Evaluation Section had started an evaluation of country activities (Kenya). This would be the first country evaluation done in WIPO. This WIPO's Pilot Evaluation was planned to end in December of this year and be available for the interested parties before the end of the year. This would very much support the revisions and changes that were being made to the strategy and approach on development activity and also provide information to support the Development Agenda. The IAOD Director announced that the Division was hosting a seminar on evaluation next month to more widely inform interested parties in evaluations prepared in the IP area, and to which staff, Member States, affiliated NGOs and interested professional bodies had been invited. The seminar presented an opportunity to bring together evaluation materials dealing with IP around the globe and, in particular, for development activities. The IAOD Director hoped that the seminar would result in lessons to be learnt and added that a report would be produced making recommendations for future actions. The IAOD Director added that a revised Evaluation Policy had been approved by the Director General.

92. The Delegation of Germany referred to the issue raised by it in the June PBC i.e., that WIPO should look for ways to facilitate the availability of IAOD reports to Member States (without delegations coming over to the IAOD Director's office to consult them).

93. The IAOD Director responded that there were several ways to make it easier for Member States to identify the reports that could be interesting for them. He proposed that, as done for the IAOD home page available to WIPO staff, the executive summaries of the internal audit report could be posted on the Internet site available to Member States, especially since there was very little in the internal audit report that was confidential or particularly sensitive and added that any sensitive information would be easy to redact. Also, briefings to Member States could be organized, similarly to those held with the IAOC after each of its meetings. The IAOD Director expressed his availability to brief delegations, at their convenience, on the internal audit report done in the last quarter or the last six months. He added that pursuant to the public disclosure policy regarding evaluation, evaluation reports were posted on the Internet and were available to Member States and said that it might be just a question of making sure that delegations knew where to look for them. We have a reasonably informative oversight set of pages on the WIPO website. As far as investigations were concerned, should Member States wish to have more information about particular investigations then a confidential process could be organized to meet such requests.

94. The Delegation of Spain inquired as to who asked for the investigations, i.e., what procedure was followed when opening an investigation. The Delegation remarked that the reason for its inquiry was the enormous cost of investigations and added that the majority of them, although costing a lot, did not lead to any results, whereas others that should have been carried out had been canceled, or not been followed up. The Delegation said that if there were sufficient doubts they should have been continued, e.g., this concerned the IT security breaches reported in September 2008. The Delegation considered this to be a very serious case as you know and wished to know if it had been followed up. The Delegation's second question was who could call for the investigations and whether somebody in particular, such as the Director General, might order the suspension or the outright cancellation of an investigation.

95. The Delegation of France was concerned about the resources allocated to the internal audit, which had been a recurring question and a priority for the Delegation. The Delegation

inquired whether the Secretariat and the auditors had given any thought to what the internal audit might look like if it were to implement the instructions of the JIU to the letter, while bearing in mind WIPO's context. It also inquired as to the financial and human resources that would need to be added and what the implications would be for other services. The Delegation observed that, as described, internal audit seemed to be a constraint while the functions of the internal audit should be fully integrated into the activities of the Organization and facilitate the Organizations' work.

96. The Delegation of Germany was interested to know what it would take to make a report available on the internet and whether any legal provisions needed to be changed to achieve that.

97. The IAOD Director, in response to the questions from the Delegation of Spain, said that nearly everyone could forward a complaint to the Investigation Section and the IAOD Summary Annual Report to the Assemblies contained information regarding the sources of the registered complaints. Some complaints did not go to full investigation because of the various factors, e.g. the credibility of the complaint, the lack of evidence, whether the complaint was anonymous without any evidence, etc. Therefore, there was a triage process to evaluate complaints because investigations were very expensive and time consuming. It had taken IAOD a long time to do investigations due to considerable resource constraints and an investigation was not something a single person could do. There were many stages of an investigation which needed two investigators. Investigation was an expensive business and the IAOD would prefer not to have investigations at all if it was at all possible because of the cost and seriousness of issues which affected the culture and the organization of WIPO. As reported in the Summary Annual Report, the initiators of complaints were whistle blowers, complaints from the staff (which were taken very seriously because they came with the names of the staff), the security service, the Office of the Director General, non-WIPO individuals, information security and HRMD. The IAOD Director added that if complaints came from whistleblowers, the IAOD will protect them as much as possible and keep their complaints confidential. Complaints were looked at very carefully and the IAOD Director made the decision on whether an investigation would be carried out based on the evidence available. Regarding the interaction with the Director General, the IAOD Director explained that the Director General could request an investigation if he had identified wrong doing and provided evidence to support it. However, the Director General had no powers or authority to intervene into the investigation process. He was, of course, sent the investigation report but this then was a different process altogether. Advice from his legal advisors and from HRMD would be sought by the Director General on whether the evidence provided in the investigation report was sufficient to support charges. The Director General would then ask for a charge letter to be produced if those arguments were persuasive to him. The charge letter and responses from the subject would go to the Joint Advisory Committee for them to review the case and advise the Director General before decisions or discussions took place about disciplinary actions. Once disciplinary actions were undertaken, staff member had a right of appeal internally and a right of appeal to the ILO tribunal. All these activities were outside the mandate of the Investigation Section. As stated in the IAOD Summary Annual Report a large number of cases are being dealt within the internal administration of justice process and the IAOD Director was often called upon to give information, advice or comments during the process. The IAOD Director was not certain what aspects of the IT case might have not been recorded or dealt with properly and would be particularly concerned if the IAOD had not recorded any specific complaints. He proposed to meet with the Delegation of Spain to obtain more details so that the issue could be verified by his office. However, he was almost certain that all complaints and all IT related cases had been captured because of the significance of the allegations, the size of the exercise itself and, in particular, the significance to staff members who had been wrongly given to understand that they had been affected. The IAOD Director added that, indeed, a large amount of money had been spent on forensic work to try and obtain evidence which would confirm the allegations made. At the end of the day the most concerning allegations were connected with hacking into individuals' work stations. No evidence had been identified through those investigations to take things further. Other evidence

had identified wrong doing and misconduct and those were being dealt with in the normal process. Regarding comments made by the Delegation of France, the IAOD Director said that JIU had indeed done a study on the internal audit function. That report was posted on their website. He added that, at the present time, a study on the investigation functions was being done and that he had provided the JIU with information about WIPO investigation activities. As for the internal audit, based on their knowledge of the UN and WIPO, the JIU suggested between six and ten auditors for WIPO. The IAOD Director considered it a good estimate, but WIPO did not have a lot of large field offices and they were not significant for the internal audit risk and need assessments. However, WIPO provided services for fees, unlike other international UN organizations, and this did create more risk and so a heavier internal audit burden. Therefore, it was a question of judgment whether six or even ten auditors was a reasonable number. The present target was to recruit three professional persons in the Internal Audit Section as quickly as possible and it was hoped that it would be done this year. The IAOD's own internal audit risk and needs assessment showed that to cover all high risk audit work, the IAOD would need at least four professional staff. If IAOD were to work on medium or low risk or, do some performance audit, more staff would be needed. The IAOD Director believed that if there would be four staff in the Section, it would be much easier to see if the four was sufficient for the Director General to have a good coverage and assurance of internal controls and whether Member States were satisfied with that coverage. He added that he still awaited the JIU opinion on the staff numbers for the Investigation Section and added that judging from discussions with the inspectors, it would clearly be a good practice to separate investigation from internal audit as we have in WIPO. The problem with having investigation and internal audit together was that in cases of internal audit the IAOD did not wish the people approached by the internal auditors to think that they were under investigation. Internal audit was a routine activity of the Organization that would be carried out on the most important and higher risk areas of the Organization frequently. The aim of internal audit was to provide assurance that things were working well. Currently at the conclusion of the audit, the internal auditors found quite a lot of things wrong because the internal controls in the Organization needed modernization, needed to be working better and more cost effectively. Under the SRP, the Director General wished to prioritize improving the internal control and risk management system and make accountability in the Organization better but anybody who has worked in organizations that needed to change very rapidly could understand the stresses and strains that happened when change was needed "yesterday". In response to the request from the Delegation of Germany (availability of IAOD reports and other products), the IAOD Director believed that many of the suggestion could be implemented immediately. The Internal Oversight Charter advised on disclosure to Member States of oversight reports. He suggested to amend the Charter when the next opportunity arose to represent what, in practice, might be done sooner rather than later to give better and quicker information to Member States of oversight reports. Anything confidential to staff or commercially confidential or associated with something that should not be in the public domain could easily be redacted. It was worth noting that other UN organizations made these reports available publicly on such a basis already. The IAOD Director assured that the IAOD was trying to be as accountable and transparent as possible and saw few issues or problems with sharing information with Member States and reiterated his suggestions for summary information and of briefings for Member States that could be combined with those by the IAOC.

98. The Chair invited the Secretariat to specify the role the Director General in respect of audit reports.

99. The Secretariat explained that WIPO oversight architecture was a tripartite, with internal auditor, the external auditor and the IAOC. Each of the parties had a role to play and the parts of these roles were very clear. The Secretariat recalled that, in the spring of 2010, this was raised in one of the PBC informal meetings. There also was a letter from the External Auditor on precisely this issue. Unfortunately the tripartite meeting which had been foreseen to clarify these issues had not taken place after the first meeting arranged by the Secretariat. However, the Secretariat thought that the opportunity arose at present, with the arrival of the new IAOC,

the appointment of a new IAOD Director and a new External Auditor for WIPO to work with the Director General in order to ascertain what the needs were and to organize a meeting between new parties concerned in order to ensure that there were no gaps and that there was mutual reinforcing. Therefore, there was no direct answer to the question from the Delegation of Spain.

100. The Delegation of Spain thanked for the information provided. However, the Delegation was surprised that in view of the previous situation regarding complaints, there was still such a high number of investigations that had not led to any result. The Delegation requested the estimate of the cost of investigations so far.

101. The IAOD Director responded that some of this information on 2010 had been provided to the IAOC recently and added that he would prepare detailed costing which could be put against details of complaints and investigations carried out. The Annex to the Summary Annual Report provided outcome of closed cases in the reporting period (from of July 1, 2010 to June 30, 2011) and some other information regarding the 67 cases registered to date. As regards the general question about why complaints did not lead to more investigations, the IAOD Director said that some complaints had been made without good faith or complaints were made on the basis of rumor. He added that the IAOD did not discourage staff making any sort of complaints with good faith because it was possible for good information to be received that would lead to a good investigation. He did not know what was considered as good performance as regards complaints *versus* investigations and added that they needed to be treated individually on their merits. Fifty four cases had been closed out of the 67 cases registered since the Section had been set up in 2008. The outcome of the closed cases was: in one case there had been an administrative resolution, meaning that there had been no misconduct and the issue was resolved administratively, not by the IAOD; 30 cases had not been substantiated and largely related to an individual staff's allegations related to information security. These had been very lengthy and thorough investigations that had not shown any evidence of hacking. The IAOD Director noted that allegations had been substantiated in 11 cases and one case fell outside the IAOD mandate (a criminal matter not affecting WIPO which had been referred to the police). In two cases complaints had been subsequently withdrawn. One case was found to be related to noncompliance with good practice and in eight cases the preliminary evaluation had shown that full investigation could not be warranted. The IAOD Director said that he would prepare detailed figures to show the cost of investigations per year. This was provided to Member States.

102. The Delegation of Germany said that the 2012/13 proposed budget for investigation was 1.3 million Swiss francs, which, given the number of cases amounted to 20 to 25 thousand Swiss francs per case.

103. The IAOD Director corrected that estimate and said that the IAOD had calculated that the actual average cost per case so far was some 40,000 Swiss francs.

104. The Chair proposed that the PBC take note of the contents the presentation made by the Director of the IAOD.

105. The Program and Budget Committee took note of the presentation by the Director of the Internal Audit and Oversight Division.

ITEM 6: REPORT BY THE EXTERNAL AUDITOR: HUMAN RESOURCES

106. Discussions were based on document WO/PBC/18/17.

107. The External Auditor introduced document WO/PBC/18/17 and recalled his role in carrying out traditional and financial surveillance audits for the Organization. The purpose of these audits was to provide Member States with an evaluation of the manner in which the Organization used the funds entrusted to it. The audits carried out by the External Auditor were

based on the standards of the International Organization of Supreme Audit Institutions (INTOSAI) and applied not only to financial matters but also to human resources. Reference was made to human resources and its part in the overall strategy of the Organization. The introduction and implementation of the Performance Management and Staff Development System (PMSDS) was also mentioned. The External Auditor drew attention to the eight recommendations contained in the report. The first two recommendations did not concern human resources *per se* but rather highlighted the importance of risk analysis and the system of internal controls. The remaining six recommendations concerned human resource matters, such as, the policy on telecommunications devices and the management of annual leave entitlements and overtime. The External Auditor also mentioned the importance of transferring knowledge from departing employees.

108. The Secretariat thanked the External Auditor for his report and informed the PBC that the recommendations have been noted and would be addressed by the Organization.

109. The Delegation of France agreed with the general orientations contained in the report of the External Auditor and took note of the observations made by the Secretariat in its response. The Delegation emphasized the financial implications of human resources and agreed with the External Auditor on the importance of risk management. Reference was made in particular to anticipating staff departures, and to managing mobility and leave entitlements for key positions in the Organization. The Delegation made reference to the situation in France and underscored the importance of being able to provide, at any point in time, to its Parliament (or different Ministries) a snapshot of the staffing situation and to show its evolution over time. It stated that the Organization should include in its Annual Report on Human Resources not only staffing figures but also information on the ratio of management to staff and the number and use of consultants. The Delegation also commented on the relationship between premises and staff and questioned whether there were any financial efficiencies to be gained as a result of the new WIPO building.

110. The Delegation of the United States of America welcomed the report of the External Auditor and the observations made by the Secretariat. The Delegation noted that the External Auditor had made helpful suggestions for strengthening the most important asset of the Organization, its staff. The Delegation noted that, in the future, such reports should contain a target date for implementation. Reference was made to the risk analysis and, in this respect, the Delegation noted its concern over the lack of an Enterprise Risk Management (ERM) strategy at WIPO. The Delegation said that this issue was a broader than human resources and wished to receive information from the Secretariat on the steps which were being taken to strengthen risk management and internal controls. Specific concerns were raised over the enforcement of annual leave carry-over limits and the policy on overtime payments.

111. The Delegation of Germany also noted the importance of having a consolidated annual report on human resources. The Delegation made reference to the lack of defined work processes and highlighted the importance of internal controls. Questions were also raised over overtime policy and management. The Delegation suggested that the report of the External Auditor should also be forwarded to the WIPO Coordination Committee for its consideration, given the focus of the report on human resource issues.

112. The Delegation of Spain questioned the 10.7 per cent increase in fixed personnel costs for the 2010/11 biennium that was referenced on page 10 of document WO/PBC/18/17. The Delegation sought clarification on the nature of this increase since, in its opinion, there should be decrease in fixed personnel costs resulting from the Voluntary Separation Program (VSP) and associated staff departures. It also wished to receive clarification that the 10.7 per cent increase was not a result of staff increases.

113. The Delegation of India stated that human resources were a critical component of a well-functioning, effective and efficient Organization. It noted that some of the

recommendations made by the External Auditor complemented those made earlier by the IAOC, in particular, the recommendation on the adoption of a general risk analysis policy. The Delegation also supported the view that observations made by the Secretariat on the recommendations by the External Auditor should be given a target date of implementation. It also made specific reference to PMSDS and underscored the importance of doing a systematic evaluation of PMSDS so as to determine whether the strategic objectives set by the management were in fact achieved.

114. The Chairman responded to the suggestion made by the Delegation of Germany on transmitting the report of the External Auditor to the WIPO Coordination Committee for its information and additional consideration. The Chairman stated that it would be up to the General Assembly to decide on the matter.

115. The Secretariat responded to a number of questions raised by delegations. It acknowledged and underscored the importance of risk management and noted that this matter was being looked at closely by the IAOC, the Director General, and the Senior Management Team. The Secretariat added that the Organization would be looking at ERM as part of the Enterprise Resources Planning (ERP) project. It underscored that the ERM system would be initially modest and conservative in scope. The Secretariat added that ERP deployment would help the Organization improve its reporting on human resource matters. Additional clarifications on buildings and overtime were also provided.

116. The External Auditor addressed other questions raised by delegations. He first noted that the financial audit of human resources was smaller in scope than the regular financial audits but said that he would be open to doing a more rigorous audit should there be such an interest in the future. In response to a question raised by the Delegation of Germany, the External Auditor noted that although internal control systems in WIPO existed, many of them were informal and were not well-documented. The External Auditor said that risk management required internal control systems which were described in detail, documented and checked so that they could be assessed against international standards on internal audits.

117. The Secretariat provided additional information on the system of internal controls and informed the PBC that the SRP contained an initiative on internal controls which brought together business continuity and ERM.

118. The Secretariat provided clarification on the question raised by the Delegation of Germany on the 10.7 per cent increase in fixed personnel costs. It was explained that although there was a decrease in staff in 2010 as compared to 2009, the 10.7 per cent increase was due, in large part, to standard increases in personnel costs for existing staff.

119. The Delegation of Morocco underscored the importance of human resources and noted that related costs accounted for two-thirds of the WIPO budget. The Delegation stated that Member States had continually requested the Secretariat to decrease human resource expenditures and observed that this was one reason the VSP had been approved by Member States. In this respect, the Delegation failed to understand how there could be an increase in personnel costs rather than a reduction. The Delegation also noted that although there had been reductions in PCT costs and personnel, these reductions had not translated into corresponding decreases in the budget. It also questioned why decreases in PCT costs and personnel had not had an impact on the total number of WIPO personnel.

120. The Secretariat provided additional clarification on the 10.7 per cent increase and recalled that the VSP had various objectives. While one objective was to reduce headcount, another objective was to enable the Organization to attract new talent and to bring in new skill sets. The Secretariat also reinforced that the 10.7 per cent increase was a result of statutory increases in personnel costs. It was clarified that although the PCT had been more productive and efficient

because of IT systems, this had not directly translated into decreases in overall staffing numbers as surplus staff in PCT had been reoriented and redeployed as necessary.

121. The Program and Budget Committee took note of the contents of document WO/PBC/18/17.

ITEM 7: PROGRAM PERFORMANCE REPORT FOR 2010

122. Discussions were based on document WO/PBC/18/14.

123. The Chair indicated that the Program Performance Report (PPR) for 2010 was submitted to the 17th session of the PBC held in June 2011. The PBC had reviewed and had taken note of the Report and had recommended the inclusion in document of an explanation, by program as appropriate, of budget transfers in 2010. In view of this decision the document had been amended and was being submitted for consideration at the present session.

124. The Secretariat, adding to the Chair's introductory remarks, said that the present PPR was the mid-biennium performance report providing an assessment of progress in the year 2010 towards achieving expected results for the 2010/11 biennium, with the resources approved in the Program and Budget of the current biennium. Following the informal session of the PBC in June 2011, the Report had been updated to include information, by program, on the budget transfers for 2010, including both personnel and non-personnel resources. The Secretariat drew Member States' attention to the fact that there were a number of efficiency measures that had already been taken in 2010 which had already resulted in some cost savings as well as process efficiencies (this referred to the information on pages 93, 89, 96 and 109 of the PPR).

125. In the absence of comments, the Chair invited the PBC to recommend the approval of document WO/PBC/18/14 to the Assemblies.

126. The Program and Budget Committee recommended the approval the approval of document WO/PBC/18/14 to the Assemblies of the Member States of WIPO.

ITEM 8 ANNUAL FINANCIAL STATEMENTS 2010; STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2011

127. Discussions were based on documents WO/PBC/18/3, WO/PBC/18/18 and WO/PBC/18/4.

128. The Chair explained that an update to document WO PBC/18/18 (Status of the Payment of Contributions as of June 30, 2011) would be distributed on the occasion of the 49th session of the Assemblies. This would include payments received since June 30, 2011, and therefore provide an updated picture of the status of the payment of contributions. He invited the Secretariat to introduce this agenda item and explained that the External Auditor, Mr. Monnot, would follow with a commentary on WIPO's financial statements for 2010 and the audit reports thereon.

129. The Secretariat presented the documents under review, beginning with WO/PBC/18/3. This document contained WIPO's 2010 Financial Statements, which were the first set of IPSAS compliant Financial Statements for the Organization. The Statements had received a clean audit report and marked the beginning of annual financial reporting and annual audits for WIPO. The budget would remain biennial. The Secretariat explained that the format of the Statements was as prescribed by IPSAS. A similar format had been used for the 2008-2009 Financial Statements in order to increase familiarity with this style of presentation. As a result of complying with IPSAS, WIPO's results and its balance sheet were now very different to what

they would have been under UNSAS. IPSAS compliance obliged WIPO to show actual results on a budget basis and to reconcile this figure to the actual results according to IPSAS. On a budget basis WIPO had generated a surplus of 3.1 million Swiss francs to which IPSAS related adjustments had been made of approximately 10.9 million Swiss francs. These adjustments, together with the expenditure on projects financed by reserves of 5.7 million Swiss francs meant that WIPO had recorded an overall deficit for the year of 13.6 million Swiss francs. This deficit was shown in the Statement of Financial Performance. In addition to the impact on results, IPSAS adjustments had had a significant effect on the assets and liabilities of the organization, notably in three areas. These were land and buildings, revenue recognition and employee benefits liabilities. In accordance with IPSAS 16 (Investment Property) and IPSAS 17 (Plant Property and Equipment), land and investment property was now being shown at fair value. These valuations had been prepared by an internationally renowned external consultant. Buildings were now included at depreciated replacement cost by component with useful lives ranging from 30 to 100 years and again these values had been obtained from an independent contractor. WIPO's buildings were being depreciated over the useful life of each major component. Also, in accordance with IPSAS 17, equipment had been brought onto the balance sheet at its depreciated cost. Previously, equipment had been expensed under UNSAS. WIPO's revenue was now recognized in accordance with IPSAS 9 (revenue from exchange transactions). The Secretariat explained that this standard had a very important impact upon WIPO's results as approximately 95 per cent of the Organization's transactions were exchange transactions, making WIPO very different from other UN agencies. Revenue could now only be recognized on the basis that it had been earned and not simply on the basis of cash received. This requirement had led to the creation of income deferrals which were to be found in Advance Receipts on the Statement of Financial Position. The third area of significant adjustment concerned employee benefits and the fact that rights earned by staff members, but not actually paid, had to be reflected in the organization's liabilities as WIPO would, at some point, have to pay for these. The most important of these was ASHI which covered WIPO's obligations to provide post-service medical benefits. However, employee benefits also included such items as termination payments under the VSP, repatriation grants, accumulated leave and overtime. Full details of the amounts accrued for employee benefits were disclosed in note 12 to the statements. Additionally, the Financial Statements now showed a consolidated view of the organization meaning that Funds-in-Trust (FIT) had been completely incorporated into the numbers shown. However, information for each individual FIT had been included within Annex 3 to the statements.

130. The Secretariat explained that document WO/PBC/18/8, the Status of the Payments of Contributions as of June 30, 2011 was a standard document which was regularly presented to the PBC. In spite of the increase in contribution and Working Capital Fund arrears between the end of 2009 and the end of 2010, from 9.2 million Swiss francs to 10 million Swiss francs, arrears were steadily decreasing, which was a positive development. The Secretariat reminded the Committee that arrears had been 11.9 million Swiss francs five years earlier.

131. Regarding document WO/PBC/18/4 (Report by the External Auditor: Audit of 2010 Financial Statements), the Secretariat explained that it contained six principal recommendations from the External Auditor. As far as the Secretariat was concerned, one of these recommendations was closed as the appropriate action had been taken whilst progress had been made with regard to four other recommendations. The sixth recommendation concerned the currencies in which PCT fees could be paid and the Secretariat had a slightly different view from the External Auditor on this subject but had stated that the situation would be monitored. In fact, it had recently been proposed to establish a working group that would examine the inter-related issues of the currencies in which PCT fees were expressed and exchange rate risk.

132. The Chair welcomed Mr. Didier Monnot, representing the Swiss Federal Audit Office, the External Auditor of WIPO, to make a presentation on the reports issued by the Swiss Federal Audit Office.

133. The External Auditor explained that Mr. Kurt Grüter, External Auditor and Director of the Federal Audit Office of the Swiss Confederation, had been kept from attending the meeting owing to his responsibilities to Parliament in Bern. The External Auditor recalled that, a year earlier, he had observed that the Organization was on the right path towards achieving IPSAS compliance but that much work remained to be completed. It was worthwhile to reiterate that the Financial Statements of WIPO of 2010 were entirely in conformity with IPSAS standards. The transition to IPSAS had been a considerable challenge both for WIPO and for the auditors as it had involved the review and retreatment of numerous account categories. Finance Services had been continually required to resolve technical problems and had been placed under considerable time pressure in order to establish the final version of the Financial Statements for 2010. The External Auditor had also slightly underestimated the amount of work that had to be carried out and had been obliged to increase the number of days budgeted for the audit from 180 days to almost 250. The External Auditor wished to express his appreciation of both his audit team colleagues and of the WIPO staff. If WIPO had used the service of an external audit company, the cost of the audit fees would have been approximately 375,000 Swiss francs. He thanked WIPO management for their assistance and especially the team of Finance Services and the external consultant who had not spared their efforts to achieve this success. Referring to his report, the External Auditor highlighted three essential points. It was critical for WIPO to hire an IPSAS specialist who would follow up on the implementation of and adherence with IPSAS. Such compliance was an ongoing process. The contract of the external consultant was to end shortly and it was very important that the Organization quickly find a specialist with the necessary competence so that such an expert could familiarize himself with the details of WIPO's financial reporting before the financial closure of 2011. Additionally, the Organization should ensure that the staff of Finance Services continued their IPSAS training in order to allow greater flexibility within the Service. The Secretariat had informed the External Auditor that the Organization had almost completed the process of hiring a new IPSAS specialist but that the candidate had to serve a period of notice. The External Auditor looked forward to working with the new expert during the financial close of 2011. Results against the budget showed a surplus of 3.1 million Swiss francs before IPSAS adjustments. Compliance with IPSAS had involved the retreatment of many accounting items and this was why the final result was a deficit of 13.6 million Swiss francs. This kind of result had been anticipated from the beginning of the IPSAS implementation. The Organization had not included in its accounts any of the debt due to the United Nations Joint Staff Pension Fund (UNJSPF). Such inclusion would have had a significant impact upon the Financial Statements of the Organization. The UNJSPF had not been able to provide a calculation of its obligations in accordance with IPSAS 25. Compliance with this particular standard did not only concern WIPO and although members of the UN Board of Auditors and of the IPSAS Task Force at the United Nations did not believe that such accounting was necessary, the External Auditor preferred to remain prudent with regard to this subject as there was not yet sufficient information available to be able to produce the definitive interpretation of IPSAS 25. However, as the issue was not specific to WIPO, he wished only to alert Member States to the potential risk. It was not currently necessary to express any reservations or to mention the issue within the audit opinion for 2010. Referring to his principal recommendations, the External Auditor explained that the first of these referred to the system of internal controls and that he had been informed by the Secretariat that an external consultant was soon to be hired to deal with this issue. He had taken note of the Secretariat's response to the recommendation of limiting PCT fees to four key currencies. The arguments made by the Secretariat were valid, particularly when considering the cost/benefit relationship. The recommendations made in respect of the staffing of Finance Services had already been mentioned and there was no need to revisit these points. The remaining two recommendations were operational in nature and were being addressed by Finance Services.

134. The Delegation of Japan encouraged the Organization to maintain sound management of the budget and, in this respect, to identify the reasons behind the income forecast for 2010. Income forecasts should be made carefully and prudently. The Delegation expressed its appreciation of the Financial Statements and of the audit work performed thereon. Referring to

the External Auditor's report, this contained a reference to the need to review every two to three years the average translation costs used in the deferred revenue calculation. The Delegation considered this suggestion to be particularly pertinent and encouraged the Secretariat to introduce such a review procedure.

135. The Delegation of Spain thanked the External Auditor for his work and asked whether he could clarify whether the result for 2010 was a surplus or a deficit.

136. The External Auditor confirmed that WIPO had recorded a surplus against its budget and that budget execution had been subject to audit checks. However, IPSAS adjustments, once added to the budgetary surplus, had resulted in an overall deficit result.

137. The Delegation of Spain noted that the deficit had arisen prior to the introduction of IPSAS adjustments as reserves had been used for project expenditure (5.7 million Swiss francs). When added to the budgetary surplus, there was a deficit of 2.6 million Swiss francs before any IPSAS adjustments had been included. The Delegation referred to earlier decisions to use the reserves on various projects and questioned how such expenditure, together with the impact of IPSAS adjustments, would be reflected in the future. Such items were not included within the budget but could lead to future deficits.

138. The Controller explained that the Organization had two principal ways of funding expenditure; the regular budget and reserves (regular budget was recurrent whilst reserves expenditure was not). Member States had decided to use the reserves for certain projects and whenever the budget was presented for review, so too was an update showing expenditure against reserves. In 2010, in addition to expenditure against the budget and against reserves, there had been IPSAS adjustments. Some of these related to opening balances for 2010 and others had been made during the course of the year. In previous years, the Secretariat had provided reports detailing the estimated amounts for the IPSAS adjustments. The estimate had been for approximately 35 million Swiss francs of adjustments (of which 21 million Swiss francs was for opening balances) and the final figures had been 20 million Swiss francs for opening balance adjustments and 11 million Swiss francs for the financial year 2010.

139. The Delegation of Spain asked for clarification as to whether there would have been a deficit under UNSAS. The Delegation noted that reserves were anticipated to fall from 228 million Swiss francs (at the end of 2009 per UNSAS) to 138 million Swiss francs after 2010 IPSAS adjustments and all expenditure agreed to be financed by reserves, referring to document WO/PBC/18/7, chart 6. Concern was also expressed regarding the valuation of the buildings in accordance with IPSAS although the Delegation was prepared to accept this. The Delegation had noted that the External Auditor's report made reference to possible liabilities arising in connection with UNJSPF. These were not possible to quantify but constituted a possible future impact on the net assets of the Organization.

140. The Controller confirmed that a surplus of 3.1 million Swiss francs had been recorded under UNSAS but that the IPSAS result was a deficit. Reserves had been reduced as a result of the IPSAS adjustments. The UNJSPF issue highlighted in the External Auditor's report was an issue for all organizations and not just WIPO. Other External Auditors had not raised this matter but the Secretariat was grateful that this subject had been raised by WIPO's External Auditor as this allowed the Organization to consider future plans.

141. The External Auditor explained that IPSAS adjustments involved the revaluation of assets and liabilities and that such adjustments had an impact on reserves. This was inevitable. Other UN organizations were going through the same exercise and were experiencing a similar impact upon reserves. In this respect WIPO had been less affected than other organizations.

142. The Delegation of Morocco asked whether the difference between the 3.1 million Swiss francs budget surplus and the 13.6 million Swiss francs deficit had been agreed by Member States. Had Member States accepted that the deficit would be absorbed by reserves?

143. The Controller explained that the difference between the two figures of 3.1 million Swiss francs and 13.6 million Swiss francs could be divided into two parts. One part related to reserve-funded projects for such items as construction and IT projects for which Member States' approval had been obtained. The second part related to IPSAS adjustments which the Secretariat had attempted to forecast throughout the IPSAS implementation. In this way, Member States had received a reasonable indication of the likely impact of such adjustments on the results and on the balance sheet. The decision to implement IPSAS had been a Member States' decision.

144. The Delegation of Spain wished to point out that there had been a deficit under UNSAS as, when reserve-funded expenditure was netted against the budget surplus, this produced a deficit result. The Delegation was of the opinion that balanced budgets in the future could lead to deficits as they did not include the reserve-funded expenditure.

145. The Controller acknowledged that it would have been possible to combine reserve-funded expenditure with the budget result and thus show a deficit before the IPSAS adjustments. However this would have created a false picture as the expenditure funded from reserves had not been included in the budget. Member States had expressly decided to fund certain projects from the reserves, rather than include them within the budget. Reserve-funded expenditure was shown separately for the purposes of transparency. This allowed Member States to see how these projects were progressing in terms of the amounts agreed to be expended upon them. Member States had decided to adhere to IPSAS and it was inevitable that, as the Organization moved from what was primarily a cash basis of accounting to an accrual basis, adjustments would be required.

146. The Delegation of Venezuela (the Bolivarian Republic of) recognized that whilst the Delegation of Spain seemed concerned about the numbers presented in the financial statements, the External Auditor had offered reassurance regarding the content of the statements. The Delegation asked whether Member States should be worried about the move from UNSAS to IPSAS.

147. In response to the Chairman's request that the Committee approve the 2010 Financial Statements, the Delegation of Spain responded that it did not feel able to do so.

148. The Delegation of Switzerland, referring to the information provided by the Secretariat previously on the subject of IPSAS and to the explanations given by the External Auditor, expressed its support for recommending to the General Assembly that the documents be adopted.

149. The Delegations of the United States of America and South Africa also gave their support in favor of adopting the recommendation.

150. After a short break during which time the Delegation of Spain discussed the 2010 Financial Statements with the Secretariat and the External Auditor, the meeting resumed.

151. The External Auditor acknowledged the importance and relevance of the points raised by the Delegation of Spain. However, he wished to check, with his technical colleagues, the details of IPSAS 24 with regard to the presentation of budgetary information.

152. The Delegation of Spain thanked the External Auditor for his explanations. There were no further objections to the document and the Delegation of Spain would monitor the situation carefully in the future.

153. The Delegation of Morocco asked why there was a difference between the 2010 Income figure shown in document WO/PBC/18/3 (294.9 million Swiss francs) and that shown in table I of Annex VIII of the Program and Budget document WO/PBC/17/4 (292.5 million Swiss francs).

154. The Secretariat explained that the difference related to the income from FITS (6.8 million Swiss francs) and IPSAS adjustments (- 4.5 million Swiss francs). These amounts were clearly shown in Annex II of the Financial Statements. In order to be compliant with IPSAS, it was necessary to incorporate the figures for FITS into the numbers presented for WIPO.

155. The Delegation of Sweden compared WIPO's situation with that of the European Patent Office (EPO) when it had adopted new accounting standards. This had led to deficits but the EPO now operated well with the new standards. The Delegation thanked the Secretariat for its explanation and wished to support the recommendation to adopt the document.

156. The PBC examined the document WO/PBC/18/3 (2010 Financial Statements), the content of document WO/PBC/18/18 (Status of the Payment of Contributions as of June 30, 2011) and Report by the External Auditor: Audit of 2010 Financial Statements (document WO/PBC/18/4), and recommended to the Assemblies of the Member States of WIPO as follows.

2010 Financial Statements

document WO/PBC/18/3

157. The Program and Budget Committee recommended to the General Assembly of WIPO the approval of the 2010 Financial Statements contained in document WO/PBC/18/3.

Status of the Payment of Contributions as of June 30, 2011

document WO/PBC/18/18

158. The Program and Budget Committee recommended to the General Assembly of WIPO to take note of the contents of document WO/PBC/18/18.

Report by the External Auditor: Audit of 2010 Financial Statements

document WO/PBC/18/4

159. The Program and Budget Committee recommended to the General Assembly of WIPO to take note of the contents of document WO/PBC/18/4.

ITEM 9: IPSAS PRESENTATION: IPSAS IMPLEMENTATION - ISSUES AND IMPACT

160. The Chair invited the Secretariat to proceed with its PowerPoint presentation on this agenda item.

161. The Secretariat indicated that the purpose of the presentation was to highlight the key principles and differences between the International Public Sector Accounting Standards (IPSAS) and the UN Accounting Standards (UNSAS), and to provide an overview of the key differences in treatment of opening balances of the 2010 Financial Statements as well as changes in the results of WIPO's 2010 Financial Statements resulting from the implementation of IPSAS. The Secretariat recalled that, over time, UNSAS (developed by the UN itself to provide financial statements to its Member States), had become less and less consistent across the various UN organizations and therefore neither comparable across the organizations nor fully reliable. IPSAS were issued by the International Public Sector Accounting Standards Board (IPSASB), which itself was a committee of the International Federation of Accountants and represented over 160 member bodies in 120 countries. At the 43rd session of the

Assemblies in 2007, the Member States had agreed to adopt IPSAS by 2010, in line with many other UN organizations at the time (and all of them since). The Secretariat stated that WIPO had been diligent in ensuring that the work required to implement IPSAS on a timely basis had been done and had resulted in the implementation of IPSAS for the Organization's financial reporting as of 2010. The Secretariat then focused on some of the basic IPSAS principles, e.g. the accrual basis of accounting which ensured that the effects of transactions were recognized when they occurred (and not when cash was received or paid) and were recorded in the financial statements against the periods to which they related. The other key principle was that of a "going concern", which assumes that an entity will continue in operation for the foreseeable future. This principle was important because it required a specific treatment and disclosure of future long term liabilities. Finally, WIPO's financial statements under IPSAS were prepared on a consolidated basis, meaning that all funds over which the Organization exercises control are shown as part of its Consolidated Financial Statements. Accordingly, for the presentation, appropriate adjustments were made to ensure that the figures presented relate specifically to the use of the funds under the regular budget of the Organization. Explanations, on the basis of the slides presented, were provided for the basis on which accrual accounting recognizes income and expenditure, as well as an overview of the different elements of the financial statements under IPSAS. A number of slides were presented to provide a walkthrough of the differences between the Organization's 2010 opening balances as well as annual results on a budgetary basis versus on an IPSAS basis. The Secretariat noted that handouts of the presentation, including the notes pages, were available, in six languages, at the document counter

162. The Chairman thanked the Secretariat for the presentation, noting with appreciation, the time and effort invested into the walk through of the new IPSAS norms.

163. The Delegation of Spain thanked the Secretariat for the presentation on the adjustments made as a result of the adoption of IPSAS, which was extremely clear. It noted, however, that the concerns it had expressed during the June meeting of the PBC remained relevant. The Delegation wished to indicate some general as well as more specific concerns on IPSAS. First of all, it noted its surprise to see double adjustments, which it considered might lead to some confusion, since the IPSAS norms were applied as of the January 1, 2010. According to IPSAS, the 2010 result was a loss of 13.5 million Swiss francs. The Delegation questioned why the results were also presented according to the previous standards in the slides. It indicated that it would need to have some further explanations on this. It further noted that it wished to have information on future commitments approved against the Organization's Reserves, noting that it was not fully clear whether these amounted to 50 or 80 million Swiss francs, but noting that it had read the report of the external auditor (paragraph 48) with great interest, which said that WIPO has some unrecorded commitments in respect of the Pension Fund, which concerned the Delegation. It wondered how it could know what the assets and liabilities of the Organization were, if this amount was not reflected in its statements. The Delegation noted that the level of Reserves mentioned in the presentation was 194 million Swiss francs according to the IPSAS standards at the end of 2010. This included the impact of the 13.5 million Swiss francs loss. The document on the utilization of reserves, however, indicated total approved appropriations against the Reserves in the amount of 56 million Swiss francs, resulting in available reserves of 138 million Swiss francs. It also noted that the figures reflect higher assets under IPSAS, partly due to the reevaluation of the land and buildings, but that this was not money that could be spent. So, while the Delegation welcomed the introduction of modern principles of accountancy in the form of the implementation of IPSAS, it considered that the actual financial situation may be rather less optimistic than what had been presented. It considered that the financial health of the Organization partly depended on the reevaluation of the buildings, and noted that there was a clear danger represented in overestimating the value of these, which it indicated it hoped was not the case for WIPO.

164. The Secretariat indicated that the reason for the presentation of results for income and expenditure on both budgetary basis and IPSAS basis was the requirement under IPSAS to

report back to stakeholders on the same basis as the basis on which they approved the Budget. One of the Statements in the financial statements was required to present a reconciliation between the result on a budgetary basis and the result on an IPSAS basis. In respect of the United Nations Joint Staff Pension Fund (UNJSPF), WIPO, like other UN organizations, did not reflect the potential liabilities of the UNJSPF on its balance sheet; it only reflected expenditures that it contributed to the UNJSPF in a given year.

165. The Program and Budget Committee took note of the contents of the presentation.

ITEM 10 STATUS OF UTILIZATION OF RESERVES

166. Discussions were based on document WO/PBC/18/7.

167. The Chair summarized the contents of the document by saying that it provided an overview of (i) the status of Reserves and Working Capital funds (RWCF) following closure of the 2010 annual accounts on a budgetary as well as IPSAS basis; and (ii) the status of RWCF appropriations approved by Member States to date, including the impact of the proposed appropriation for an IT capital investment proposal. The proposal for the utilization of the RWCF for a Capital Investment Proposal for Funding of Certain Information and Communication Technology (ICT) Activities (WO/PBC/18/13) was presented as a separate document, on its own merit, for consideration by Member States.

168. The Controller explained that document WO/PBC/18/7 provided updated information of RWCF and wished to underline certain aspects of the information appearing therein. At the end of 2009 the reserves had stood at 228 million Swiss francs. For the year 2010, on budgetary basis, the reserves showed a positive balance of 3.1 million Swiss francs at the end of that year, standing at 194 million Swiss francs, as shown in table 2 of the document. Table 5 showed the credits (appropriations for projects) approved by Member States, which originally amounted to 63 million Swiss francs. Part of those appropriations had been spent, leaving 51 million Swiss francs balance. This year, the Secretariat proposed to use part of those funds to finance a new IT project worth 5.18 million Swiss francs, which if accepted, would bring the total amount of reserves appropriated to 56.63 million Swiss. The Controller then explained that table 6 in the document provided an overview of RWCF (available by Union), which at the end of 2010 stood at 194 million Swiss francs. Since 51 million Swiss francs had been appropriated, that left 143 million Swiss francs in the available reserves. Should the IT improvement project be accepted, the level RWCF available after all appropriations would be 138 million Swiss francs. This figure would break down as followed. The Organization always aimed to set aside an amount of money corresponding to the amount made necessary if the activity of the Organization were to slow down substantially, the amount called the "Target". The Target of the RWCF was 120.5 million Swiss francs. That was a percentage of the expenditure of the Organization through the biennium. In other words, within the remaining 138 million Swiss francs, 120 million Swiss francs had been earmarked for the 2012/13 Target provision if WIPO activity were to plummet and to drop [at] the Target.

169. The Delegation of Spain stressed the importance of the use of language in explaining the adjustments because as seen in table 4, there was a negative amount of 13.5 million Swiss francs under IPSAS adjustment. The Delegation stated that what was important was the real accounting procedure used by WIPO that provided a negative result of 13.5 million, which meant a reduction in the net worth of the Organization. The Delegation said that it did not see clear reflection of approved appropriation against the reserves in the financial statements. The Delegation and all Member States wished to be ascertained that the accounting and the tables showed the true and exact results of what had been achieved by the Organization in the fiscal year in question i.e., with the approved appropriations and IPSAS adjustments taken into consideration. It stressed that it did not wish, in any way, for the figures to undergo any type of cosmetic changes to make them look better.

170. The Controller explained that there seemed to be some difficulties in comprehending how the adjustments worked. The Controller recalled that the positive outcome of 3.1 million Swiss francs was a budget based result. The negative outcome of 13.5 million Swiss francs was after IPSAS adjustments result. Regarding the reserves, the Controller recalled that each of the projects listed in table 5 had been approved by Member States individually (the approval date was specified in the last column). Therefore there should not be any difficulty in understanding the accuracy of the figures. The Controller reminded delegations that these were audited figures and directed them to the External Auditor's full report on the Organization's accounts. He added that delegations would be able address their questions on this subject to the External Auditor on Wednesday.

171. The Delegation of Algeria endorsed statements made by the African Group and DAG earlier in the day. Regarding the status of reserves, the Delegation believed that the picture presented was very clear and was satisfied with the results achieved by the Organization notwithstanding the financial uncertainties in times of the economic crisis.

172. The Secretariat explained that, in 2010, Member States adopted Policy on Reserve and Principles Applied in Respect of the Use of Reserves (document WO/PBC/15/7 Rev.) which he invited delegations to consult before discussion of item 15 on the capital investment proposal for IT. In summary, the proposed project was for the renovation/updating of some of WIPO's obsolete hardware and software which cost the Organization more to maintain than to replace.

173. The Delegation of India believed that document WO/PBC/18/7 provided a fair picture of the real figures and the headings against which the expenditures were expected in the reserves fund. The Delegation requested clarification as to the basis on which the figure of 120.5 million Swiss francs (RWCF Target) was arrived and wished to know if WIPO was only UN organization that had a reserves fund. The Delegation also inquired whether there were any UN guidelines regarding the reserves fund stating a maximum or a minimum required percentage of income that should go into it.

174. The Controller explained that the calculation of the Target amount was based on a possibility for each of the Unions of the Organization to continue their activities over a certain period of time. The calculation was made on the basis of each Union, however, in simple terms, this amount represented roughly 18 per cent of the amount of the biennial expenditure. The Controller added that he could provide a detailed written computation of the figure and added that it could be found in the Program and Budget document.

175. The Secretariat, by way of further explanation, added that document WO/PBC/15/7 Rev (policy on the use of reserves) provided three types of information: setting of the target level of reserves, principles for the utilization of reserves and an overview of what other UN organizations did in respect of RWCF. The Secretariat said that most of UN organizations had what they called Working Capital Funds. These were effectively monies that the organizations were authorized to use in case they had liquidity problems. They assessed their budget, asked Member States' approval and then asked Member States for the payment of their respective share. Such payments might come with delay or be made in installments while the organization's cash flow requirements might require that it paid out its money differently from the way that assessed contributions were paid in. Therefore the Working Capital Funds were liquidity buffer which ensured that the organization could keep operating on an ongoing basis. The Secretariat added that other funds that were set aside by most other organizations were usually the result of unspent assessments which Member States agreed not to take back. These were cash surpluses and the organizations could not keep so they made proposals for the use of these funds and set them aside in different capital X type reserve funds to do certain types of very specific initiatives, e.g. building maintenance or construction. The Secretariat recalled that Policy on the Use of Reserves provided an overview of: the RWCF of some key UN organizations which were comparable in size to WIPO; a view of their total approved budget; the level of the Working Capital Funds that they were allowed to have and the

percentage that this represented; the purpose of their Working Capital Funds and other reserves. In every organization, Member States would set the level at which they allowed these reserves to be accumulated and the amounts they allowed to be approved for use for specific purposes. The Secretariat added that none of these were consistent across the UN system. Most of organizations derive their income from the assessed contributions from Member States or from extra-budgetary contributions. There was no framework within which any money that was coming in and had not been spent did not have to be returned to Member States. In the case of WIPO, the financial regulations and rules, the statutes and the treaties had been built differently.

176. The Delegation of Spain observed that table 3 of document WO/PBC/18/7 indicated the reserves at 228 million Swiss francs, which had diminished through some adjustments in one year. Table 6 however, showed the reserves down to 138 million Swiss francs, which was a major reduction. The Delegation wished to insist that the authorized appropriation and adjustments against the reserves be demonstrated in the results of the year. It did not consider the results for 2010 positive as the difference between the assets and the liabilities demonstrated clearly that there had been a major reduction in the capital standing of some 90 million Swiss francs.

177. The Controller said that the following figures summed up the situation: there was an ending balance (in 2009) of 228 million Swiss francs and from that balance 20 million Swiss francs had been taken out (in order to adjust the opening balance under IPSAS norms), which had led to an amount of 208 million Swiss francs. In 2010 there had been a positive budgetary result of 3 million Swiss francs, which had brought the total to 211 million Swiss francs. Afterwards IPSAS adjustments of 11 million followed during 2010 and the reserves had been used as authorized. All this resulted in a substantial decrease in the reserves, as the Secretariat had made clear in previous years in its documents as WIPO was moving into IPSAS standards.

178. In the absence of further comments the Chair proposed to take note of the contents of this document.

179. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO to take note of the contents of the document WO/PBC/18/7.

ITEM 11 POLICY ON INVESTMENTS

180. Discussions were based on document WO/PBC/18/18.

181. The Chair recalled that Policy on Investments had been submitted to the 17th session of the PBC in June 2011. The PBC had taken note of the proposal presented in that document and had decided to postpone making any recommendation on the document until the present session.

182. The Secretariat added that Policy on Investments document was a revision of the proposal first submitted to the PBC in September 2010. There were no changes made since it had been presented in June 2011 as at that time it had been decided that it would be brought forward to the September session. The present proposal reflected comments made by delegations during the September 2010 session, notably requesting removal of any reference to external management of WIPO funds. The proposal now included reference to the fact that the investment counterparties should have agreed to comply with ten principles of the UN Global Compact in the areas of human rights, labor standards, the environmental and anti-corruption, as requested by certain delegations.

183. The Secretariat explained the additional changes that had been made to the proposal following the comments of Member States at the PBC session last September. Reference had been to the fact that certain Swiss Francs cash resources not required immediately would be placed for deposit with the Swiss National Bank (BNS) unless higher rates of return could be obtained other banks that had the required credit rating, i.e., equivalent to AA- according to Standard & Poor's. In the proposed policy of last year distinction had been made between various categories of cash currencies, such as those required for current operations and cash held on behalf of third parties. Those cash flows had been used as the basis for deciding the kind of investment that was going to be made. It had been decided that this over complicated the Policy. Therefore, it had been simplified and, at present, it reflected the current practice whereby the only distinction made was with regards to the choice in investments made. A final key revision related to the fact that the Advisory Committee on Investments would review, at least annually, the investments of the Organization's funds. The Secretariat recalled that at the 17th session one delegation had asked for details of the investments that the Organization had held at that time. The Secretariat said that that the amount was the equivalent of 362 million Swiss francs, of which 355 million were held in Swiss francs themselves. Approximately 338 million had been invested in deposits with the Swiss National Bank and that represents 93.3 per cent of the total liquidities as at the end of last Friday (September 9, 2011). The difference, the remaining 6.7 per cent of liquidities, was held in current accounts. The interest rate on deposits at the Swiss National Bank has been 1.125 per cent. That rate had actually just been revised from September 1, 2011 to 0.875 per cent. By way of comparison, the 1.125 per cent rate compared with 0.125 per cent rate of return being received at the moment from Credit Suisse and the UBS on Swiss francs amounts.

184. The Chair read out the decision paragraph from the document in question.

185. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO the approval of the Policy on Investments contained in Annex I to document WO/PBC/17/6.

ITEM 12 POLICY ON LANGUAGES

186. Discussions were based on documents WO/PBC/18/15 and WO/PBC/18/19.

187. The Chair introduced agenda item 12 as bearing a great deal of interest, as witnessed by a number of general comments made at the start of the meeting.

188. The Secretariat indicated that document WO/PBC/18/15 was a follow-up to the decisions of the 2010 Assemblies concerning the Policy on Languages at WIPO and also to the informal sessions of the PBC in January and June 2011. Through that document, the Secretariat reaffirmed its commitment to implementing a comprehensive language policy by 2015 and proposed a timeline for extending full language coverage in a phased manner to all official meetings. The document provided information on the implementation strategy, additional work volumes involved and the resource requirements for achieving that objective. Additionally, and in response to Member States' requests at the 2010 Assemblies and the informal PBC sessions, budget data were provided for Program 27 as a whole and for Language Services in particular. The document also provided information on the methodology to be followed for outsourcing the translation of documents and the rigorous criteria established to ensure the quality of translations. As requested by Member States, another document, WO/PBC/18/19, had been prepared separately to provide information on the progressive introduction of webcasting for WIPO meetings. The Secretariat explained that in respect of WIPO documentation for meetings, effective January 2011, six-language coverage had been extended to the meetings of the Standing Committee on Copyright and Related Rights (SCCR) and the Standing Committee on Trademarks (SCT). Effective January 2012, the coverage would be

extended to the Standing Committee on the Law of Patents (SCP), the Committee on WIPO Standards (CWS) and the Advisory Committee on Enforcement (ACE). In 2012/13 it would be extended to all WIPO Main Bodies and by 2014/15 to all WIPO Working Groups. In parallel, the language policy would also respond to the needs of the Member States in respect of WIPO publications and its website. The document contained a revised business model for provision of translation services which was essentially two-fold. Firstly, it recognized that an expert group of core revisers and translators must be available for each language within the Organization to manage translation work, ensure quality control, establish work priorities, deliver translation of critical documentation and respond to the immediate needs of ongoing meetings. Secondly, it proposed to increase the percentage of outsourced translations from 30 per cent in 2009 to 45 per cent in 2012/13. Depending on progress made and experience gained there would be a further increase in 2014/15. For documentation for meetings, in 2012/13 workload was likely to increase by about 13,000 pages to about 67,000 pages, and in 2014/15 by another 8,800 pages to about 75,000 pages. Looking at the translation workload for WIPO, as against 85,000 pages in 2010/11, it was likely to increase to 100,000 pages in 2012/13 and to 110,000 pages in 2014/15. At the informal PBC meeting in June 2011, Member States had expressed concerns about the quality of outsourced translations and wanted rigorous criteria to be set to ensure that quality standards were maintained. Detailed procedures had been spelt out in the document under consideration and those procedures included inviting submission of CVs by competent translators from all regions of the world and, before selection of translators, to subject them to rigorous screening. The most competent translators would be identified through interviewing and assessment procedures including online testing. The translations received by WIPO would be subject to in-house revision, and feedback provided from time to time to the translators to ensure that they were able to improve their skills. WIPO would also make use of computer-assisted translation tools to ensure that work processes were more efficient. Before the end of 2011, it was also proposed to issue an international call for tender in accordance with the WIPO procurement rules to identify translation agencies in all regions of the world in line with WIPO procurement standards. Table 5 of the document gave staff breakdown by translation sections and Tables 6 and 7 contained some budgetary data. The conclusions and recommendations for implementation of the policy were contained in paragraph 28 which essentially indicated all the timelines.

189. The Secretariat referred to document WO/PBC/18/19 which related to the progressive introduction of webcasting services in WIPO meetings. Webcasting was introduced for the first time in the meetings of the Assemblies in 2010 and, in response to WIPO Member States' requests, it was proposed to extend webcasting services to many other meetings starting with the Assemblies of 2011. The services would comprise live webcasting and video on demand which would be available on the WIPO website. The current plan was for webcasting to be extended to about 18 meetings of the Committees starting from October 2011. Access would be provided to the public without any registration on a first come first served basis. Live webcasting would be available for the floor and English audio tracks whereas the video on demand services would be available in the original language of the webcast. The gradual deployment of webcasting services would start in September 2011 and would be available for selected meetings in Rooms A and B at WIPO and of course the CICG Conference Centre.

190. The Delegation of Egypt, on behalf of the Arab Group, thanked the Secretariat for preparing an excellent document. It represented the results of discussions held at WIPO, which had started during the meetings of the PBC and the Assemblies in September 2010 in addition to the informals held at the beginning of 2011. That reflected the interest of Member States and the Arab Group in particular and enabled the Member States to benefit from an extension of language services. The Delegation appreciated the notable effort of the Secretariat, especially those in charge of language services, to fulfill the increased demand for their services. It welcomed the reassurance from the Secretariat to implement fully the Organization's language policy by 2015, including webcasting. The Delegation stressed the need to provide sufficient funds under Program 27 in the forthcoming budget and expressed satisfaction with the measures taken in that direction. From the beginning of 2011 all documents regarding the

SCCR and SCT had been issued in the six languages and note had been taken that coverage would be extended to the remaining three Committees by the beginning of 2012, and other requirements to be covered in the next budget. The Delegation also welcomed the proposal aimed at increasing the rate of outsourcing which would rise from 30 per cent in 2008/2009 to approximately 50 per cent by 2013. The Arab Group wished to stress the need for quality, and yet more quality, in the translation and interpretation services into Arabic. Skills and services must be the prime consideration. There would also be a need to improve language coverage on all Internet sites in Arabic to increase benefits accruing to Arab countries from WIPO services. Finally, the Delegation stressed the need to translate circulars which currently were provided only in three languages and also called on the Secretariat to take the necessary measures to provide those services. As for the webcasting of WIPO meetings, the Delegation stressed that that was not an alternative to the verbatim records especially as the webcast records would not be translated into all WIPO languages.

191. The Delegation of Spain thanked the Secretariat for the preparation of a very good document. On the basis of the resolutions of the UN General Assembly, the use of multiple languages was a necessity and the Delegation had always underscored the need to comply with those resolutions and increase the use of the official languages of the UN at all meetings. Nobody could cast doubt upon the fact that Spain had worked the hardest to bring forward the use of all the languages and to promote and clamor for that cause, yet the Delegation faced a situation which was very difficult from the standpoint of economics and finance. While calling for reductions to be made, slashing some accounts here and there, it was nonetheless essential to focus as well on a topic of interest. The need to promote all of the languages was very important but at the same time the principle demanded for other areas, namely, even more value for money, was to be applied. Spain was interested in promoting languages, but needed to be sure to get value for money. In June 2011, the Delegation had looked at the figures, identified a need for translation and a need to increase the use of languages, but at the same time to look for a way of reducing the cost of translation and interpretation. Interpretation was very important but it was not mentioned in the document. Efficiency and accuracy were required, as well as an increase in translation and in interpretation, but efforts were to be made to try to cap the cost. If at least in the medium term, better sources of income, and translation could be found, it would enable the cost of translation and interpretation to be capped and not increased. Proper management and improved administration of those matters were essential. The Delegation called upon the Secretariat to make all necessary efforts to secure sources of funding that could cut down the burden of providing translation and interpretation.

192. The Delegation of the United States of America appreciated receiving the Secretariat's detailed report on extending language coverage in the six official languages of the UN system to each of WIPO's Governing Bodies, Committees and Working Groups. The report reflected careful consideration of the impact on volume of paperwork, and resulting increases in workload and cost to the Organization. It appropriately incorporated provisions to preserve the quality of outsourced translation work. It had been seen in some organizations that the quality of translation could suffer if necessary quality control and oversight mechanisms were not in place. The Delegation had taken note of the information and comments provided earlier regarding quality standards. Nonetheless, at many international organizations, conference and language services had come to a point where they consumed a large portion of the resources that would otherwise go to performance of the organization's core mission. Therefore, the Delegation generally did not support increases in language services because of the considerable potential for increased overhead costs for the Organization and the potential for inefficiencies resulting from an expanded bureaucracy. The proposal under consideration indicated that providing translation in each of the six official UN languages at each of the WIPO Governing Bodies and Committees in 2012/13 would cause an increase of 12 per cent in language service costs and that increase could be accommodated within the existing funding level for Program 27, Conference and Language Services, through offsetting by cost reductions in other areas. The Delegation pointed out that the Secretariat's report did not contain an estimate for the future cost increases that would result from extending the expansion in the language services to

Working Groups in 2014/15, and, as a matter of principle, could not support the adoption of the proposal without knowing the full cost implications, adding to the theme raised by the Delegation of Spain in getting value for money. Therefore, given previous decisions on the topic and the Secretariat's assurance that the extension of expanded language services to Governing Bodies and Committees would not result in an overall increase in the resources needed for Program 27, the Delegation was not opposed to agreeing to the proposed expansion of language services in 2012/2013, as stated in WO/PBC/18/15, but would urge the PBC not to commit to subsequent expansion to Working Groups in 2014/15 in the absence of information about the cost implications. The Delegation further insisted that the subsequent expansion to Working Groups be considered in three years' time, in the light of two years of experience with the 2012/13 expansion of language services to Governing Bodies and Committees. That would permit evaluation of concrete data on the demand for papers in additional languages and costs for their production. The Delegation encouraged continued commitment to reducing paperwork volumes by publishing materials electronically and only printing documents on an as-needed basis.

193. The Delegation of Japan thanked the Secretariat for its detailed presentation on the policy on languages as well as on webcasting at WIPO. The Delegation considered that the proposal might be workable, but expressed the concern that pursuing low cost might mean deterioration in the quality of translation and we end up causing an increase in costs. Therefore, the Delegation understood the effect of outsourcing translation to reduce the cost, but at the same time would like the quality of translation ensured. The Delegation took note of the measures explained by the Secretariat, such as on-line testing of the translators, in order to ensure quality. The quality issue could never be sacrificed. With regard to webcasting at WIPO, webcasting services were useful for grasping discussions made in WIPO meetings, and therefore the Delegation supported the proposal to introduce the services. While the recorded video on demand (VoD) content would only feature the original language, the Delegation would like the services to include the English audio track in the recorded video on demand otherwise it was very difficult for the Delegation to understand all the different UN languages from the video-on-demand content. The Delegation believed, however, that even after introducing the webcasting services, WIPO should keep producing documentary reports as decided by the previous session of the PBC, because they were very useful for facilitating the retrieval of information on interventions and grasping the gist of discussions, and such benefits could not be replaced with webcasting services.

194. The Delegation of Venezuela (Bolivarian Republic of) was happy to see that the Secretariat had constantly sought improvements for translation and interpretation. The question of languages was linked to culture; it should never be seen as an outlay or as an unnecessary expense, so the question related to reserves for funding. Spending money for languages should be seen as something sacred, as an investment, but as the Delegation of Japan had said, cutting down the cost in those areas could lead to a true Tower of Babel. That was an unwanted situation. Often in the UN, things could grind to a halt for linguistic reasons. The Delegation supported the statement of the Delegation of Egypt which expressed the need for the verbatim reports not to be called into question, in the hope of having an Organization in which all the languages could be respected. It was regrettable that the Delegation of Japan should have to request that English be added to the web feed in order to ensure that all people understood each other well.

195. The Delegation of Algeria aligned itself with the statement made by the Delegation of Egypt, on behalf of the Group of Arab. The policy for translation and interpretation in the Organization, and the documents submitted by the Secretariat, underscored the importance of those linguistic questions. The method adopted by the Secretariat in that regard was one that the Delegation approved of, especially when it related to the way in which translation and interpretation were to go forward. Translation should not be seen as something of secondary importance. Very much to the contrary, it was of primary importance because the documents that were submitted in the various languages were of the utmost importance. Therefore, translation should not be seen for example as a second-class citizen. Representatives of

missions could be well versed in several languages but consideration was to be given to the situation back in the capitals of the countries. Often it was the experts from the capital that were involved and in most cases they were not familiar or not well versed in foreign languages. Regarding Algeria, Arabic was the main language and it was used in the area of intellectual property. Therefore, great importance was to be attached to linguistic matters.

196. The Delegation of Brazil complimented the Secretariat for the documents provided, which addressed an issue of very high importance for the Member States. It supported the previous interventions regarding the extension of language coverage to all six official languages. In that regard, it welcomed the initiatives regarding the translation of documents and also the availability of webcasting. The Delegation considered it important that English, together with the floor language, always be provided in webcasts, with the gradual extension and expansion to all official languages in the future. The use of Internet was consistent with the objective of reaching large audiences in the civil society, and was aligned with the objectives of transparency and accountability to Member States in contributing to the decision-making process. The Delegation also noted the explanation regarding the quality of translation which should not be in jeopardy when discussing the future use of resources. The Delegation welcomed the information provided regarding the use of Portuguese at the General Assembly as well as the translation of documents presented in Portuguese.

197. The Delegation of Switzerland thanked the Secretariat for the document and for the information it had provided since the beginning of the discussions on the subject. The Delegation was sensitive to the question of language policy and understood the interest in seeking to extend the use of languages in the various Committees. However, it was important to draw from past experience and look also at the impact on the budget. Given the fact that rationalization regarding the number of documents to be translated had been called into question by a number of delegations, the Delegation considered the proposal made by the Delegation of the United States of America to be very important, namely deferring the PBC decision regarding the number of documents that would be translated in 2014/15. It supported that proposal and wished to see the experience gained in the upcoming biennium, before making a decision regarding 2014/15.

198. The Delegation of India said that the consultations that the Secretariat had facilitated on the topic over the last year had yielded fruit. The Delegation welcomed that and looked forward to adopting a language policy that was agreeable to everyone and facilitated the effective functioning of WIPO and its Member States. The Delegation made one comment with regard to point (v) in the Annex setting out the decision paragraph. The point read as follows: "recognizing that more concise working documents would facilitate deliberations, approved the proposal made by the Secretariat to further reduce the average length of the working documents". Recognizing the need to have concise working documents to contain costs, the Delegation's concern and hope was that the reports of meetings currently being generated and approved by various Committees would continue to be done in the same fashion. The Delegation requested clarification on that point because the records of meetings as currently prepared with the statements made by individual delegations and responses by the Secretariat were captured, even if not verbatim, in reported speech, with the summary and gist being provided. The Delegation sought clarification as to whether that would be continued or whether it would translate into an effort to shorten the reports of committee meetings. Referring to the webcasting paper, the Delegation again thanked the Secretariat for moving with the times and becoming more tech-friendly in using technology to perhaps reach a more paperless situation. It adhered to the request made by the Delegation of Japan, supported by the Delegation of Venezuela (Bolivarian Republic of), that there would perhaps be limited utility if there was on-demand webcast only in the floor language. There should at least be the English interpretation to make the interventions intelligible to a larger audience. Referring to the Secretariat's indication that there would be 18 meetings that would be covered after the Assemblies in October 2011, the Delegation asked if that meant that all those Standing Committees in WIPO and their proceedings would be webcast and in addition that there would be some others

because it did not add up to 18. If additional meetings were envisaged, it would be useful to hear what those meetings were. A second question referred to the webcasting being available on a first come first served basis. From the paper it appeared that there would be 200 live webcasts that would be available and that presumably whoever would be accessing them first would have access and the 201st person might not. The Delegation asked for clarification that that understanding was correct.

199. The Secretariat responded stating that the Annex referred to was the decision that was adopted at the 2010 General Assembly. Sub-section (iv) did not deal with the documents which came out of the meeting but very much the documents going into the meeting as working documents, for example an eight-page rather than a 30 page long document. That also would help ensure focused discussions. At the same time, the Secretariat had heard the message about the verbatim reports which would not disappear. The Secretariat was currently not envisaging the replacement of those verbatim reports and until such time as greater extension of recording across different languages and search possibilities were in place. The reports would continue to indicate that country X said this and country Y said that. The Secretariat looked hopefully to the future, where there could actually be some efficiency savings in terms of printed matter as well as the meeting records.

200. The Delegation of Pakistan acknowledged the content of paragraph 2 as mentioned by the Secretariat, recognizing the need for increasing the share of outsourced translation and specifying outsourcing to developing countries and regions in particular. The Delegation referred to Table 4 indicating estimated outsourcing percentages for 2008/09 of 30 per cent and a gradual increase up to 45 per cent for 2012/13, and asked if for 2008/09 there were any disaggregated percentages, particularly what percentage of the 30 per cent was being outsourced to developing countries. The Delegation also referred to webcasting, having understood that there would be live webcasting in the floor language, which is the original language, and English. It was therefore its understanding that it was not a financial issue for the VoD, since the transmission would already be available.

201. The Secretariat, referring to the outsourced volume percentage for developing countries, was not able to provide the figures since the nationals to whom work was outsourced could be located in either the developed world or the developing world. The Secretariat would try to come up with some kind of statistics to establish as to where those people were to whom the work was outsourced.

202. The Delegation of China had paid great attention to the language policy at WIPO and appreciated the great effort by WIPO in the extension of languages, welcoming the Secretariat's effort in further implementing a language policy and the detailed plan. The Delegation hoped that WIPO would as soon as possible take the necessary and practical measures to implement the plan including reallocating staff, increasing translators and increasing outsourcing for the extension of languages in order to extend the six official languages to the Committees and all Working Groups and other meetings so that all the six languages would be equally used. No matter what method was used to provide the languages, quality came first but not to lose sight of the reduction of costs. The provision of language services should be more comprehensive, of high quality and highly efficient in order to pave the way for IP system development.

203. The Delegation of Germany raised questions on the financial impact. The staff figures in Table 5 would not be changed so how would the salaries increase by 6 per cent, while the overall figure for staff was 4.2 per cent. Referring to webcasting, it was mentioned as one of the cost containment measures, but there were no details, greater operational efficiency being mentioned but without facts as witnessed by sentences like "has made capital investment during the biennium". The Delegation assumed that under the new plan the five million Swiss francs requested was partly also for the webcasting, but was it approved or not? Some information on how much was really to be spent on introducing webcasting would be useful because that was where the efficiency could be, along with the other issue on outsourcing. The Delegation had

learned from other organizations in Geneva that they were using online interpretation effectively, and asked if the Secretariat had considered it. Translation outsourcing along with online interpretation could also be a money saver.

204. The Secretariat referred to Table 7 showing no increase as far as the number of staff was concerned in Language Services. The slight cost increase was in regard to the in-grade increases and other marginal increases in the salaries of the existing staff. The main increase came from other contractual services which was the amount spent on outsourcing.

205. The Delegation of South Africa, speaking on behalf of the African Group, welcomed the documents from the Secretariat and referred to paragraph 18, which elaborated on the process regarding the quality of translation, an issue that had been raised in June. The Delegation also thanked the Secretariat for factoring in the Portuguese language and added that the Delegation of Angola would be pleased with that reference. The Delegation hoped that the meeting would adopt a language policy acceptable to all Member States.

206. The Delegation of Spain requested clarification regarding the breakdown of translation costs per language.

207. The Secretariat referred to paragraph 17 giving a figure for the average cost for a page of translation of 213 Swiss francs in 2008/09, which had come down from 227 Swiss francs in the previous biennium. Looking at the costs per language, the exact figures were not available, but they would range from 200 to 225 Swiss francs per page.

208. The Delegation of Spain indicated that if figures were not immediately available there was no need to provide them later.

209. The Delegation of Egypt considered that two subjects were being discussed at the same time. The first had to do with the common approach, on which there was agreement, namely to extend the language services to cover six languages. There was a consensus on that. Some delegations had raised the question as to what was the most efficient way of arriving at that. It should not in any way be at the expense of quality. A certain number of translations would be outsourced. It was necessary to look at it in depth and see how to benefit from the competition amongst the translation agencies, so as to arrive at the best rate, but while keeping up the optimum result to achieve the common goal of applying the language policy in a very effective way. The search could be expanded by contacting different regional groups working through the various States and in that way instill competition among the various translation bureaus, offices, agencies so as to arrive at the optimum rates. Generally there was agreement that all six languages should be on an equal footing when it came to documents, and also to the meetings, and that would also hold for webcasting.

210. The Chair considered that progress was being made in refining the paper and the common understanding. The proposal from the Secretariat was at hand, but there was also a proposal from the Delegation of the United States of America, seconded by the Delegation of Switzerland in terms of reviewing implementation. The Chair asked if the Delegation of the United States of America had specific language to propose.

211. The Delegation of the United States of America, looking at paragraph 28(a) in document WO/PBC/18/15, proposed the following: "the language coverage for documentation for meetings of the WIPO Main Bodies and Committees shall be extended to the six official languages of the UN (Arabic, Chinese, English, French, Russian and Spanish) in a phased manner commencing in 2012 (as detailed in Section II above) and subject to approval of the resource requirements proposed in the draft 2012/13 Program and Budget. Language coverage for documentation for Working Groups as well as for core and new publications will be assessed at the 2014/15 biennium meetings. And the rest would be deleted fromor as need be ... to the end of that paragraph."

212. The Delegation of Egypt requested the written text of the proposal to give sufficient time for consultation.

213. The Delegation of France supported the idea of phased implementation. Since it was quite a complex matter, it needed to be worked on from many different angles at the same time, so having extra time for reflection about the Working Groups might be the best way to come up with an effective solution. There was indeed a problem of selection, of quality as well as a concurrent budgetary problem, and the policy of extension to six languages might be the most pragmatic way to approach the subject. The Delegation supported the idea, but the exact formulation required further discussion.

214. The Delegation of Venezuela (Bolivarian Republic of) considered that the paragraph reflected the latest discussions in the PBC and that modifying anything might create further problems, and not give rise to any new solutions. The Delegation could possibly support the proposal if all that work were to take place right away in Arabic, Chinese. In response to a request by the Chair for clarification, the Delegation commented that it was being rather ironic, and wondered what would happen if by consensus it was decided to work only in Spanish, Chinese and Arabic. What would happen to the English-speaking participants and Russian of course as well?

215. The Delegation of Spain found logic in the proposal made by the Delegation of the United States of America, but said that a hurried decision would give rise to some cost. The positions put forward by the Delegations of Japan and Venezuela, underscoring the need for proper interpretation and translation, required that before actual approval of the document, an idea of the cost that would be engendered by the increase in the number of translations and interpretations was needed. Figures were necessary before making any decision, and also because it would depend upon the resources required in the budget. That was actually set forth in the document for the upcoming biennium.

216. The Secretariat suggested a way forward. A means of hitting the middle ground would be to accept a timeline for implementation leading in the proposed direction but subject to review at the time of the 2014/15 budget, at which point it would be possible to report on the experience gained.

217. The Delegation of Switzerland requested confirmation that the idea would be to decide on the principle immediately regarding the extension to Working Groups, as well and review that decision in two years' time. It would be problematic to give an affirmative reply immediately since that could cause difficulties later, and there might be some benefit in reviewing some items of the policy based on experience so it would be preferable to leave it open as the Delegation of the United States of America had proposed.

218. The Delegation of the United States of America indicated the importance of 'experience gained' and the need to have the opportunity in two years' time during the next set of meetings to assess the cost and make a decision then.

219. The Chair asked for a proposal from the Delegation of the United States of America and another to be drafted by the Secretariat, in terms of experience gained and in principle subject to the approval in the next PBC, to be provided in writing so that the delegations could look at them for further discussion.

220. The Secretariat responded to the various points which were raised by the different delegations. The Secretariat had taken note of the request for circulars in all languages, was reviewing the position internally, and would be trying to harmonize some of those procedures. The Secretariat also reaffirmed that webcasting would not be a substitute for verbatim records and such records would continue to be issued as done currently. It acknowledged that reducing the cost of translation was an important point. It was an ongoing exercise, with consideration

221. The Secretariat provided detailed information on webcasting. Firstly, regarding clarification about 250 sessions on a first come first served basis, experience during the 2010 Assemblies showed that 250 concurrent sessions were never exceeded, during any day, and that was therefore a current target. That meant that the 251st person trying to connect would have to wait until somebody among the first 250 actually dropped out. Experience showed that none of the sessions was even close to that figure. Secondly, the capital investment made was for Room A and also to support the Assemblies in the CICG. It certainly did not cover the new conference hall which was a totally different scale. The technologies for Room A and the CICG were unlikely to change, but otherwise the amount of equipment and scale of operations were totally different. Thirdly, the requirements to support video on demand differed from webcasting. To record two channels for video on demand, the technical channels and the storage systems would have to be twice that forecast and prepared for the initial launch. To have six languages, the storage system would be increased six times. Taking 200 days of meetings, for six languages there would be 1200 days of video to record. That would be a significant increase in terms of investment and technical complexity especially for the initial launch. Fourthly, the audio files would be hosted outside WIPO so there would be no effect on normal on-line services such as the PCT. However, because the video on demand facilities would be outsourced in terms of storage and of bandwidth, there would be additional costs.

222. The Delegation of Brazil noted that VoD content would only feature the floor track, due to some copyright issues and asked if the Organization was thinking of measures to be taken to extend, at least to English, the video on demand feature of webcasting.

223. The Delegation of South Africa raised a question about a seventh language, namely sign language.

224. The Delegation of Germany requested information on how much was invested, how much was still planned, where were there any efficiencies and how much were they in order to have an idea on the cost benefit.

225. The Secretariat, referring to webcasting, raised the issue of authenticity of the proceedings. To what extent would it be treated as a record of the meeting when the language was other than the floor language? To deal with that aspect there was a disclaimer which read “the interpretation of proceedings serves to facilitate communication and does not constitute an authentic record of the meetings, only the original speech is authentic” The recorded VoD would only feature the floor audio track, because of the issue relating to copyright, which was being examined with the body of interpreters. There was also the matter of the bandwidth available to provide the webcasting services. The Secretariat, referring to the question on sign language, reported that facilities were available *via* closed captioning of meetings, which had been introduced prior to webcasting. It was provided only on demand, but could also be provided systematically. The issue of costs needed to be examined. The Secretariat said that it was preparing a strategy to incorporate various smart technologies into one portal. The question of investment depended on how the accounting was done. Technology was being introduced to digitize all the video/audio services in the meeting rooms instead using cassette tapes for recording. Although that technology was not webcasting, it was digital and thus provided a digital feed which could enable webcasting. Taking only that equipment which was specifically used for webcasting, excluding the digital feed, the investment was relatively modest of around the 40,000 to 50,000 Swiss francs. Efficiency gains and to some extent cost cutting, would probably be made by Delegations themselves given that they could readily access meeting proceedings. Efficiencies would also be made because the same video conference or webcasting system could be used in any size of room, but that was not the case for the last generation of technologies.

226. The Delegation of the United States of America read out its amended proposals for paragraph 28 (a) of document WO/PBC/18/15. “Reiterating support for a comprehensive language policy, as reflected in MTSP 2010 to 2015, the language coverage for documentation for meetings of the WIPO Main Bodies and Committees as well as for core and new publications shall be extended to the six official languages of the United Nations (Arabic, English, French, Russian and Spanish) in a phased manner commencing in 2012 (as detailed in Section II above) and subject to approval of the resource requirements proposed in the draft 2012/13 Program and Budget. Language coverage for documentation for Working Groups will be assessed in the context of the 2014/15 Program and Budget discussions.”

227. The Delegation of India requested some time to look at the relevant section of the MTSP given that some parts of the MTSP had not been agreed upon.

228. The Secretariat quoted the relevant paragraph of the MTSP which related to language policy, and was also contained in the paper submitted to the 2010 General Assembly. “Elaborating a comprehensive language policy, developed in consultation with Member States, which responds to the needs of Member States and is financially sustainable, covering meeting documents, publications, interpretation, and the WIPO website” (document A/48/11, paragraph 5).

229. The Delegation of Venezuela (Bolivarian Republic of) referred to the language needs in Working Groups and favored the proposal made by the Secretariat, which it felt was in line with what had been requested by Member States to avoid having to negotiate in a language which was not the mother tongue.

230. The Delegation of Egypt expressed some confusion regarding the language proposal just heard which differed somewhat from the documentation received. As previously discussed, it was essential to adopt the language policy to cover all WIPO Main Bodies, Committees and Working Groups with the possibility of discussing the costing of the Working Groups under the

next budget while considering the lessons learned or the experience gained from the current budget. The aim should be to work in that direction and not defer agreeing to the extension of the policy to Working Groups until the next budget.

231. The Chair clarified that the text proposed by the Delegation of the United States of America incorporated an introductory phrase (a) which was “reiterating support for a comprehensive language policy, as reflected in MTSP 2010-2015” followed by the remaining text.

232. The Delegation of the United States of America referred to differences with respect to the previous text, namely that work regarding current publications was already occurring. The Delegation consequently agreed with the amendments made by the Secretariat to the initial proposal. With respect to the MTSP reference, the Delegation agreed that a comprehensive language policy was needed, but that support for that could be disassociated from the cost analysis needed in respect of Working Groups. The Delegation was fully committed to the idea of a comprehensive language policy but considered that the cost factors had not been specified with respect to Working Groups, hence that was its only hesitation at that point.

233. The Delegation of Spain considered it essential to take into account the reality of the Working Groups. It would be a waste of time if there were no translation in the Working Groups. Progress could be made along those lines from the point of view of better management, in other words it was not quite clear how much those translations cost. That nebulous situation was very unfortunate but habitual. There was normally no information on how much things really cost and the cost was known once the proposal had been implemented. The concern expressed by the Delegation of Venezuela was well founded but the concern of the Delegation of the United States of America regarding costs also deserved consideration. There was no information on how much translation costs. How could the cost of interpretation and translation be improved? That task had still to be carried out. Without any information it was not possible to make headway in an appropriate manner. Regarding translation into Spanish, the Delegation expressed its frustration because of the lack of consistency, which WIPO was showing as far as multilingualism was concerned. When the current document was prepared, there was a guaranteed compliance with the mandate on multilingualism. The Delegation had noted that the last edition of the Nice Classification was not treating Spanish in a fair manner since there was no official translation of the last edition of that Classification into Spanish. The same complaint could also be extended to the International Patent Classification. The Delegation therefore requested treatment which corresponded more to the policy on multilingualism as far as the Nice Classification and the International Patent Classification were concerned, with due translation into Spanish as an official language of those Classifications.

234. The Delegation of Venezuela (Bolivarian Republic of) did not aspire to be an obstacle in the discussion but thanked the Delegation of the United States of America for its understanding, as regards the importance of that topic. Languages were called mother tongue because they were heard in the womb. One did not say a father language, a paternal language. It was something that was important for the rest of one’s life. The spirit in the meeting was a very important one and very positive. It must be dealt with as a main issue. The Delegation did not wish to get bogged down on the problem whether or not there was extension to Working Groups, but it should be reflected in the records that the spirit was that all the countries agreed. Every one of the working languages must, in the future, be taken into account for all the activities carried out within WIPO.

235. The Delegation of Switzerland supported the proposal made by the Delegation of the United States of America which reflected very well the concern expressed by the Delegations of Venezuela and Egypt. It wished to reconfirm its support for a language policy which was comprehensive and inclusive of different languages. It liked the proposal because it enabled due account to be taken of the extension following rationalization, since it would be possible to see whether the measures taken to rationalize the documents had made it possible to extend to

other languages and enabled the objective to be met of keeping the budget within the acceptable limit for the Organization. The Delegation was very sensitive to that point.

236. The Delegation of South Africa highlighted that it was in agreement with the initial language proposal by the Secretariat, which included the language coverage in Working Groups. The language proposal by the Delegation of the United States of America did not have coverage of Working Groups for 2012, deferring that to the next biennium. It was necessary to see what had been agreed at the previous Assemblies, namely that a decision would be taken on the language coverage for Working Groups. The Delegation was concerned that a decision not agreeable and workable for those countries which needed assistance in terms of language would make the proposal of the Delegation of the United States of America of America difficult to accept.

237. The Delegation of France endorsed the statement by the Delegation of Switzerland which stressed what was at stake. It was important to reconcile that ambitious policy with others to take better advantage of past experience and to phase in the approach. The Delegation supported the proposal by the Delegation of the United States of America as commented on by the Delegation of Switzerland. The Secretariat clarified that, following discussion with Member States, it was committed to a comprehensive language policy and that was exactly what the Delegation of the United States of America wanted to come out of the MTSP. Discussions at the last Assemblies were about how to make that happen, moving forward with documentation for main Committees, for Working Groups as well as for the Main Bodies and other Committees. Given the commitment to a comprehensive language policy and its extension, the proposal was to progress in a phased manner over two biennia. On a number of occasions it had been stated that implementation would be achieved by 2015 and the time line in the documentation laid down a proposal whereby Main Bodies, Committees and core and new publications would start or continue in 2012/13, from January 1, 2012, with a 12 per cent increase in resources. Working Groups would be covered in 2014/15 as per the document. That was the time line put down and it did not distract from the fact that the commitment remained and the phasing in of the Working Groups in 2014/15 would be seen in the light of the experience gained and the discussion of the 2014/15 budget. That was the proposal being reflected for the decision paragraph.

238. The Delegation of Germany referred to Table 3 of the language paper for calculation purposes. The additional work load for Working Groups was 8,832 pages, with a page at about 200 Swiss francs giving an indicative cost of about 1.6 million Swiss francs.

239. The Delegation of Brazil reaffirmed that Working Groups were a major issue that should be covered and added that the Secretariat's proposal calling for reassessment in next PBC seemed to be balanced because it would give a full idea of cost which was also a worry for the Delegation of Spain. It was necessary to have an idea of the cost and how it would evolve with time. The numbers provided by the Delegation of Germany were very interesting because they gave an idea of the workload involved. However, the Delegation was in favor of the Working Groups being left as per the Secretariat's proposal and be reassessed in the next PBC.

240. The Chair indicated that the chapeau was not a real problem, just the second sentence of (a) of the proposal by the Delegation of the United States of America or (c) of the Secretariat's proposal. Those were in conflict.

241. The Delegation of Algeria fully agreed with the statement of the African Group and thanked the Secretariat and the Delegation of the United States of America for the proposals under discussion. There was a concern as to the phasing and implementation of language policy. Referring to the decision of the 2010 GA and the application to Committees and Working Groups in the Program and Budget for 2012/13, the Delegation's concern was to include the Working Groups among the Committees for purposes of translation and simultaneous interpretation coverage during 2012/13 because some Working Groups were very important for

Algeria, e.g. the IGC and other Working Groups, and so the reason behind deferring the decision to 2014/15 was not understood. The Delegation proposed to include Working Groups at the beginning of the sentence (a) along with “Main Bodies and Committees as well for core and new publications”.

242. The Delegation of India felt that the dialogue was moving backwards on such an important issue. The Secretariat had succinctly outlined the agreement which was very simple. There would be a comprehensive language policy covering all WIPO Bodies and Committees and it would be implemented in a phased manner starting with the current biennium and extending into the next. The implicit understanding also was that priority would be given to Standing Committees and WIPO Main Bodies, and Working Groups would be implemented in a phased manner. That was the understanding. Any decision would have to reflect that core understanding. The Delegation had understood that the only concession which countries were ready to make was phasing the process to the Working Groups in the next biennium which would have to be done on the basis of a review in the light of the experience gained with the core WIPO Committees and Bodies. That was the only element to be added to the paper and the agreement seemingly in place. The language proposed by the Secretariat seemed to capture that well. The key points were there, namely the need to have a comprehensive language policy, to implement it in a phased manner starting with the WIPO Main Bodies and extending it to the Working Groups in the next biennium based on a review and in the light of the experience gained in 2012/13. In the proposal by the Delegation of the United States of America, the most important thing was missing, namely a reference to the Working Groups. That was a step backward with respect to the broad agreement reached. Norm setting was happening in some of those Working Groups such as the IGC. The PCT was the pillar of WIPO work, yet the decisions on how the PCT should function were being taken in the Working Group. Was it the intention to exclude those important processes from the language policy, thus deviating from the goal agreed to be important to everyone? The proposal by the Delegation of the United States of America omitted a very important element by taking out Working Groups from the list, right at the beginning. Also missing was the reassessment in the light of experience gained. That was of concern to all. There was no need to agree to extend coverage if experience showed that something needed to be readjusted or the cost was excessive. It dealt with Working Groups separately from the others, and language coverage for documentation for Working Groups would be assessed in the context of the 2014/15 budget, which meant it stood alone and would be a separate issue taken up in 2014/15. The Delegation believed that the agreement recently arrived at had to be respected and there was scope for agreeing on common language that was acceptable to all. The Delegation proposed that a few delegations closely following the issue could sit together as a smaller group and agree on the language.

243. The Delegation of the United States of America agreed with the Delegation of India to discuss the issue in a small group. The bottom line was that there were no cost figures with respect to the Working Groups, and that there was agreement to a phased approach meaning the Working Groups would be looked at in 2014/15. The Delegation could not agree up front to an unknown cost for Working Groups.

244. The Chair requested the Delegation of the United States of America to lead informal consultations amongst the delegations that had expressed interest.

245. The Chair referred to a new proposal following the informal consultations. The decision would be that the PBC recommended to the Assemblies the proposals contained in paragraph 28(a) and (b) of document PBC/18/15.

246. The Program and Budget Committee:

- (i) took note of the information contained in document WO/PBC/18/15;

(ii) recommended to the Assemblies of the Member States of WIPO the adoption of the proposals contained in paragraph 28 of document WO/PBC/18/15, amended as follows:

“28. Based on the analysis contained in this document, the Secretariat submits for the consideration of Member States the following proposals:

(a) The language coverage for documentation for meetings of the WIPO Main Bodies, Committees and Working Groups, as well as for core and new publications, shall be extended to the six official languages of the United Nations (Arabic, Chinese, English, French, Russian and Spanish) in a phased manner that commenced in 2011 (as detailed in Section II above) and subject to approval of the resource requirements proposed in the draft 2012/2013 Program and Budget. The cost of language coverage for documentation for Working Groups will be assessed in the light of experience gained in 2012/2013 and in the context of the 2014/2015 Program and Budget.

(b) The translation requirements for the WIPO web site shall be examined in more depth in parallel with the restructuring of the said web site.”

247. The Delegation of Egypt requested clarification on the translation of the website.

248. The Secretariat reaffirmed that the issue was in hand and rather than translating what was currently on the website, it was proposed to await revamping of the site in order not to repeat the translation task. The timeline was the coming biennium.

249. The Delegation of China observed that the document on Language Policy mentioned only the translation of the documents for the meetings of the Committees and Main Bodies and requested the Secretariat to confirm the provision of interpretation in all six languages for those meetings, and where that might be stated in the document.

250. The Secretariat referred to the paper presented to the 2010 Assemblies which was the first step towards a comprehensive Language Policy for the Organization. Given the impossibility of doing everything at once, it had been decided to proceed stepwise, dealing with publications, websites, interpretation and meeting documentation. The first step agreed upon was to deal with documentation and then address the other issues. The Language Policy had already moved forward on documentation. Further proposals would follow to achieve comprehensive language coverage. It was not possible to confirm full interpretation coverage for all meetings, but proposals would be forthcoming, not in the current meeting but for future discussions in the PBC or Assemblies. The Organization was committed to extended language coverage for meetings, the website, publications and interpretation. The intent was there. It was a question of capacity to be able to implement that policy.

Webcasting at WIPO

251. The Chair invited the PBC to take note of the content of document WO/PBC/18/19 (Webcasting at WIPO) that had been discussed under this agenda item.

252. The Program and Budget Committee took note of the contents of document WO/PBC/18/19.

ITEM 13 PROPOSED PROGRAM AND BUDGET FOR THE 2012/13 BIENNIUM

253. Discussions were based on document WO/PBC/18/5.

254. In introducing this item, the Chair said that the proposed Program and Budget for the 2012/13 biennium was being submitted to the present session of the PBC in accordance with the Financial Regulations and Rules and pursuant to the Mechanism to further involve Member States in the preparation and follow up of the Program and Budget of the Organization (documents WOPBC/13/7 and A/46/12). In accordance with the Mechanism, the first draft of the proposed Program and Budget for the 2012/13 biennium (document WO/PBC/17/4) had been presented to the PBC at its informal session in June 2011 for discussion, comments, recommendations and amendments. At that session the PBC had requested the Secretariat to issue a revised version of the proposed Program and Budget based on the comments and amendments made by Member States.

255. The Secretariat introduced the document and recalled that the proposed Program and Budget for the 2012/13 biennium had been the subject of extensive consultations as well as detailed review by Member States in the course of the informal June 2011 PBC session. Since several delegations had now new delegates or could not have participated in the informal meetings, the Secretariat recapitulated the main features of the proposed budget document. As the Director General had pointed out on several occasions, this was the first results based budget proposal that WIPO had produced, which had been welcomed by several delegations. The principal inputs from Member States that led to producing the proposal had been the responses from Member States to the Director General's questionnaire and the MTSP, together with the comments of Member States (as reflected in the report of the 2010 Assemblies). In presenting a result based budget, the Secretariat had, for the first time, defined results at the organizational level under each Strategic Goal and reflected the contribution of each program to the achievement of these results through the respective indicators within the Results Framework. At the beginning of every Strategic Goal there was a table showing precisely that. This approach reflected accurately the true crosscutting nature of the goals and the results. The DA projects had been fully integrated into the regular budget in line with the mechanism approved by Member States in 2010 (document A48/5 Rev.) A strategic view of the results and the resources planned to be deployed to achieve each result had been included in the Result Framework Chart. Development had been further mainstreamed (40 out of the 60 results have a development share associated with them). The Results Framework Chart on page 10 (English text) clearly demonstrated how the Program and Budget had been put together by results, along with the development share against each result. The proposal defined development expenditure and set a basis for planning, tracking and reporting of development expenditure. It also set out the development share per result and per program, provided details of the DA projects and resources planned for each project. The Secretariat further explained that the present revised and improved version of the Program and Budget included various changes which reflected discussion in the informal PBC session. There were substantive revisions, e.g. program narratives, expected results and indicators were amended as requested by Member States. The Director General's foreword was revised to highlight efforts and pursue efficiency gains. New text was added on the resources for each program with cost category explanation. Secondly, changes of substance which did not result in substantive content change were, among others: the enhancement of program tables to show the requested figures for both approved budget and restated budget, the correction of the estimated development expenditure for Program 15, new footnote added to all tables and the insertion of the organigram of the Organization. Thirdly, presentational changes and corrections, where necessary, had also been made. During the informal session and in the consultations prior to the present session, a number of delegations had questioned the income forecast and the impact of exchange rate thereon. The Secretariat indicated that a detailed explanation in a Q&A format had been prepared and was available on the PBC Internet site as of that day. Regarding the expenditure level, the Secretariat emphasized that this level had been determined as a consequence of a structured planning exercise and that higher level of expenditure was needed to meet increased demand for services and to ensure strategic investment, for instance in the areas of information and communication technology. However, as mentioned by the Director General in his opening remarks, and in continuing to explore efficiency and cost saving measures, the Secretariat could make efforts to contain the

expenditure to an increase of approximately 3 per cent instead of 4.7 per cent. This would be primarily based on a number of policy and premises management measures and would have no adverse effect on program delivery. The Secretariat added that the Q&A paper had also been updated to reflect the most recent issues and questions raised during the briefing sessions. It recalled that, at the previous day's briefing session, a number of delegations had made observations both of general and program specific nature. Among the general observations made was the issue of the definition of development expenditure. The 2011 report of the Economic and Social Council (ECOSOC) (document A/66/79E/2011/107) on the review of the operational activity for development of the UN system concluded that among the 36 entities that constituted the UN development system there was no commonly agreed definition of key terms such as operational activity for development and cooperation. The Report begun to address this shortcoming by defining operational activities for development as those activities of the UN development system entities which promoted the sustainable development and welfare of developing countries and countries in transition. Therefore, the definition of development expenditure contained in the Program and Budget fit well with this definition and appeared to be more specific. In this context the Secretariat recalled that the overall purpose of the definition of development expenditure was to facilitate the planning, tracking and reporting of development expenditure. The Secretariat's research on the state of development expenditure tracking in ten specialized agencies indicated that most agencies compiled development expenditure in a very general manner, at the level of goals or programs, including country programs for agencies with a field presence. Based on that general methodology, only few agencies reported development expenditure separately in their performance or financial reports. Turning to the proposed increase in development expenditure for the 2012/13 biennium, the Secretariat pointed out that in the proposed Program and Budget the share of development expenditure increased from 19.4 to 21.3 per cent. This had been adjusted to take into consideration where the Vancouver group had been counted before and had not been removed. In comparison with the previous biennium, this represented an increase of 17.7 million Swiss francs, i.e., 14.7 per cent, from 120.2 million Swiss francs in 2010/11 to 137.9 million Swiss francs under the proposed 2012/13 Program and Budget. This figure did not include the proposed budget for the DA. If the DA projects were included, the proposed development expenditure amounted to 144.3 million Swiss francs. On the mainstreaming of development in the Program and Budget proposal, the Secretariat said that the objective of the 2012/13 biennium planning process had been the mainstreaming of development across all Strategic Goals and relevant programs of the Organization in line with the DA recommendation 12. This was evidenced by the fact that all Strategic Goals had a development share representing the portion of the budget available for activities directly benefiting all developing countries, LDCs and certain countries with economies in transition in all regions. A number of performance indicators provided a breakdown of baselines and targets by region. The Secretariat said that a presentation by the Chief Economist and the Director in charge of the PCT system would follow on the income forecast and the exchange rate mechanism within the PCT. The slides for the presentation were included in the Q&A paper, copies of which were available.

256. The Chair invited the Chief Economist to present the forecast on WIPO income trends and PCT filings.

257. The Chief Economist said that the PowerPoint presentation on PCT trends, fees and income forecast was included in the Q&A: Supplementary 1 paper. He proceeded by showing the slide on the long term trend in PCT filings since the inception of the PCT system in the late 1970s. The PCT system had experienced a healthy growth in filings over the last 20 years (from 1990 to 2010), with an average annual growth of 11.2 per cent. This remarkable growth rate far exceeded the growth of the world's economy. There was no single explanation for this phenomenon, though globalization of the economic activity and, as such, the growing need for patent applicants to obtain patent protection in a larger number of jurisdictions – facilitated by the PCT system – had been a key driver. Second important trend had been the shift in the global economy and the fast growth seen in a number of Asian economies, which was reflected in the shift in geography of the PCT system. Twenty to ten years ago, North America accounted

for most PCT filings, while as of 2010 East Asia, with Japan, China and the Republic of Korea combined, accounted for the largest number of PCT filings for the first time. It meant that the PCT filing base had become more diversified. The Chief Economist remarked that it was quite interesting that the fastest filing growth over the last few years had come from the East Asian countries like China, Japan and the Republic of Korea. At the same time, the relative use of the PCT system by these countries remained relatively weak. The share of the PCT national phase entries in total filing abroad (a measure of international filing originating from a particular country) in the three countries in question was still below 50 per cent (40 per cent for Japan, 26 per cent for China and 28 per cent for the Republic of Korea). In comparison, it was 73 per cent in the United States of America and 57 per cent in Germany. The Chief Economist pointed out that even though the three countries had seen a strong growth in the last few years, their growth potential was still quite substantial. Regarding the filings and income figures in the last three years, the Chief Economist wished to explain how a PCT filing translated into income. Any PCT filing received generated income. However, not every year there was a proportional relationship between the PCT filings and the PCT income. Three important factors determined how filings in a given year translated into income. In the case of actual fees paid, there were variations in the number of PCT filings that benefited from a discount for electronic filings that certain developing countries benefited from. The share of filings benefiting from discount fees changed in a given year, affecting the average fee. This, in turn, had an effect on income. Second important factor was payment delay; every year a certain share of filings was only paid in the following year. The delay in receiving payment could vary from a few days to several months, with the average being just under two months. It meant that, especially towards the end of the year, some of the filings were only paid in the subsequent year. The share of filings paid in the same year did not stay constant over time, but changed every year, which affected income. It was not a problem in the long term because more than 99 per cent of filings were paid for but it did affect the income generated in any given year. Finally, there were the exchange rate effects. In principle, PCT fees were paid in a local currency and were periodically adjusted to take into account the exchange rate fluctuations. In between those adjustments, WIPO was exposed to certain exchange rate movements, which had been important this year. As for the performance of the PCT system over the last two and a half years; 2009, the year of the economic crisis had shown a sharp drop in the economic output in the major jurisdictions in the world, which impacted PCT filings causing the first ever drop in filings (4.5 per cent drop in 2009) mainly taking place in the high income countries. The drop had, in many cases, been less severe than the drop that the national patent offices had observed. This was especially true in Japan, which had seen more than 10 per cent fall in the domestic filings but a 3.6 per cent increase in the PCT filings. Notwithstanding the economic crisis, there was a fast growth from China and the Republic of Korea. The evolution of income in that year showed a sharper decline in income, by 6.7 per cent, which had largely been due to the new fees structure that had come into effect as of mid-2008 when the PCT fees had been lowered. Due to this fact, and in addition to the decline in filings, it was only natural to see a sharper decline in income. The payment delay factor had led to a slight gain in income in 2009 when larger than average number of 2009 filings had been paid in the same year. The exchange rate effect in 2009 had been negative, leading to a 1.9 per cent loss due to the continuing appreciation of the Swiss franc. 2010 had seen a recovery in the PCT filings, with a healthy growth of 5.7 per cent, with a total of just below 165,000 filings (slightly above the 2008 level). A new record had been reached in 2010. The performance had been sluggish from the United States of America as well as Europe, although Germany had experienced a 4.5 percent growth. In 2010, growth had been driven by the strong performance by the Asian countries (8 per cent from Japan, 55.6 per cent from China and 20.3 per cent from the Republic of Korea). Because of these high growth rates, especially from China which represented around 10 per cent of the overall PCT system, it was not surprising to see a strong overall growth. When 10 per cent of the system grew 50 per cent, it generated an overall growth of more than 5 per cent. Unfortunately, in 2010 the PCT had not seen the same rise in income, which was largely explained by the payment delay factor and was not due to any changes in fees or discounts as average fees remained largely unchanged. In 2010, the delayed payment

factor translated into 2.9 per cent loss combined with a slight exchange rate loss of 0.6 per cent (due to the appreciation of the Swiss franc). The Chief Economist continued by saying that the situation in 2011, as far as filings were concerned, indicated that the PCT was experiencing growth above what had been expected. In the first five months of 2011 (as compared to the performance of the first five months in 2010) the overall growth was slightly above 10 per cent, in addition to more than the 5 per cent in 2010. In 2011, there was renewed growth from the United States of America, an impressive growth from Japan (more than 20 per cent notwithstanding the March 2011 earthquake), a continued growth from Germany, more than 40 per cent growth from China (on top of the more than 55 per cent growth in 2010) and about 17 per cent growth from the Republic of Korea. The filing situation looked quite reassuring and the Chief Economist stressed that this came in the face of slowing economic activity observed in most major jurisdictions in 2011. In that sense the PCT system had done far better than the world economy. Unfortunately, WIPO's income was affected by the strong Swiss franc. To illustrate this, the Chief Economist displayed a chart showing the estimated monthly revenue gained/lost due to the exchange rate factor. The chart demonstrated that exchange rate caused losses close to 9 million Swiss francs, especially in the first six months of 2011. It was expected that, for the last three months of this year, the situation would improve following actions taken by the Swiss National Bank (BNS) *vis-à-vis* the value of the Swiss franc against the euro. However, one could not predict either the exchange rates or how successful the BNS would be at maintaining the exchange rate. To the extent that it was able to do so, this was good news for the PCT system as it simply removed a good part of the exchange rate risk that otherwise existed. The Chief Economist added that, for the July 2011 forecast figures, two different models had been used; an econometric model and a deterministic trend model. The latter picked up the trends specific to the PCT system and what was happening in the individual countries (especially important in the jurisdictions where the filing trends had little to do with the underlying economic performance, e.g. Japan). However, it was known that the economic activity did impact filings in the short and the long term. That was why an econometric model had been used, which predicted filings based on the gross domestic product value forecasts published by the International Monetary Fund (IMF). For the coming two years the two models yielded predictions that were largely consistent with each other. For the more distant future, there was some divergence and in this case the Secretariat had chosen to rely on what was the more pessimistic trend model. The following had been used to produce the forecast: the filing levels, the use of fee reduction through a trend model to estimate the share of filings benefiting from different fee discounts. The Chief Economist explained that the fee structure was applied to the forecasted filing levels in order to produce an income forecast which was then adjusted for payment delay from the previous year. For example, in 2011 the Secretariat already had already known what share of the 2010 filings had not been paid in 2010 and that was clearly income that was received in 2011. However, the Secretariat did not know what share of the 2011 filings would be paid in 2011 and what share of filings would be paid in 2012. Therefore, uncertainty remained with regard to the payment delay effect. The Chief Economist added that it was not possible to predict the evolution of the exchange rate. However, if the new exchange rate regime imposed by the BNS lasted, it would remove uncertainty as to the effect the exchange rate changes, at least *vis-à-vis* the euro, on the PCT income. What was reported in the presentation on this forecast were the up and down figures, which, based on historical values, showed the likely variations that might occur to the upside or the downside. The 2011 forecast numbers were: 7 per cent growth in filings was expected in 2011, reaching a level of 175,000. The 7 per cent figure was smaller than the 10 per cent showing for the first five months of this year. The Chief Economist said that it reflected seasonal variations observed in the data and added that the five month situation did not give an accurate picture of what the final result would be; it could be well above 7 per cent but, at this moment, the models predicted 7 per cent for 2011. Since the first six/seven months had been affected by the strong appreciation of the Swiss franc, it was predicted that the income would grow only around 2.8 per cent. For 2012, the Chief Economist predicted the filing growth of 4.8 per cent and the income growth of 8.9 per cent. For 2013, the filing growth of 3.2 per cent and the income growth of 2.5 per cent were predicted.

258. The Secretariat provided background information on the PCT fees and, more specifically, on the question why and how the payment of PCT fees in certain currencies might (due to the exchange rate fluctuation) impact on the PCT income and consequently on the overall income of the Organization. The Secretariat explained that three different types of the PCT fees were to be paid by an applicant upon filing an application. The first was a transmittal fee paid to the benefit of the Receiving Office (RO), the second was a search fee paid to the benefit of the international searching authority carrying out the international search, and the third was an international filing fee which was to the benefit of the International Bureau (IB) and was the main source of income for the PCT and WIPO. All these fees were paid to the RO which transferred the search fee to the searching authority and the international filing fee to the IB. The transmittal fee remained with the RO. In general, all those fees were payable to the RO in a currency which that office had determined as applicable for the payment of fees to it. The international filing fee was fixed in the Swiss franc, as set out in the PCT schedule of fees (as determined by Member States). In the context of determining what the discrepancy between the currency in which the filing fee was fixed (mainly the Swiss franc) and the currency in which it was payable to the RO (a local currency), two questions had to be answered: Was the Swiss franc the currency in which an applicant could pay the fees locally to the RO? If it was not: Was the RO currency freely convertible into the Swiss franc, the US dollar or the euro (the three currencies accepted by the IB)? If the Swiss franc was the currency in which the applicant could pay the international filing fee locally, the RO simply transferred the full amount of 1,330 Swiss francs to the IB. It was worth noting that while the ROs usually accepted only local currencies in order to avoid any exchange rate fluctuations, many offices had determined that applicants could only pay that fee in the Swiss franc and not in the local currency. However, the overall number of offices where applicants could pay the international filing fee in the Swiss franc was rather low. If the international filing fee was not payable in the Swiss franc, the applicant had to pay an amount equivalent to 1,330 Swiss francs in the currency accepted by the RO. This equivalent amount was determined by the Director General of WIPO after consultation with the office concerned. The Secretariat explained the second option. If the RO currency was different from the Swiss franc and was the only currency in which the applicant could pay, the question was whether that currency was freely convertible when the RO transferred that fee to the IB. If it was freely convertible, as shown on slide 5, the RO transferred that fee to the IB in the local currency. In this case, WIPO bore the risk of the exchange rate fluctuation between the date of payment and the date of receipt by the IB. In order to avoid the exchange rate risks, there was an exception to the general rule that local currencies were only acceptable by the RO. Some ROs had specified the US dollar as a possible currency in which these fees could be paid. If the RO currency was not freely convertible, the RO was responsible, at its end, to convert the local currency either into the Swiss franc, the US dollar or the euro and was obliged to transfer the full amount to the IB. So, if an applicant paid 10,000 (in whatever local currency), the RO converted that local currency into the Swiss franc and if that conversion resulted only in 1,250 Swiss francs, the RO bore the risk (in this example it lost 80 Swiss francs because it still had to transfer the full amount of the international filing fee of 1,330 Swiss francs to the IB). There was a second risk involved for the IB, mainly where the local currency, as received by the RO, was the US dollar or the euro. In this case, the IB bore the risk of the exchange rate fluctuation between the euro (or the US dollar) and the Swiss franc. Further exception was that some ROs wished to avoid the risk of having to top up whatever the applicant had paid when they had to pay the full amount to the IB and had determined that the applicant (on the day of filing) had to come up with the exact amount of the international filing fee in the local currency, rather than relying on the previously determined equivalent amount. The Secretariat said that, in the example given where the RO currency was freely convertible, the equivalent amount was set on a particular date, e.g. early October. The applicant filed the international application in early March and paid within one month after filing. The RO processed the application and eventually transferred the fees to the IB in May. Between early October (when the equivalent amount of the filing fee was set) and mid-May (when the IB received fee), the value of the Swiss franc had increased against the currency in which the fee had been paid. That amount converted to only 1,250 Swiss francs,

representing a loss of 80 Swiss francs which was borne by the IB. This was the main source of loss incurred by the IB, in particular, in the last six months during which the Swiss franc had appreciated immensely against many of the RO currencies. In the second example, the RO currency was not freely convertible. The applicant filed in March and paid 10,000 units to the RO. In mid-May, the RO was ready to transfer the international filing fee to the IB. However, between the day on which the equivalent amount of the filing fee in this nonconvertible currency had been set and the date on which the RO transferred it to the IB, the Swiss franc had appreciated against the currency concerned. The RO, when converting that money into the Swiss franc, only achieved 1,250 Swiss francs and was 80 Swiss francs short (as it still had to transfer the full amount of 1,330 to the IB). That loss was to be borne by the RO. Regarding the search fee, the Secretariat added that there was a risk to be born by either the RO or the IB when there were exchange rate fluctuations between the fee set by the searching authority and as paid by the applicant. The Secretariat proceeded to explained how the equivalent amounts of the PCT fees were arrived at. The process was governed by the directives adopted at the PCT Assembly by Member States. The most recent revision of those directives had been adopted in 2010. Under those directives, the Director General of WIPO, after consultation with the offices concerned, established new equivalent amounts. There were two different processes; a regular adjustment process and an irregular adjustment process. The regular adjustment process (which would start in a few weeks time), took place once a year, according to the exchange rate between the Swiss franc and the currency concerned prevailing on the first Monday of October and entered into force (after consultation with the Member States concerned) on the first day of the subsequent calendar year. Therefore, in a few weeks time, Member States would be consulted on the proposed new equivalent amounts fixed on the first Monday of October. Those agreed fees would enter into force on January 1, 2012. More interesting, in the context of the exchange rate fluctuation, was the irregular adjustment process which was consequential to the important changes in the exchange rates. In that process, the Director General specified if for four consecutive Fridays the exchange rate between the Swiss franc and the RO office currency was at least 5 per cent higher or lower than the rate previously fixed. When this adjustment process kicked in, a new equivalent amount was fixed according to the exchange rate prevailing on the first Monday following the expiration of this 'four consecutive Fridays' period and it entered into force two months after having been published in the gazette. An example for an irregular adjustment was: August 5 was the fourth consecutive Friday on which the exchange rate between the Swiss franc and the other currency concerned was at least 5 per cent higher than the last exchange rate applied. A new proposed equivalent amount was quickly established and consulted with the ROs. The ROs commented and usually within a month or so the new amount was fixed, published and entered into force two months after the publication date. However, the process still led to losses generally due to the appreciation of the Swiss franc against mainly freely convertible RO currencies. Delays could exacerbate the losses to the IB. Those delays, to the extent that they took place within the 5 per cent margin, could be on the part of the applicant who paid the fees late, delay by the RO in transferring the fees to the IB or due to the processing by the banks. In the case of the exchange rate fluctuation beyond the 5 per cent margin, the whole process was a relatively slow process of adjustment but that was explainable by the need for time to technically implement those changes at the IB (involving software and electronic filing update). Changes also had to be made locally by the PCT Member States. It was a consultative process involving the countries concerned. There was also the concern of legal certainty. When filing applications, applicants should be aware of the amount of fees they had to pay so that they did not pay less than they ought to because that could eventually lead to the application being withdrawn. Strong appreciation of the Swiss franc against other currencies had also played a role in the last 12 months. If that went up and down and changed every other week, then there would never be the four consecutive Fridays on which the exchange rate was 5 per cent higher than the rate previously set. Every time that, in the third week, the margin dropped beyond 5 per cent, the whole four week process started again and the irregular adjustment process would not be gotten into.

259. The Delegation of Spain said that it had listened attentively to the explanation on the income forecast which was supposed to support the budget proposal. If the Delegation had understood correctly, the forecast was based on the studies of historical data and had three aspects. One was the increase in demand for services which was going to lead to income and the percentage number increases in the number of filings. The second would be the structure of the fees themselves. It was this part which the Delegation did not fully understand but it did understand the explanation. The third aspect was the influence of the exchange rate. If one looked at 2011, there had been an increase of filings and an increase of income (not proportional), which was explained by the exchange rate issue. The Director General, in his opening statement, had said that no one could really foresee how currencies were going to evolve. The explanations by the Secretariat would serve to explain why the income did not come in but they could not help to make an income forecast. The Delegation believed that Member States should focus on the first two aspects: the first was the increase of filings which had been rather well explained and the second, where the Delegation did not see any explanation, how the increase of filings or the structure of the rates had an influence on this income. The Delegation requested explanation as to how the increase affected by the structure of the exchange rate was going to cause an increase or reduction regarding the linear number of filings.

260. The Secretariat was not certain it had understood the question correctly but explained that as regards the historical experience of 2009 and 2010, there were quite detailed documents which showed the impact of the exchange rate on income. As far as the future was concerned, in predicting 2012/13 income, the effect of the exchange rate could not be predicted simply because it was not possible to predict the exchange rate. What could be done, however, and the Secretariat could provide the detailed numbers, was to estimate income based on historical fluctuation of the exchange rate.

261. The Delegation of France wished to clarify the point raised by the Delegation of Spain. It said that the presentation on the forecast for the next year showed income which was much above the increase of filings. If one had a constant exchange rate (because it could not be foreseen), how could this gap between the income higher than the activities (number of filings) be explained.

262. The Secretariat responded that it applied fee structure based on the Swiss franc to the filing forecast as well as to the forecast on the use of certain discount schemes. Any type of the exchange rate effect was ignored. The Secretariat said that it knew that, by all likelihood, in 2011 the exchange rate effect would have a negative impact on the revenue so it was expected that the revenue growth would fall short of the filing growth. This also meant that, if on top of the filing growth in 2010, there was a filing growth in 2011, the filing growth in 2012 would lead to a higher growth in income as compared to the filings in 2012. On the assumption that there would not be any exchange rate effect in 2012 (there was still negative exchange rate effect in 2011), the revenue growth in 2012 would exceed the filing growth in 2011.

263. The Delegation of Germany recalled that the 2010/11 budget was based on an average income of 1,336 per filing. Actually, for the 12 months of 2010 it was 1,301 (35 less). For the six months of 2011, it was 1,257. This meant almost 80 less per filing than expected. The budget plan for 2012/13 was based on an average income of 1,305 and a new one that the Delegation calculated as 1,290. In the Delegation's view the results for first six months of 2011 were the figures to compare and use for forecasting so that any calculation was based on the confirmed facts.

264. The Secretariat responded that according to the figures, the income in the first six/seven months of this year had been stagnant. However, the Secretariat thought it wrong to extrapolate this for the remaining part of this year because fees were adjusted and the exchange rate could not be predicted. Therefore, a neutral, unbiased forecast should be taken. As seen in the projection shown by the Secretariat, the projected income growth for 2011 was significantly

lower than the expected filing growth but was still above zero and the effect of the exchange rate had been incorporated into it.

265. The Delegation of the Republic of Korea referred to the PCT filing graph showing a 2.0 per cent growth in the PCT filings (in 2002) while the overall economy situation had not been very bad and requested the Secretariat's opinion on what might have caused that. In the Delegation's view, the trend in 2011/12 was quite similar to 2009 while the data provided by the Secretariat indicated otherwise. The Delegation inquired as to the similitude of the process between 2008/09 and 2011/12.

266. The Secretariat explained that the experience in 2002 had been shaped by what was colloquially known as the bursting of the Internet bubble, which had affected patent filings especially in the PCT sector. The economic performance in 2001 had been weak, which had caused a lasting effect of the bursting of the Internet bubble on the international filings. The Secretariat added that this was its non scientific reaction to those figures. Regarding the experience in 2009, the situation at present and the outlook for the remainder of this year and 2012, it should first be noted that this was clearly not like the situation at the end of 2008/beginning of 2009, in a sense that the deterioration in economic conditions in 2009 had been the sharpest deterioration since the Great Depression of the 1930s. The global GDP growth had fallen more than 5 per cent in terms of the growth rate of the global economy. It had not only been the fall of the worldwide GDP but also the speed at which it had happened. The Secretariat recalled that, at the end of 2008 and the beginning of 2009, there had been not only an economic crisis but a major financial crisis. It added that, at some point, there had been a question whether the world "as we know it", at least the economic world, would continue to exist the way it had existed before. That had clearly affected expectation on the part of companies about the size of the future market that they faced. In comparison, the latest economy indicators showed the slowing economic activity in the United States of America, the major European countries as well as Japan. There were some predictions that, technically, economies might move into recession. The Secretariat opined that, technically, a recession, at the least as defined in the United States of America, meant that there were more than two quarters of the negative GDP growth. At present this was not the case despite the fact that most major jurisdictions had revised their GDP growth downwards for the first quarter. However, there was still positive GDP growth in the major jurisdictions. The Secretariat added that it was not capable to foresee how the current debt crisis in Europe and the uncertainties of the world's economy would play out in the remainder of 2011 and in 2012/13. The Secretariat believed that its approach was the most one that could be taken under the circumstances and added that the IMF would soon come out with its revised economic forecast that would certainly be incorporated into the model used by the Secretariat.

267. The Delegation of Japan thanked the Secretariat for the extensive information, especially on the effect of the exchange rate on the PCT income and was proud that Japan was referred to as a country doing exceptionally well in the PCT filings. The Delegation had slight difficulty in understanding how the prediction related to the actual income; partly because the information given had been so extensive. To help it understand those effects, the Delegation requested the update of chart 7 and the accompanying table in Annex IV of the proposed Program and Budget document.

268. The Chief Economist responded that the update of the table was partially contained in the slide on July 2011 forecast. He added that the Secretariat would be happy to provide the remaining information (not included in the slide). In addressing the questions raised by the Delegations of France and Spain on why income growth in 2012 would exceed filing growth if the exchange rate effect in 2011 was negative, the Chief Economist wished to present an hypothetical example. Suppose that in 2011, the PCT had 100,000 filings which under the normal conditions, i.e., no exchange rate effect, would generate 100 million Swiss francs in revenue. With the exchange rate effect, those 100,000 filings would only generate the revenue of 95 million Swiss francs. Then, in 2012 there would not be any filing growth. There would

thus be, again, 100,000 filings but this time there would not be any exchange rate effect. Therefore the total revenue would be 100 million Swiss francs, keeping in mind that filing fees were always updated with some delay to take into account the exchange rate changes. That meant that, if one compared the income in 2011 (95 million) and the income in 2012 (100 million), there was an income growth despite the fact that there was no filing growth. This was essentially how the mechanism worked.

269. The Delegation of Japan, in clarifying its request, said that it wished to see the overall picture in the table for chart 7 (the effect of the exchange rate gain and loss by the exchange rate, and also by the gain and loss by the payment rate) for the trend from 2009 to 2015.

270. The Chief Economist said that this information would be provided.

271. The Delegation of Spain wished to better explain its previous question. It observed that, according to the presentation, the income forecast was based on three elements: first, an increase in filings that could be measured in terms of percentages. However, the increase in itself did not explain the development. Second, the increase in the number of filings was not linear in respect of the increase in income because of the fee structure (less increase in fees meant less income). Third, the rate of exchange which explained the variations and which could be good or bad for income. This third element (the exchange rate), as the Director General had said, since nobody could forecast it, was not worth taking into account because nobody knew what would happen in the future. Therefore, concentrating on the first two elements: the increase in filings and the second one which could be measured and which the Delegation had not seen in any of the tables. The explanation was missing how the exchange rate was going to affect the increase in income, i.e., how the increase in a particular country or in a particular exchange rate was going to affect income.

272. The Chair commented that there could not be a specific answer to the comments made by the Delegation of Spain. He added that the Secretariat had provided its prevision to the best of its ability in order to provide Member States with information. On certain points, Member States had to go along with the previsions, accept the commitment made by the Director General to restrain spending towards debt and adjust spending to the reality. The Chair remarked that Member States could always wag their fingers at the Secretariat if things did not work out. He emphasized that although it was very important to have the exchange of views, at the end of the day, Member States had to accept that it was a behavioral finding, there were a lot of externalities involved that could not be predicted.

273. The Chief Economist said that he would attempt another explanation. He pointed out that part of the problem might be the interpretation, as he had difficulty understanding precisely what the Delegation of Spain was trying to get at. He said that, looking at these two elements, the average fee as well as the exchange rate, one had to keep in mind the following: it was true that both, the use of various discounts as well as the evolution of the exchange rate, did affect the income received by any particular country. The following was done in the forecast modeling: the Secretariat applied a trend model to forecast the use of particular discount schemes which concerned reduction for e-filings and certain discounts that existed for individual applicants from developing countries. If in any given year the share of filings benefited from a discount, that would have an impact on the average fee. This was part of the forecast model. The Secretariat did not look how the average fee changed due to the exchange rate affect. That was a separate effect that would invariably affect the average fee received from any given country. Because one could not predict the exchange rate, the best the Secretariat could do was to apply certain upper and lower bounds. In terms of the trend with regard to the different discount fees, there was a certain trend over the last five years. The share of e-filings had gone up constantly and, by all likelihood, it would continue to do so. That fact did have a negative effect on the average fee and that factor was incorporated in the forecast. Clearly the effect of the transitional exchange rate movements on the average fee in a particular country was not incorporated. In principle, the Secretariat could show more detailed results by the major

jurisdictions for which it ran its forecast model if the Delegation of Spain was interested in seeing them.

274. The Delegation of Pakistan, having listened to the explanation of the forecasting models, requested more detail on the level of predictability (historic prediction variations) regarding the first two models described by the Chief Economist. Secondly, the Delegation believed that the prediction of growth seemed a little conservative in view of the 10 per cent growth in the PCT filings in the first 6 months. The Delegation requested the details of growth for the last five years before the crisis. The Delegation recalled that there were two basic components affecting growth forecast. One was the increase in demand (number of filings), which was shown in terms of percentages and the other was the fluctuation in the exchange rate. The Delegation wished to know how much effect these two components had on the eventual outcome.

275. The Chief Economist responded as follows. On how the models had performed historically, he said that, in general, the Secretariat's forecast models had done well except in 2009 and that not only concerned the forecast of patent filings but any forecast at the end of 2008/09. Since then the forecast had been accurate and would remain so if there were no major surprises regarding the global economic situation. There was a trend built into the PCT model, that was fairly ongoing, that ultimately was determined by companies' strategies and which, at least to some extent, was immune to a broader movement of the economic activities, at least in the short and medium term. The Chief Economist confirmed that the Secretariat's forecast model, in normal times, did perform relatively well. He added that it was far more challenging to predict income (especially in the very short term) than it was to predict filings, simply because of other factors that affected income. At the same time, the effect of payment delay should not affect income in the long term, in a sense that payment for a particular filing was not received in any given year but in the following year. Therefore, the exchange rate exposed WIPO to certain short term risks which had been especially dramatic this year because of the dramatic movement of the Swiss franc. The Chief Economist further added that, normally, it was not that severe and that the Secretariat had examined the historical impact of the exchange rate changes on income. The Secretariat had concluded that the range was plus/minus 2 per cent, which was included in the income forecast. Even though for the first six months of this year it had been more than 2 per cent, given that fees were being adjusted and the Swiss franc was more stable, the 2 per cent might be true for 2011 as a whole. The Chief Economist invited delegations to consult the PCT yearly review available on the WIPO web page and added that, every month, a PCT monthly review showing monthly data and the historical figures was published there as well.

276. The Secretariat responded to the question on the reliability of the models. He stressed that the reliability of forecasts was of extreme importance to the PCT Operations Division and added that forecasts were indispensable tools. They were not 100 per cent accurate because they were forecasts but they were surprisingly reliable. The Secretariat said that the PCT Operations found them very helpful, to the point that it would be unimaginable to work without them and added that anybody would be very hard pressed to find an alternative method that yielded better results.

277. The Delegation of Morocco appreciated the exhaustive explanation and the statistics provided by the Chief Economist and the Secretariat. These statistics showed that many countries, in particular in Africa, could accede to the PCT services. Therefore, the Delegation inquired whether a strong Swiss franc was an additional factor constituting an obstacle to the development or the access to the PCT services by the developing countries and LDCs.

278. The Secretariat explained that the effect of strong Swiss franc on local fees to be paid was, to great extent, mitigated by the fact that there was a 90 per cent fee reduction for developing countries and LDCs. Nevertheless, there was no doubt that the stronger the Swiss franc, the higher the entry cost became for applicants to use the PCT as a filing mechanism, as fees to be paid to the PCT and to the IB were set in the Swiss franc.

279. The Delegation of Algeria appreciated the excellent presentation made by the Secretariat as well as the caution expressed by other delegations. The Delegation remarked that it was always starting to be complicated to try to say it as simple as one could to be clear. From the Delegation's point of view, the figures and the explanation presented by the Secretariat showed a growing filing trend; more filings would also mean more income. The Delegation understood that, historically speaking, the performance of the model had shown that the forecast had always been a respected one [close to the result obtained] and that the model took into consideration many elements, such as the exchange rate, the calculation of the fees and the transfer of the fees. The Delegation said that delegations were trying to make a link between the economic and financial situation in the world and the PCT filing system. It added that it was happy to note that the two situations were not the same, i.e., that the filing trend was the opposite of the global economic and financial situation. Therefore, the Delegation was of the opinion that WIPO's income for the next years would be very positive.

280. The Secretariat, as a general remark, recalled what the Director General had said, i.e., that the PCT filings were consequential to the happenings in the economy. He added that the Organization's revenue was dependent on more than a simple multiplication of a number of filings by the amount of a fee. If that was the case, WIPO would not need a chief economist to explain the various factors such as average fees, payment delays, the exchange rate affect and how the Organization dealt with them in the context of its day to day reality. The Secretariat recalled that two colleagues from the PCT had also tried to explain the mechanisms in place to mitigate the risks associated with these improbabilities. The subject of projections could be discussed at any length but, at the end of the day, these were only the Secretariat's projections. The Secretariat observed that several mechanisms were available if the projections were wrong (as the Director General had already pointed out) and that the budget could be adjusted as the Organization moved forward. The mechanisms were: flexibilities, a revised budget and the Crisis Management Group, which met with the Director General at least every month to ensure that the Organization's revenue was on track and that no counter measures were necessary. The Secretariat remarked that, at some point in time, Members would have to understand that the reason for the Secretariat's presentation was to help Members understand how the Secretariat made revenue projections and, at the same time, to show what mechanisms existed to mitigate the risks of those projections.

281. The Delegation of the Republic of Korea inquired whether it understood correctly that two models were used in forecasting: a forecasting model and an econometric model. If the PCT filing trend was proportional to the economic growth rate then the econometric model was used. If the filing trend and the economic growth were not coherent, the Secretariat used the forecasting model.

282. The Chief Economist explained that it was not exactly how projections were arrived at. The Secretariat run two models: the trend model the other one based on gross domestic product (GDP) values. First, the two models were looked at to see how different they were. The good news was that, at least for the subsequent two years (2012/13), the models were largely consistent with each other. In such a case, the Secretariat took an average of the two models, however, the results would not be much different if only one model was chosen. The Secretariat observed that it saw greater model discrepancy from 2014 onwards, where the GDP based model was far more optimistic than the trend one. In this case, the Secretariat opted for the trend model, the more conservative one.

283. The Delegation of the Republic of Korea remarked that in the trend for 2011/12 or 2013 there was a rapid growth of the PCT filings in the Eastern Asia, Japan, China and the Republic of Korea. If the Delegation wished to understand these figures, it would have to understand the background or the underlying reason why the East Asian countries were filing more. It requested information whether the applicants from those countries filed the PCT instead of domestic applications or whether the increase in the overall filings and the PCT filings increased. The numbers showed that the proportion of the PCT filings was increasing but there

was no reason for that. In this case, the rapid growth of the PCT filings more than offset the inevitable impact of the recent economic difficulties.

284. The Chief Economist replied that, in the case of China, it was quite clear that the sharp increase of filings did reflect the tremendous economic growth in the country (around 10 per cent a year for the last 15 years or so). The country had a tremendous savings pool that could finance large investments in infrastructure as well as in research and development. Patents were one output of the research and development activities, when those activities went up, patent filings grew as well. The Chief Economist further said that, in his opinion, there was an evolutionary process underway in China. Ten years ago most of the filings had been domestic while, at present, an increasing number of the Chinese applicants sought patent protection abroad. As mentioned in the presentation slides, only a minority share of those filings go for the PCT system. The Chief Economist did not expect to see 50 per cent growth rate from China over the next ten years as saturation would be settling in. At the same time, it was reasonable to expect a healthy growth from China over the coming years. In the case of Japan, a lot had to do with the fact that Japanese companies were more interested in seeking protection in a greater number of countries and that had largely to do with the outward investment strategy of the multinational companies in Japan. It also had to do with the strategic adoption of the PCT system by the Japanese companies and the fact that the Japan Patent Office (JPO) did encourage Japanese applicants to use the PCT system. It was also remarkable that, notwithstanding the stagnant economic growth and the fact that the crisis had led to a fall in domestic filings, there was continued growth in the international filings and a healthy filing growth under the PCT system.

285. The Delegation of Egypt echoed the sentiments expressed by the Delegations of Algeria and Pakistan i.e., that the forecast was based on conservative factors. Regarding the exchange rate, it had been accounted for as per paragraph 13, Annex IV of the budget document which indicated that, for the budget purposes, the income forecast had been adjusted downwards by 1.5 per cent as a risk aversion adjustment to take into account the change rate fluctuation. It seemed to the Delegation that different variables had been accounted for on a conservative basis. For the benefit of further discussion, the Delegation requested the Secretariat to provide tables for the PCT income forecast showing the best income scenario and the worst income scenario, in terms of number of filings and income generated.

286. The Delegation of Japan requested Secretariat to provide a breakdown of the overall income and expenditure as of July 2011, in a similar way to the manner in which data were provided in Table 4 (financial summary) of the budget document.

287. The Chair remarked that the information on the best and the worst case scenarios was shown in chart 7 and added that pages 13 to 15 (of the budget document) provided the scenario with variables. He added that the update would be made available later that afternoon.

288. Following lunch break, the Chair opened discussion on the Proposed Program and Budget for the 2012/13 biennium and opened the floor to general statements by Delegations.

General statements

289. The Delegation of Switzerland, speaking on behalf of Group B, thanked the Secretariat for the Proposed Program and Budget for the 2012/13 biennium, for holding consultations over the past few months as well as for the detailed presentation made that day. Group B recalled that following the release of the first draft of the Proposed Program and Budget in May, the Group B members had voiced concerns over the Secretariat's projected revenue increase estimated at 4.7 per cent and the fact that it had projected too much expenditure with that increase. Group B recalled that it had said that, with a fragile global economy, WIPO should act more conservatively in projecting income and lower the expenditure level in order to ensure a budget surplus, the level of which remained to be determined. WIPO should be prepared, with its

Member States much better informed, to adjust the income it received. Group B thanked the Director General for addressing the Group's concerns and took note of the steps taken to reduce the increase in expenditure to a 3 per cent level. It also thanked for the information provided in the Q&A paper (answer number 12). Group B considered that WIPO should strive to provide value for money and make necessary cuts to achieve savings and efficiency gains over the biennium. These saving and efficiency gains should be permanently institutionalized and be based on clear data. Group B said that more measures should be identified in the future biennium through the continual cycle of internal and external analysis and sharing of the results thereof with Member States. It called on the Secretariat to strive for a lean and efficient Organization. It believed that, through the short and long term efficiency gains, the Organization would achieve more sustainable growth and be in a better position to deliver its services. Group B had identified a number of gains during the 17th session of the PBC that could be arrived at through making some much needed cuts. The Group had suggested, *inter alia*, a 10 per cent reduction of honoraria, the SSA and commercial services, communications, travel, staff costs and conferences. It had stated then and still maintained that these cuts would bring the budget to a more acceptable level, without affecting the services of the program that WIPO offered, especially the PCT and the Madrid system. The Group said that while program narratives in the budget document had been improved and answers were provided to Member States' concerns, the proposed budget had not been sufficiently revised. Group B reiterated its support for a budget reduction in view of the continued uncertainty regarding the state of the global economy which did not justify the proposed increase. Accordingly, Group B stated that, in the interest of sound fiscal management, the Organization should ensure that it only spent at the level of fees that it collected, that it would most likely be necessary to revise the budget mid-term, the reserves should not be used to bridge the gap if there was a deficit and that the Secretariat should continue with reforms and improvement of transparency of the budgetary process. Group B was confident that, through pragmatic and focused discussions, the desired reduction in expenditure could be reached through savings and efficiency gains whilst maintaining the health of the Organization. Group B stood ready to work in a constructive manner to make this goal a reality.

290. The Delegation of Spain thanked the Secretariat for the presentation earlier that morning. The Delegation shared the view expressed by the Delegation of Switzerland (on behalf of Group B) a few months ago. With great regret, the Delegation was compelled to repeat the statement made during the June PBC session, i.e., that the proposed budget should have been substantially revised, bearing in mind the concerns expressed by Member States. The Delegation said that it would express its detailed view during the program-by-program discussion. It added, however, that there were two general ameliorations that should be considered. The Delegation stated that it could not accept as valid the 4.7 per cent budget increase. Since it could not accept that increase, it therefore could not accept the 3 per cent either because if, as the Director General had said, it was inevitable to increase the budget by 4.7 per cent. If that was absolutely inevitable then how a 3 per cent increase was going to be acceptable without affecting programs and the functioning of the Organization. The Delegation recalled the statement made by its colleagues from the revenue office that the impact of the 4.7 per cent was not considered in a timely manner and added that it did not understand why th4.7 per cent increase in patent filings represented a 4.7 per cent increase in the budget when 4.7 per cent in filings did not represent an equivalent increase in the revenue. The Delegation believed that the Organization had been speculating on its foundation, which was not the way to draft a budget and which was not transparent. The Delegation did not understand how the financial inputs were calculated. By way of example, the Delegation recalled that when two years ago Member States had been asked to approve construction of a new conference hall, they had been told that conference rooms for rent in Geneva would not be available for the dates needed. However, WIPO meetings had been held in the Geneva conference center on the dates that they had always been held. The Delegation did not understand the urgency or the basis to approve this major construction project. The Delegation recalled the information provided in the presentation, where one of the slides showed that the PCT growth was down by 4.5 per cent in 2009 and that there had been an increase of 5.7 per cent in 2010. The

Delegation wondered whether the 5.7 per cent increase was based on zero or it was an increase over the preceding year. It said that the numbers presented to Member States were purely hypothetical and that was why Member States could not permit unjustified adventurism in the current economic situation. In general terms, the Organization required, above all, an improved management (as compared to what it had at present). The Delegation said that it was not a question of one program or another but a question of management, savings and working harder and better.

291. The Chair announced that additional information and tables requested by delegations, including breakdown of development spending per expected result and program and results obtained until July 2011, were available at the document counter.

292. The Delegation of Japan thanked the Secretariat for its quick response and provision of the requested information. Unfortunately, as the Delegation had not yet had a chance to examine the new tables, its statement would be based on the previously available figures. The Delegation fully supported the statement made by Group B. As a general comment on the Program and Budget, the Delegation emphasized that the Secretariat should take more prudent approach to the proposal, with a view of ensuring sound and sustainable management of the Organization. To that end, the Secretariat should draft such a Program and Budget proposal as conservatively and safely as possible, taking into account the fact that there had been wide discrepancy between the income projection appearing in the 2010/11 Program and Budget document and the actual income. The main area of the Delegation's attention was the general income trend and forecast and the expected 4.7 per cent increase in the revenue. The Delegation understood that the increase ratio was based on the approved 2010/11 budget, namely 618.6 million Swiss francs as shown in Table 2 of the proposed 2012/13 Program and Budget document. However, if one set the baseline to the actual income, the increase in ratio would be different. If the baseline was calculated using that latest information from Table 4 (WIPO Observatory, second quarter tables), the actual budget would be 586.3 million Swiss francs. Then, when one calculated budget increase ratio using that particular figure, the increase ratio for 2012/13 would be 10.4 per cent instead of 4.7 per cent. The Delegation wondered if the income forecast was realistic, in face of the global economic situation. Therefore, the Delegation had not understood how the Secretariat's optimistic estimate was possible despite much discrepancy in the recent estimate, which the Delegation had mentioned earlier. The Delegation referred to the figures in Table 4 of the proposed Program and Budget document. The figures on the expected "Miscellaneous Income" in the High Case and the Low Case scenarios for the 2012/13 biennium were identical. With regard to the expenses, while staff expenses constituted two-third of the WIPO budget, the Delegation wondered if the estimated 4.2 per cent increase should be maintained not only for the next biennium but also afterwards. The Delegation requested clarification for the reason for the increase in the staff cost and requested better coordination for restraining such costs.

293. The Delegation of India, speaking on behalf of DAG, welcomed and supported the proposed budget as presented by the Secretariat as well as the proposed 4.7 per cent increase, which DAG believed was based on sound and substantiated predictions. The proposed increase was based on the assumption that the revenues from the international registration systems would continue to grow in the coming years. In 2010 these revenues had already been back to the pre-crisis levels, as confirmed by the Chief Economist and the Secretariat in both the present and the June session. Annex IV to the proposed Program and Budget document and Answer 11 of the Q&A paper provided details on the expected revenues' trend. Paragraphs 13 and 23 of Annex IV explained that the PCT and Madrid system income was calculated on a prudent and conservative basis. With regard to the PCT, Answer 11 of the Q&A paper stated that the filing forecast was based on an econometric model that took into account historical filing trends and the expected growth of the world economy. The latter was based on the GDP forecast published by the IMF. All the figures were based on the base case for the international registration systems and it was well argued that base case had always been used for income projections for the biennial Program and Budget. Indeed, DAG did not see any change in the

projections presented by the Chief Economist from what was seen in the budget document. In DAG's view any changes to the overall proposed budgetary envelope should be made only if there was a substantial change in the material facts that would alter the econometric assumption. As regards the expenditure, DAG said that the proposed Program and Budget document made it clear that expenses were related to the increase in demand for WIPO services relative to the international registration services as well as priorities related to development and nominative areas, amongst others. DAG had reasons to believe that the expenditure estimates were conceived in order to match the level of service required by the stakeholders of the Organization in the context of increased demand. DAG was therefore surprised at the announcement made at the start of the session that the overall budgetary envelope was proposed to be decreased from 4.7 per cent increase to 3 per cent. DAG thanked the Director General and the Secretariat for reassurance that this decrease would not entail cuts in development oriented expenditure. DAG considered that, independent of the final percentage of increase in overall expenditure, the proposed share dedicated to development should not be reduced, in accordance with the high priority attributed to the DA in the proposed budget. DAG observed that any reduction in that share would be inconsistent with the explanation provided in Answers 23 and 24 of the Q&A paper as well as with the Results Framework overview in the Program and Budget document (which reflected the approach to development activities and WIPO commitments to mainstreaming the DA). DAG wished to examine the details of the cuts proposed in order to bring down the overall expenditure from a reasonable 4.7 per cent increase to 3 per cent.

294. The Delegation of the United States of America supported the statement of made by Group B. The Delegation welcomed the proposed Program and Budget and appreciated the effort that went into preparing the proposal. It strongly supported the important work that WIPO did. It added that in the organizations throughout the UN system, all major contributors had urged increased budget discipline in line with the ongoing economic downturn which had been causing countless organizations in both the public and private sectors to reduce their budgets and contain cost. The Delegation said that its Government, and other governments, were currently cutting their budgets and the services that they provided to their citizens and that the United States Government had instituted a freeze on the salaries of federal employees. Therefore, the Delegation considered the proposed 2012/13 Program and Budget from the perspective of looking not only to see whether the level of resources for each WIPO program was appropriate but also whether WIPO was pursuing the kind of economies and efficiencies that many governments and other organizations were undertaking. The Delegation noted that, for example, WIPO would save several million Swiss francs annually for no longer needing to pay rent for temporary facilities to house staff while the new construction project had been under way. The Delegation said it would make further comments during discussion of the agenda item relating to the new construction project and hoped that WIPO would be able to achieve further savings in this area by eliminating the need to rent space in the CAM building. While reviewing the 2012/13 proposed Program and Budget, the Delegation also noticed substantial increases and certain other costs, such as double digit increases in expenditure for conferences and experts' honoraria, which it found extraordinary in size. It also noted the increase in costs associated with regularizing and reclassifying staff posts. It remarked that WIPO might be the only organization in the UN system that was proposing non mandatory increases in personnel costs such as these. While the Delegation strongly supported the work that WIPO did, it had considerable reluctance about supporting costs increase such as these, given the current economic climate, and wished to see WIPO do more to contain cost. The Delegation shared the concern expressed by other PBC members that the income received in the coming year could turn out less than projected in the budget proposal. Nonetheless, the Delegation did welcome and took note of proposals made by the Director General to cap expenditure at 3 per cent and to impose further cost containing measures. It thanked the Secretariat for its presentation on income forecast models and the PCT fee processing, including adjustments. The Delegation observed that all Members could agree that these issues could be only looked at in the context of the projections and the forecast. There would not be any concrete and exact answers with respect to the income in 2012/13 that could be given that day, as that was not

predictable without a crystal ball. Therefore, the Delegation suggested to include three provisions in the PBC recommendation to the Assemblies in order to ensure that WIPO maintained proper stewardship of its resources. One, the level of expenditure incurred during the biennium should not exceed the level of income received. Two, reserve funds must not be used without Member States' approval to cover any excess in expenditure over income. Three, the Director General should submit a revised budget based on the updated income and expenditure data, for consideration by the PBC at its regular session next September. As the PCT, the revenue generating source of the Organization, was in need of further improvement in the area of electronic support, the Delegation continued to support its call for setting aside a portion of fees for the PCT IT infrastructure, particularly if WIPO were to achieve a budget surplus in the upcoming biennium.

295. The Delegation of France fully supported the statement made by Group B. It added that a lot of additional information had been provided by the Secretariat since the June PBC session. However, this had made it rather complicated to consider the budget since the Delegation (and other Member States) had not had the time to consider that new information. It suggested considering fewer things at one time. It recognized the high quality of the information provided in the Q&A paper, which was extremely well drafted and was an attempt to fully understand what kind of information Member States required; the information was the result of the questions posed during meetings, some of which were simple and some of which were extremely complex. The Delegation stated that zero growth would be ideal from its point of view and hoped that transparency would increase, that the data provided to Member States would be increasingly intelligible and that concrete measures of governance would be undertaken in order to increase efficiency in the manner in which the Organization worked. The Delegation clarified that Member States were not trying to micromanage the Organization but wished to indicate horizontal direction and wished to invite the Organization to change its behavior in order to improve, without in any way affecting the scope or the direction of its mandate. The Delegation added that a number of suggestions had been made by the Delegation of the United States of America. It believed that the very special nature of WIPO should be stressed; it was special in many areas, including billing for its fees. That was why the Organization needed to provide very precise information on the linkage between its activities and cost structures, in particular. In principle, the Delegation was willing to consider an increase in the budget and remarked that such position had been rarely expressed by the Delegation in the last two years. It added that Member States should be in a position to approve the budget, being certain that it would not require transfers similar to those made in the current biennium, or the use of extra funds in the event the revenue was inferior to the one expected. To achieve this goal the Organization should (i) continually strive to contain its operational and personnel costs to ensure that there was either a surplus or a balanced budget and (ii) ensure that there was no de-budgetization of the unavoidable long term expenditure. Regarding ASHI, the Delegation recalled its position taken at the June session i.e., that it was not opposed to reducing the benefits but saw a problem in integrating those benefits in a budget which had been presented as balanced. The Delegation restated that while it did not object to the idea, it objected to it being presented in a rather nontransparent manner. It was willing to accept this in a context of a real crisis situation. The Delegation did not consider a 4 or 5 per cent increase in income as a crisis situation. The critical situation would be when income was stagnant or drastically reduced. Finally, the Delegation wished for a budget based on a vision for development, which was a major political priority of the Organization and a budget giving Member States a clear picture of what exactly the Organization was doing in the area of development. The Delegation considered it perfectly legitimate to imagine certain increases in costs in the area of development (as defined by WIPO). It added that Member States needed a clear explanation of the cost, either for physical persons or government in the developing world, to know exactly to whom and for what the money was going, in order to be able to support such proposal. In conclusion, the Delegation emphasized that much progress had been made and, at present, the Delegation wished to know how a budget with a 3 per cent growth, and one that would respect the principles expressed by the Delegation in its statement, could be achieved.

296. The Delegation of South Africa, speaking on behalf of the African Group, was satisfied with the explanations on the 4.7 per cent growth that had been provided during the June PBC, the informal briefings and the Q&A paper. The African Group was very happy with the explanation given to Member States on how the Secretariat arrived at this 4.7 per cent. Similarly, Answer 12 in the Q&A paper also addressed the issue of what would happen if the 4.7 per cent was not met. The Director General had explained what mechanisms existed to that effect. The African Group was certain that a middle ground could be found between the view of “no growth” and that in favor of the increase. The African Group was willing to look at whichever option but, for the time being, wished to emphasize that it supported the increase in the budget and that it found the documents produced by the Secretariat satisfactory. It recalled that in the morning session, certain delegation questioned the credibility of the projection models but to the African Group it appeared that it had been a well established norm [forecasting method] and it saw no reason to question it. The African Group felt reassured that the PCT was doing well. It emphasized what the Director General had pointed out i.e., that WIPO was different from other UN organizations because it generated its own revenue, had large surplus in reserves and, in contrast to other international organizations, had its own funds. Therefore, Member States should not worry about the money. The African Group did not support the view expressed by some delegations that budget should be based on surplus. It said that the money was there and Member States should be forecasting how to spend it. It added that the African Group had already identified certain activities that it wished WIPO to prioritize. The African Group believed that Member States should be constructive in their engagement and give the credit when due and added that it was very happy with the presentation on income forecasting. It remarked that most delegates were economists who constantly used and made projections and used models that should not be questioned. The African Group called on delegations to cease questioning projection models but instead engage constructively on how to move forward. It also requested clarification (similarly to the Delegation of India) on the implication of the proposal for a 3 per cent increase instead of the 4.7 per cent, i.e., where the cuts would be. It emphasized that it would not envisage any cuts to the developing countries’ activities.

297. The Delegation of Switzerland thanked the Secretariat for the work it had undertaken to prepare the documents particularly on this agenda item, for the useful oral and written information provided in the course of the consultations and briefings held prior to the session. It acknowledged the Secretariat’s efforts to provide the information requested by Member States as clearly and transparently as possible. The Delegation therefore wished to note the tremendous progress made by the Secretariat since 2009 in this regard, regardless of the reforms which had also been undertaken and were still under way. It encouraged the Secretariat to continue along the same lines. As a general comment, the Delegation also commended the Secretariat for having achieved transition to IPSAS. As confirmed by the External Auditor, WIPO was one of the first international organizations to have done so. It also appreciated the information provided on the appointment of the new head of the IAOD. It congratulated the Director General on the progress made in the implementation of the Strategic Realignment Program and said that it fully supported reforms undertaken which sought to avoid duplication within the Secretariat and aimed to increase synergies in order to increase efficiency and effectiveness of the Secretariat in recent years. As it had stated during the 17th PBC session, the Delegation recognized that the new improved performance indicators allowed Member States to identify problems. It urged the Secretariat to continue with these reforms. In view of the discussions in the 17th PBC session, the consultations held since and the information furnished by the Secretariat, the Delegation believed that positive results would be obtained in the present session as regards the 2012/13 proposed Program and Budget. The Delegation stated that the budget document contained numerous useful proposals and was an excellent basis for the development of various areas, e.g. in the area of standardization, structural changes, the PCT and the areas where improvements were necessary for the Organization to fulfill its commitment. The Delegation reflected that the opinions expressed by Group B aimed to encourage the Secretariat to continue in a proactive manner to identify those areas where improvements could be made in the budget and should be understood as a desire to ensure that the Organization continued to achieve its goals in the future. As expressed on

numerous occasions, the Secretariat could look more closely at the structural cost of the Organization, particularly staff cost, and make a proposal at a future PBC meeting. In this context, the Delegation welcomed the Director General's proposal to reduce the increase in expenditure to 3 per cent. In the Delegation's view, Member States should take into account the particular nature of WIPO, its methods of financing and its requirements requisite to its functioning.

298. The Delegation of Slovenia, speaking on behalf of CEB, reiterated the Group's position on the proposed 2012/13 Program and Budget. Namely, CEB supported the proposal, as amended during the informal session of the PBC. However, CEB was in favor of exploring feasible options, within the proposed budget, for cost savings and reduction in expenditure. CEB added that any potential cuts should not negatively affect result oriented goals or hinder the essential service provided by WIPO. It emphasized that, in searching for efficiency gains, Member States' main goal should remain a well functioning Organization. CEB recalled that several interesting proposals had been made on how to rationalize expenditure and align expenditure with income regardless of the highly disputed forecast. CEB believed that there were mechanisms on how to link expenditure to real income, not only to the forecasted one. CEB also thought that the alternative proposals made by other delegations should be looked into. CEB assured of its full cooperation in such process.

299. The Delegation of Sweden thanked for the well prepared documents. It supported the statement made by Group B. It was concerned about the high level of reliance and expectation from the PCT income. It thought it wise to prepare a "plan B" i.e., a budget with expenditure at a far lower level in order to guarantee a result without running into deficit. The Delegation emphasized that any savings made should not affect the PCT and Madrid system (development of the use and education in these systems).

300. The Delegation of Brazil stated that the present PBC session was especially relevant in the context of the state of the world's economy and its consequences on all Member States countries. In a world where knowledge and information (which translated into IP) were critical, the role of the Organization to foster economic development would be increasingly important. The Delegation thought that the proposed 4.7 per cent increase in expenditure (and revenue) for the next biennium was constituent with the need to continually improve the level of services provided by WIPO. It was also important to implement the initiatives under the DA and to mainstream them across all Strategic Goals and all relevant programs of the Organization. The Delegation took note of, and thanked for, the presentation made by the Chief Economist. It also thanked the Secretariat for information provided in Annex IV of the budget document and the Q&A paper. The Delegation supported the position of DAG with regard to the proposed 4.7 per cent increase, in both the revenue and the expenditure. It believed that the explanation provided in the PowerPoint presentation gave reasons to believe that the upwards trend in the Organization's income was realistic. In fact, the presentation provided the correct risk scenario. This Delegation believed that only a strong and efficient Organization could meet Member States' and the world's needs. In this context, the Delegation called for caution when discussing growth. It agreed that cost containment and efficiency gains were crucial to enhancing the Organization's control over its financial performance. However, Member States should not hurt programs needed by them or affect the quality of WIPO services.

301. The Delegation of Ghana expressed deep appreciation to the Chair for the way he conducted the meeting and had full confidence in his ability to steer the PBC's work to a very successful outcome. The Delegation fully aligned itself with the statement by the African Group. It believed that concerns raised by the African Group were pertinent and worthy of serious consideration. The Delegation endorsed the call for the Secretariat to provide Member States with explanation how the proposed cuts would be implemented, bearing in mind the assurance received from the Director General on the safeguards put in place to ensure that development projects were not adversely affected.

302. The Delegation of Pakistan welcomed the proposed 2012/13 Program and Budget and thanked the Secretariat for the briefings organized prior to the session. The Delegation aligned itself with the statement made by DAG. It also took note of the responses given by the Secretariat to the queries raised by DAG regarding development issues. The Delegation did not believe in micromanaging the Organization but, at the same time, wished to see the proposal for expenditure leading to enhanced efficiency whilst keeping development at the forefront of the Organization's program. Since the Director General had mentioned capping the budget increase at 3 per cent, the Delegation requested details of how the Organization was going to manage the difference between the original 4.7 per cent increase and the proposed 3 per cent increase, before commenting further on the issue.

303. The Delegation of Morocco supported the statement made by the African Group. The Delegation was in favor of the originally proposed 4.7 per cent budget increase as it resulted from the available revenue and not from loans. The Delegation supported the 4.7 per cent increase because, in order to provide high quality service and to be able to meet the challenges of development and to fulfill the biennium goals, WIPO had to provide high quality services. Therefore, an increase was needed because resources were needed. All Members realized that there was a link between the resources used and the quality of services provided by this service oriented Organization. The Delegation admitted that this translated into an increase in staff number and resources. It was conscious of the existing staff issues at WIPO, which could be solved through better geographical distribution. The Delegation welcomed the total budget figure proposed in the document. It was a large sum, which the Delegation wished to see broken down to show the exact amounts allocated to staff and other resources. In closing, the Delegation thanked the Secretariat for the effort put into the preparation of the proposed budget as well as for the information meetings held prior to the session.

304. The Delegation of the Republic of Korea thanked the Secretariat for the timely preparation of the 2012/13 Program and Budget proposal. The Delegation was convinced that the work of the PBC under the Chair's guidance would result in a consensus being reached. The Delegation fully approved statements made by Group B and the Delegations of Japan and Spain. In the informal June PCB session, the Delegation had been of the view that the forecast made by the Secretariat on the WIPO's income increase by 4.7 per cent was too optimistic. At the present session, following the Chief Economist's presentation, the Delegation still adhered to its previous view. At the June PBC session, many delegations had pointed out that the world economy had been fragile and that uncertainty existed in many regions of the world. For this reason, many delegations had previously suggested (in June) to wait for a couple of months to have a better picture of the global economy. At present, after a couple of months, the prospect of overall growth in the world's economy remained unchanged. The financial problems in the major countries were deteriorating with no sign of quick recovery. The proposed Program and Budget showed the result of the forecasting model developed by the Secretariat. The model took into account various external and internal factors. Among the external factors, the performance of the global economy was most important. The Delegation pointed out that since the June session the global economy had deteriorated and was showing signs of further troubles. It observed that, in 2008 and 2009, the forecast made by either model had shown the prospects in a normal situation; only the situation had been abnormal. The Delegation believed that, given the experience of 2008 and 2009, a conservative approach should be taken in making a forecast of income. Having said that, the Delegation welcomed the Director General's intentions to reduce the expenditure for the 2012/13 biennium. However, further measures to reduce expenditure should be sought. In that regard, the Delegation associated itself with the proposal of Group B that the expenditure should not exceed the actual income. While the Delegation believed in a conservative approach for the 2012/13 biennium, it also believed that sufficient allocation of resources should be given, especially to the fundamentals of WIPO, which was provision of the effective and inherent IP system. The major IP systems of WIPO (the PCT and Madrid system) were improving constantly. Electronic filings in the PCT were on the rise and, in the near future, the PCT filing system would become entirely electronic. Therefore, sufficient resources should be allocated to the development and improvements in the

PCT and the Madrid systems. The Madrid system was recently experiencing a rapid increase in backlog so steady increase in investment to improve the Madrid system's services was required. The Delegation supported the Secretariat in its approach to continue following a prudent, transparent and efficient budgetary approach.

305. The Secretariat referred to the metaphor of the use of the crystal ball to predict the future. Since the Secretariat did not possess it, it had merely tried to instill confidence in the way it approached the Program and Budget exercise. The approach at WIPO had always included a high/ low and a base scenario. The Secretariat's approach, in arriving at the base scenario, had been to take all the factors presented by the Chief Economist in order to arrive at a projection of revenue. The Secretariat felt it was a correct approach. The process was not unlike what the delegation had been trying to do during the Chief Economist's presentation: looking at the revenue projections and trying to mitigate risks. The Secretariat added that various ways of mitigating risks were at its disposal. As it had already explained, the process (revenue estimate) had not been a straightforward multiplication of numbers of applications by an amount of a set fee. There were other factors and the Secretariat was constantly trying to address to ensure that the revenue was reliable. During the presentation, the Secretariat also tried to demonstrate the mechanism by which it tried to mitigate risks in case the budget did not realize (in terms of revenue). The recurrent question asked during the informals was: what happened if the budget did not turn out the way it should in terms of revenue. The Secretariat had explained, under Answer 12 in the Q&A paper, what measures it would bring into force in such a case, including: close monitoring (done in any case), flexibility in case the revenue went up or down (which was part of the mechanism in the PCT and other legal frameworks) and a possibility of a revised budget. The Secretariat further said that, to dispel any notion that reserve funds could be used to address a shortfall, the Financial Regulation 4.6 very clearly stated that if this was the case the Secretariat would have to come back to Member States. The Secretariat pointed out that the budget as presented, was a budget which balanced expenditure *versus* projected revenue and with the expenditure increase now reduced to 3 per cent the proposal was in fact very prudent. Regarding Member States' calls for transparency, the need to improve management and have a sound approach, the Secretariat hoped that all the briefings provided to Member States for the last five or six months had, in fact, done just that. The Secretariat found such comments surprising, as it had tried to run a transparent and robust process which would allow instilling Member States' confidence in the Secretariat's approach. It further commented that briefings and Q&A sessions had been organized because the Secretariat wished a transparent approach. The Secretariat wished to make this point very clear. Regarding calls for efficiency, as the Secretariat had said the other day, it was not something that the Secretariat was going to do because it had been asked of it. The Secretariat did this constantly. The Secretariat drew the delegations' attention to a number of efficiency measures that had already been implemented in 2010 and were clearly labeled in the PPR. These included savings made on travel through joint negotiations with airlines, electricity, IT and common procurement deals (the latter had been renegotiated jointly with the UN family of entities). Thereby 700,000 Swiss francs had been saved. There was also process improvement, which included introduction of e-recruitment in HR and the transfer to IPSAS, which allowed Secretariat to do a much better and more efficient work in the finance area. These examples illustrated the Secretariat's efforts to come up with efficiency savings. Some of those undertakings took longer because they required a system to be in place. One of the big systems allowing greater efficiency was the ERP system that was scheduled to "go live" in the next three to four years and which was being introduced progressively. The Secretariat also listed the SRP, and added that it continued to report to Member States on this continuous reform package of initiatives undertaken in order to improve the Organization. The Secretariat explained that it had provided these examples to assure Member States that it was looking at different measures all the time and would continue to report on them. On the issue of statutory increases (question from the Delegation of Japan), the Secretariat clarified that there were some binding agreements with the International Civil Service Commission (ICSC) which could not be denied. It added that this was a part of the UN common system and that when changes occurred therein they were instituted across the board. Any changes regarding staff provisions

and benefits were negotiated there and once they were agreed all organizations (including WIPO) were obliged to enact them. Regarding comments made on the PCT and the Madrid system, the Secretariat recalled that the Deputy Director General in charge of the PCT had made it very clear at the June PBC session that a lot of improvements had been made in those domains. He had assured delegations at that time that the necessary funds were set aside in order to be able to deliver improved services in the two areas. The Secretariat added that the proposed budget, as presented, already addressed those issues. It pointed out that the present Program and Budget exercise was a very difficult one. It was the first time that Program Managers were greatly involved in what had been the “from the bottom up” process in order to identify synergies, which hopefully resulted in eliminating duplication. The Secretariat said that such approach allowed for greater coherence in the WIPO programs, consistency of the approach and synergies and added that there had also been greater collaboration amongst staff across different sectors. The process made it possible to produce the indicators referred to earlier, i.e., which programs fed into the specific expected results. It had also reinforced ownership of results and thereby strengthened the accountability that Program Managers would have going forward with their workplans. That, in turn, would provide Member States with yet better transparency and clarity. The Secretariat added that when it went through that exercise, a lot of duplication had been found in the IT area. As a result, a number of things were centralized and efficiencies were achieved, e.g. in the webcasting area. Regarding efficiency savings, the Secretariat recalled that the Director General had proposed to bring down the budget increase from 4.7 per cent to 3 per cent and had clearly said that this would not affect program delivery. To achieve that the Secretariat envisaged changes in policies and certain cuts. To illustrate this, the Secretariat listed the changes to the travel policy (enforcement of stricter timeline in the submission of travel authorization, purchase of non refundable tickets, using cheapest carriers, refining travel conditions), which would align WIPO to the standards applied across the UN system. The changes in the travel policy would allow for an estimated 1.9 million Swiss francs savings across the biennium. The Secretariat also envisaged cuts in the premises management area, where the Secretariat was going to forgo the fund for building maintenance and wait till the times [economic situation] improved to establish it, as it was a good management practice to have such a fund. Additional changes foreseen in the different areas of premises management policy would result in the estimated 4.5 million Swiss francs savings. Other policy based saving measures, some of which had been brought to the floor at the last PBC, concerned experts’ honoraria and would bring saving of about 700,000 Swiss francs. The policy on SSAs and the payment of daily subsistence allowance (DSA) would provide savings of further 400,000 Swiss francs and would also align WIPO’s policy with the practices in other organizations. Receptions during conferences would be restricted to the standing committees and would save about 500,000 Swiss francs. Rationalizing the rental cost of premises and equipment during conferences held off site would result in saving of 1.1 million Swiss francs. Cuts to WIPO internship program would be examined to possibly save further 500,000 Swiss francs. Finally, as indicated by the Director General in his opening remarks, the Secretariat would look into the organizational design under the SRP initiative, as a result of which there might be further streamlining of 800,000 Swiss francs.

306. The Delegation of Egypt, speaking on behalf of the Arab Group, thanked the Secretariat for the preparation of the extremely substantial budget document. First, the Arab Group inquired whether, if the increase in expenditure was reduced to 3 per cent, a new draft budget proposal would be prepared and submitted to the present PBC session or later on. Secondly, the Arab Group welcomed the amounts allocated to development activities but had noticed that the amount allocated to the DA within a framework of operation with developing countries was decreased for some activities. Therefore, the Group requested explanation for the reasons of such decrease and wondered about the guarantees that there would not be further such cuts. The Arab Group remarked that the program supporting small and medium enterprises (SMEs) and other activities, including trademarks, had been cancelled. The Arab Group stressed that it attached a great importance to the SMEs’ role in the developed and developing countries. The Arab Group hoped that the program on SMEs be granted more attention. The other areas where the Arab Group wished to ensure the appropriate resources were: protection of heritage

folklore, traditional knowledge, availability of medicines at reasonable prices and food security for all through intellectual property. It remarked that coordination with developing countries had also been affected by a reduction and wondered if the affected areas had been integrated in other programs or in other country activities. The Arab Group hoped that a new director involved in cooperation would be nominated soon. Regarding the WIPO Academy, the Arab Group noticed that its activities increased by a reasonable percentage in the proposed budget. The Arab Group attached a great importance to the Academy's activities and the programs it made available and wished to see more resources allocated to the Academy so that it was in a position to continue providing its services. Regarding Program 18 (IP and Global Challenges), the Arab Group noticed that this Program did not mention cooperation with other international organizations, e.g. the FAO, within its framework of food security and the WHO regarding the price of medicines. The Arab Group felt that cooperation with these specialized organizations was extremely important. Regarding Program 20 (External Relations, Partnerships and External Offices), the Arab Group believed that instead of reducing the amount allocated to this Program by 3.9 per cent, the allocation should be increased since consultations to define the situation of the external offices had taken place. More resources were needed in order to make progress in the application of decisions to be taken, without waiting for a new revised budget. The Arab Group reiterated its thanks to the Secretariat and the Director General for having stressed that reduction in the expenditure increase would not happen at the expense of development.

307. The Delegation of Egypt, speaking in its national capacity, supported the activities proposed in the budget document and stressed the importance of the professional development program, improving management (administration) and programs related to WIPO net. The Delegation welcomed the activities of programs such as the WIPO Academy, since they improved awareness of intellectual property and professional level in IP fields.

308. The Chair proposed that the text on the efforts to achieve efficiency gains appear in the decision paragraph, in line with the description provided by the Secretariat on how 10.2 million Swiss francs could be economized. This would provide an opportunity to move forward in the discussions. He added that, in the following year the PBC would review the progress made in this area in order to monitor. Member States had made it very clear what the parameters were and the Secretariat provided a clear outline where the savings could be made without impact on program delivery.

309. The Delegation of Brazil thanked the Secretariat for the explanation on how to achieve 10.2 million Swiss francs savings without affecting programs and priorities of the Organization. This Delegation thought it very helpful if, at least, Table 7 of the budget document (budget by object of expenditure) reflected the 3 per cent increase (instead of 4.7 per cent). It would also be interesting to see a breakdown of the total expenses in terms of results and also in terms of programs, as this was the methodology adopted in the whole document.

310. The Chair opened the program-by-program discussion of the Program and Budget proposal.

Program 1

311. The Delegation of Brazil, on paragraph 1.1, first bullet, said that it would be more comfortable if there was no reference, or evaluation of the pace, of the mutual normative process relative to the pace of technological change.

312. The Delegation of India, referring to the paragraphs on Implementation Strategies and Risks, noticed numerous references to SMEs activities. Similar references appeared in other programs' narratives. In this regard, the Delegation recalled that DAG had previously voiced the need to continue to maintain SMEs as a separate program. The Delegation inquired whether there would be a separate SMEs program and requested that this issue be promptly addressed.

313. The Secretariat explained that, as the proposal stood, SMEs were not seen as a separate program. However, in the light of the various interventions, the proposal would be considered and presented to the PBC the following day.

314. The Delegation of the Republic of Korea remarked that the footnote in the budget resources table referred the reader for further details to Table 10 in Annex I. Table 10 only showed 'approved budget', 'budget after transfers' and the 'proposed budget'. There was no column showing 2012/13 budget after transfers. The Delegation did not understand what happened in between the, "budget after transfer" and "restated". The table indicated more than three fold increase.

315. The Secretariat responded that the increase occurred because, in the proposal, the SMEs program had been under Program 1. However, once the program on SMEs was reinstated, the figures would change.

Program 2

316. The Delegation of South Africa requested that text under Targets for Program 2 reflect the possibility of a Diplomatic Conference as stated in the narrative for this Program and because it had been agreed that this was one of the possible paths.

317. The Delegation of Switzerland, on the question of a possible Diplomatic Conference, noted that, during the last PBC, delegations had come up with very clear and precise language based on the language adopted by other various committees and believed that nothing should be changed. On the Results Framework table (page 32, English text), the Delegation had problems with the targets column concerning the convening of a Diplomatic Conference on the law of industrial design, subject to progress in the preparatory work. It requested that "subject to" should be deleted or the same phrase should appear in all targets. It added that it did not see the usefulness of keeping this phrase in the targets column because there was no figure for diplomatic conferences foreseen in other programs.

318. The Chair recalled the previous compromise reached on the language referring to the conference and the addition of "subject to".

319. The Secretariat clarified that following the informal PBC session in June, the Secretariat redrafted the text that agreed with the language adopted by the SCT at its 25th session (document SCT/25/6 paragraph 14). In order to avoid any ambiguity, this language had been put *verbatim* into the adopted summary by the Chair so that it reflected truly what had been agreed in SCT.

320. The Delegation of South Africa stated that if "subject to" was dropped, then "possible" should come back to indicate a possible path to move ahead, meaning that there were other options.

321. Following informal consultations between delegations, the language remained as originally proposed.

Program 3

322. The Delegation of South Africa requested that changes that had already been made in the body of the document (and that reflected the proper language of the SCCR on diplomatic conferences) also be reflected in the introductory paragraphs in Program 3.

323. The Delegation of India, in paragraph 3.8, requested to change the word "would" to "could" in the sentence "...will continue to examine key areas where collaboration between governments and stakeholders would lead to pragmatic solutions." It said that several of the issues listed there had not been discussed in the committee on copyright. They were new

issues and the use of “would” prejudged the existence of a problem and the certainty of finding solutions. The Delegation asked that paragraph 3.17, second sentence: “The focus in the biennium will increasingly be on qualitative rather than quantitative improvements in delivery.” be redrafted. The word used was “rather than” and this gave the impression that the improvements in technical and infrastructure assistance were going to be focusing on quality rather than quantity.

324. The Secretariat agreed that “could” rather than “would” was a fine addition in paragraph 3.8. It said that the language in paragraph 3.17 said that the focus would be increasingly on the quantitative. However, if there was an imbalance, more quantity than quality, then the Secretariat should be praised for recognizing the need to increasingly focus on quality. The question of quantity was a cross area; where the text spoke of moving to a more strategic basis of providing technical assistance. The Delegation should find some satisfaction that the Secretariat was aiming to do something better in the future than had been done in the past.

325. The Secretariat pointed the Delegation to page 38 (Results Framework) which addressed the point of targets and baseline with respect to the expected result.

326. The Delegation of India observed that there was an increase in quantity (20 CMOs listed as baseline and the target was 40) and wondered why the impression should be given that the focus was more on quality rather than quantity. The sentence should start: “While making quantitative improvement in delivery, taking into (...), the focus in the biennium will increasingly be on qualitative improvements.” This would put things in the right perspective without giving a misleading impression.

327. The Chair requested the Delegation to provide a written version of the amendment.

328. The Delegation of Brazil said that the text of paragraph 3.1 gave the impression that there was an opposition between promoting creativity and protection of copyright in the expectations of the DA. This was an artificial opposition hence the entire paragraph should be deleted.

329. The Chair confirmed that there was agreement to delete paragraph 3.1.

Program 4

330. The Delegation of India commented on paragraph 4.2, second sentence reading: “Differences continue on core substantive questions (...).” In the Delegation’s view the drafting was relatively negative and although there were divergent positions and views on these issues, perhaps, the text could be softened. It proposed to say: “There continue to be divergent views on core substantive questions”, which did not change the meaning but made the text less negative.

331. The Chair confirmed that the suggestion was accepted.

332. The Delegation of Spain, paragraph 4.10, did not understand why the proposed increases also related to a possible Diplomatic Conference in the 2012/13 biennium. If this conference were to take place during the biennium the costs could be included in the budget. However, the Delegation did not feel it was realistic to include these costs at the present time and the increase should be reduced. If the circumstances changed radically the cost could be included in the revised budget.

333. The Secretariat observed that proposed Program and Budget had to make the eventuality for a provision; that was what a program and budget was about. If such a conference were to take place, there needed to be a provision in order to accommodate it. Otherwise, as rightly pointed out by the Delegation of Spain, the Secretariat would have to think later on where the

money would come from and a transfer might, again, become absolutely necessary. That was why the provision was made.

334. The Delegation of Spain observed that Members were therefore discussing provision of funds for something which might not happen, leaving the question of the transfer of those possibly unused funds open and out of the control of Member States, which was highly criticizable in the actions of the WIPO. The Delegation stated that Members should bear in mind how things moved on such conferences. It was most unlikely they would be held and, therefore, the budget should not be increased for that purpose with the uncertainty of what would happen to the unused funds.

335. The Secretariat explained that provision for the Diplomatic Conference was made in the context of the IGC and was in line with the recommendation that IGC had just made for the consideration of the upcoming General Assembly (calling of a Diplomatic Conference). So there was a clear possibility that there might be a Diplomatic Conference in the upcoming biennium because the last IGC had recommended that the General Assembly in 2012 consider progress in the negotiations and, in view of the progress, take a decision whether or not to have a Diplomatic Conference in 2013. Therefore, it was only prudent to make provision for the clear possibility that Member States might want to call for a Diplomatic Conference.

336. The Secretariat added that it would be too late to make that provision following decision of the next General Assembly (in 2012) and that was why it had been made at present. If the meeting did not happen the provision would not be used. The fact was that it would be too late (by the time that decision was taken at the next Assemblies) for this provision to be made at that time.

337. The Delegation of Pakistan agreed that there could be a problem for the Secretariat to make that provision following the 2012 Assemblies, so it seemed logical to ensure that there was money available if the conference materialized following the 2012 General Assembly.

338. The Delegation of Spain concurred that provision could be made for such a possible conference. What the Delegation did not think was appropriate in this case, was that if such a Diplomatic Conference was not held the funds earmarked for it were free to be used for other activities. If these funds were used for diplomatic conferences, the Delegation had no objections but it had to be clear that, if not used, the funds could not be transferred freely by the Secretariat for any other activity. If it not used for a Diplomatic Conference, the funds had to go into the reserve funds.

339. The Controller responded that Secretariat understood the intent of the comment and added that if the provision was not used it would automatically go into the reserves and be added to the surplus. He also reminded delegations that the utilization of reserves was authorized solely by Member States.

Program 5

340. The Delegation of Germany observed that a number of staff in the PCT was reduced due to the Voluntary Separation Program (VSP) (5 per cent of the original 2010/11 budget had been transferred and the explanation given was that it was due to VSP when a number of staff had left the PCT operations). The Delegation inquired whether it was planned to replace that staff.

341. The Secretariat, in answer to the Delegation's question, thought it useful to provide a brief background on the evolution of staff in the PCT and, in particular, in the PCT Operations. In the PCT Operations, there were three groups of staff: PCT IT (the "computer" staff), PCT translation (the translators) and the largest group called PCT processing, which performed formality examination and publication preparation. The long term view was that relative to the number of applications, the number of personnel in the processing service would decline. This was the trend over the last five years. Annex VI of the budget document showed a decrease of

personnel, mostly in the processing service. The other part of the picture was that, while there was an overall decrease in staff numbers, the number of staff with Asian language skills needed to be increased. The Secretariat further explained that in the processing service, when staff left (such as through the VSP), there should not be an assumption that such staff needed to be replaced, as the service should try to do the work without them to achieve efficiency gains. However, the need for additional personnel with Asian language skills meant that such personnel would have to be hired. The overall decrease by 15 posts was quite acceptable, except that the personnel with Asian language skills might increase slightly. The Secretariat added that persons with Asian language skills were not necessarily recruited directly on a post, as there might not be a post available. In such cases, the administration allowed hiring such persons on a short term basis. The Secretariat specified that it wished to avoid recreating a 'short term staff' problem again so it was striving to limit the numbers of short term contracts as much as possible.

342. The Delegation of the Republic of Korea requested Secretariat to provide the breakdown on the number of persons hired in terms of languages (especially Asian languages).

343. The Secretariat responded that it would provide such figures the following day.

344. The Delegation of Germany, referring to the cost of translation in the PCT and the discussion on outsourcing translation, inquired whether there was a difference between translation cost for regular documentation and the translation for the PCT purposes. The Delegation thought that outsourcing (of the PCT translation) could be used as means of saving money.

345. The Secretariat replied that the one type of translation was different from the other. One was of a general type, while the other was very legalistic (with much specific legal language) and different for every submission. The Secretariat added that more detail could be provided during discussion on Program 27 when colleagues from the Language Division would be present.

346. The Delegation of the Republic of Korea recalled that, at the start of the session, it had asked for data on the PCT translation staff and had just received that data that day. It did not have enough time to analyze the data but wished to comment on the breakdown of the 12 staff of the PCT Asian Language Section and the numbers on the PCT processing sections. The Delegation recalled that it had been consistently requesting the increase in the resource allocation for the PCT system. Resource allocation was rationalized by the data presented by the Chief Economist, who pointed out rapidly increasing PCT filings from the East Asian countries (China, Japan and the Republic of Korea). The data presented by the PCT Operations Division seemed to indicate that human resources allocation for the PCT filings in the East Asian region did not catch up with the increase in filings in the three languages in question. The data showed that there were 12 staff in the PCT Asian Translation Section and that only a small number of staff increases were planned in the next biennium. Despite the expected increase in filings in the East Asian countries (as pointed out by the Chief Economist), especially from the Republic of Korea, there were no plans to increase the number of staff with the Korean language in the translation and processing services. The Delegation requested the Secretariat to consider making appropriate adjustments to cope with the anticipated increase in the PCT filings from East Asian countries.

347. The Chair recalled that the Program Manager for the PCT as well as the Secretariat had repeatedly committed that the PCT would be able to meet demand. The Chair believed that this commitment should be taken at face value and that Member States should not micromanage the resource allocation. The Chair added that, at this very late stage, this was not really possible and/or productive to enter into such micromanagement. It was now the responsibility of the PBC to hold the Secretariat to the commitment made. There would be a PBC session in

a year but the Delegation had a formal support of all Member States to go to the Secretariat, in the interim, to insist that it met the promises made.

348. The Delegation of the Republic of Korea understood the time constraints and fully supported the Chair's suggestion. It expressed its wish to continuously engage in the discussion with the Secretariat to improve the services provided by the PCT.

Program 6

349. The Delegation of the Republic of Korea requested Secretariat to provide data on the Madrid system operations in the same way as it was provided for the PCT in Annex VI of the budget document.

350. The Secretariat said that it would be happy to provide it and added that it had already started discussions on the establishment of such statistical information.

351. The Delegation of Chili requested that paragraph 6.11 (on the Lisbon system) be amended to reflect that the Lisbon working group was focusing on the review/improvements to the system and not on "(...) the elaboration of an international registration system (...)" as stated. In the second part of paragraph 6.11 and the reference to "in the 2012/13 biennium", the Delegation pointed out that the reports of the working group did not contain references to the 2012/13 biennium. Finally, the Delegation suggested that the sentence referencing WTO negotiations should either specify (as per WTO language) that they referred to geographical indications for wines and spirits or be deleted.

352. The Chair read out a redrafted proposal. It was agreed to have a 'full stop' after the word "not be underestimated" and delete the remaining phrase. Regarding the use of the word "elaboration", the Chair announced that a redrafted text of the paragraph would be made available at the document counter.

353. The Delegation of South Africa recalled that when paragraph 6.11 had been discussed the previous time, the Delegations of Brazil and Canada had made the same remarks as the Delegation of Chili. They had indicated that there should be an inclusion, in the last line, after "geographical indications" of the words "wines and spirits" (as there was an agreement for registration on wines and spirits).

354. The Delegation of Germany observed that when it compared the figures in the Results Framework table (page 55, baselines and target figures for the first expected result) with the figures in the paper distributed by the Chief Economist, the two figures differed slightly and should be checked.

355. The Delegation of Iran (Islamic Republic of) stated that it preferred the original language of paragraph 6.11 because the Lisbon working group discussed not only registration of wines and spirits but also other geographical indicators (GIs) so it encompassed a broader range of issues.

356. The Delegation of Italy, regarding paragraph 6.11 last sentence, was under the impression that there was a possible extension of the register (beyond wines and spirits) in the WTO negotiations.

357. The Delegation of the United States of America recalled that, if Members were talking about Madrid TRIPS agreement article 23.4, it only talked about the establishment of a multinational notification registration system for GIs for wines and spirits.

358. The Delegation of Canada stated the United States Delegation had, in fact, articulated the mandate of the WTO special session which was to establish a multi-lateral notification registration for geographic indications for wines and spirits only.

359. The Delegation of Bangladesh agreed with the Delegations of Canada and the United States of America but added that the actual status at the WTO was that Members were trying to extend it to this Organization and not trying to keep it limited to wines and spirits. It advised caution in adding any specific wording to the sentence (in paragraph 6.11) because several regional groups had already submitted their proposals to the WTO on this issue.

360. The Chair suggested that the last sentence could say that the difficulty of transforming the Lisbon system into a system that enjoyed wide international participation should, as also mentioned in the MTSP, not be underestimated as indicated by the negotiations within the WTO. The Chair opined that the text needed to be as limited as possible because WIPO was not negotiating what was going on in another organization.

361. The Delegation of Switzerland concurred with the Chair's opinion.

362. The Delegation of the United States of America supported the Chair's proposal.

363. The Delegation of Italy supported the proposal.

364. The Delegation of El Salvador supported the proposal.

365. The Delegation of Chili said that the Chair's proposal would resolve the drafting issue. The Delegation was still not quite clear on the use of reference of the 2012/13 biennium in this paragraph. If it resulted from a recommendation, which the Delegation did not recall, then such reference should be added.

366. The Delegation of the Republic of Korea, regarding the Results Framework (page 55) said that the first performance indicator and baseline showed 37,533 new registrations and renewals for 2010. For 2011, that number was 40,900. These differed from the numbers provided to the Delegation informally earlier that morning, which stood at 71,594 for 2010. The Delegation inquired as to the difference between the actual applications' number and the numbers appearing in the baseline of the budget document. The Delegation also recalled a question asked in the previous PBC session, i.e., whether there were sufficient resources to cope with the increasing demand in the Madrid system. In the Results Framework, the comparison of baselines for 2010/11 and targets for 2012/13 demonstrated that the targets were higher than the 2010/11 baseline. The Delegation wondered how efficiently the system was coping with the increased demand. The data that the Delegation had received from the Secretariat showed that the ratio of registration activity per examiner was 9,447 for 2010 and was expected to be 12,000 per examiner in 2011, which was a sharp increase. The Delegation concurred that a computer assisted examination system would help improve efficiency of the Madrid system and the pendency of examination. The performance indicator measuring efficiency (page 55) was: "Average processing time of new applications without irregularities" and had a baseline of 24 days and the target of 20 days. These two numbers were critical in terms of service provision by the Madrid system. The pendency of examination was of special importance to the Delegation, as it had heard numerous comments from the filing companies on the pendency of the Madrid system. It stressed that the time should be reduced. The Delegation inquired how the performance indicators could be revised to better measure the delivery of the services of the Madrid system.

367. The Secretariat pointed out that, in the Program and Budget document, the performance indicator in question referred to the inscription of new international registrations, whereas the information furnished to the Delegation informally that morning, dealt with the acquisition and maintenance of rights, i.e., registrations and renewals inscribed. Regarding the question related to whether the Secretariat was sure that it had sufficient resources to deal with the increasing amount of activity under the Madrid system, the Secretariat replied that it was confident of that as long as it continued to increase the level of automation in the examination process. Regarding targets for 2012 and 2013, the Secretariat believed that the anticipated 3 per cent

growth was a very modest and conservative estimate. This year to date, the Program's activity had been increasing at a sustained 7.4 per cent until the end of August. As mentioned earlier, the increase in activity could be managed within the existing resources if the level of automation within the trademark registry was increased. The registry was progressing from a computer-led examination process to a fully automated examination process. The Secretariat stressed that the Madrid system procedure was dissimilar to the PCT, as the system did not just deal with international applications. There were in excess of 70 individual transactions that could be applied throughout the life of a mark and the automated examination process would be applied to each of those transactions which were then inscribed in the register. The Madrid system had started to apply this particular approach to grant protection refusals and file decisions which were received electronically and, for the time being, 80 per cent of those were processed automatically without any human intervention. This was why one saw a dramatic increase in the productivity per examiner (as in the information provided informally to the Delegation). Another aspect, specific within the Madrid framework, was that protection had been based upon tacit acceptance after the 12 or 18 months refusal period and, starting in January 1 of this year, there had been an obligation of designated contracting parties (at the end of that 12 or 18 months refusal period) to communicate to WIPO a grant of protection. For every designation, at least one document was received back, which accounted for the increase in activity. As for the target for the pendency on regular international applications, the Secretariat was confident that, through further automation, a reduced pendency of 20 days would be achieved. Regarding request for inclusion of a more detailed performance information in the Program and Budget document, the Secretariat recalled that when it had previously addressed that question, it had said that models were being established on how to measure performance of the International Bureau internally (which was quite a complex procedure) better. Once again, this was dissimilar to the PCT because of the number of transactions that Madrid system had to manage within the normal life cycle of a trademark. In the Secretariat's view, as it was just beginning this particular activity, it would be impossible to have a comprehensive list of performance indicators across the various transactions processed under the Madrid system. The Secretariat reminded the Delegation of the information appearing in the paper provided to it informally: "The International Bureau will prepare two time series, for both Madrid and the Hague, covering, firstly, timeliness of [regular] international applications as well as, secondly, examine unit process averages for inclusion in the Program and Budget document thus complementing the Performance Indicators that are included in the Annex concerning the PCT". The examining unit process averages meant a number of documents received in a year (and in the preceding years) divided by the number of examiners assigned to the international registration process. The Secretariat stressed that it was not just the international registration process but the full maintenance of that particular IP right throughout the life of that trademark.

368. The Delegation of the Republic of Korea inquired why the baseline number for 2010 and 2011 differed from the actual data and when the Secretariat expected to have a comprehensive performance indicator or other measurements that were being developed.

369. The Secretariat reiterated its explanation and said that the numbers given informally covered both registrations and renewals. The numbers in the baseline (in the budget document) were the numbers of new registrations that the system expected to inscribe. The 2012/13 numbers took into account a 3.3 per cent growth (considered to be conservative). As previously explained, until the end of August this year, Madrid system was sustaining a 7.4 per cent growth in the activity which was a reflection on the conservative nature on the estimate of activity in 2012/13. Regarding performance indicator model, the Secretariat said that, it had started the process, together with the Chief Economist, only a month or so ago. In collaboration with the Chief Economist, the Secretariat was trying to establish fixed aspects, the fixed cost associated with the Madrid operation which was going to be roughly equivalent to that of the PCT but proportional to the amount of activity in Madrid system and the unique transactions that the system processed. This process would take some time and, unfortunately, the Secretariat was unable specify how long it would take and added that it would certainly not be ready for inclusion in the Program and Budget document under discussion.

370. The Chair added that in the informal paper provided to the Delegation of Republic of Korea, three numbers were given together: registrations, renewals and subsequent designations (which was not one of the performance indicators). The three numbers added together came to 71,000 quoted by the Delegation.

Program 31

371. The Delegation of Switzerland requested clarification regarding the Results Framework (page 59), expected result “Better administration of the Hague system”, its indicators and baselines. The Delegation did not fully understand what was meant there and what it referred to.

372. The Secretariat clarified that the contracting parties to the Geneva Act meant those contracting parties who had individually acceded to the Geneva Act. The 18 contracting parties referred to in the table were the contracting parties which had not yet individually acceded to the 1999 Act. However, most of those 18 other contracting parties included members of international intergovernmental organizations like the European Union or the African Intellectual Property Organization (OAPI). So, actually, out of these members only five contracting parties were not covered by the protection under the 1999 Act. In the baseline figure of 39, the European Union and the OAPI were included.

373. The Delegation of the Republic of Korea, on Table 13 in Annex II (2012/13 posts by program), said that the comparison between Program 6 and Program 31 showed that there were 107 posts proposed for the Madrid system and 14 posts for the Hague system. The Delegation requested that the allocation of posts to the two programs be proportionate to their respective workload.

374. The Secretariat believed that the attribution of posts across the two systems was reasonable and felt comfortable with that.

375. The Delegation of the Republic of Korea inquired as to the number of applications dealt with by staff per year in the Madrid system and the number of applications processed by staff in the Hague system in 2010/11 and as forecasted for 2012/13.

376. The Secretariat recalled that it had already referred to this in its earlier response to the questions about the operational efficiency within the Madrid system. It added that it was working on undertaking a costing exercise across both the Madrid and Hague systems and we hoped to make the data available in due course. With reference to the specific question about the number of international applications treated by an individual examiner in 2010/11 and the estimation of that productivity in the next biennium, the Secretariat did not have the data on hand but would provide it as soon as possible.

Program 7

377. The Delegation of the United Kingdom asked for clarification on the meaning of paragraph 7.7(ii) “Increase market research into the expectations and experience of IP stakeholders in use of ADR. This Program will cooperate with other programs, in particular Program 16.”

378. The Secretariat explained that a specific project currently being undertaken in this area was a survey as to the dispute resolution needs, expectation of technology in intellectual property owners. A survey had been sent out to a large number of potential users of the ADR system. The Program was working on an evaluation of the responses received. Those responses also provided some statistical data, which was the domain of the Chief Economist. The Secretariat added that this was not a “one off” instance but part of continuing effort at better delivery of services and better understanding of the needs and expectations.

379. The Delegation of India noticed that there was a reference to the arbitration and mediation undertaken by WIPO, in specific terms. But there did not seem to be a linkage with the larger issues currently under debate and the relevance of the Internet governance, for instance. WIPO participated in the reassessment follow up processes where these issues had been discussed, e.g. how to better arbitrate and mediate the Internet disputes and the changing nature of these disputes. The Delegation was aware that WIPO participated in many discussions, whether in the Internet Governance Forum or the World Summit on Information Society. The question was whether there was a need to reflect these changes and how WIPO mediation services were equipped to deal with the changing landscape of the Internet disputes.

380. The Secretariat observed that, at present, there was no sufficient wording in the text in this regard. It thought that, the challenging landscape of arbitration and mediation (and in particular as far it concerned IP related disputes) was described at the outset, at least in very general terms. There was no specific reference to the Internet Governance Forum, partly because there was not any specific outcome of these negotiating processes, which would have to be translated into a specific WIPO activity. Internal discussions were currently taking place on what options WIPO might have in order to provide specific, tailor made service in the dispute resolution schemes for specific recurrent types of IP or technology disputes. The Secretariat added that it could take another look at the text and reflect on it.

381. The Delegation of India said it had raised the question as the impression in these fora was quite to the contrary, where discussions often pointed to the need for changes in the way that disputes would be settled and mediated and WIPO was often quoted as probably the only UN agency undertaking this at present.

Programs 8

382. The Delegation of Morocco commented on Program 8 and 9 as it considered both programs the very basis for any success in the DA implementation, along with the commitment of the Director General to grant priority to the implementation of the action plan for development. The Delegation noted an increase in the global budget for the DA (to over 140 million Swiss francs) appearing in Table 9 of the budget document. However, figures for Programs 8 and 9 showed a decrease, especially in Program 9 which went down from 42 million Swiss francs in 2010/11 to 35 million Swiss francs in the proposed budget. There was also a decrease in Program 8. This seemed to contradict the commitment of the Director General. The announced 140 million Swiss francs did not figure in the DA Program. The Delegation reiterated comments made by the African Group, the Arab Group and DAG regarding development and wished to see increases in those two Programs.

383. The Delegation of Pakistan commented that it was very satisfying to know that the DA remained a priority and was being implemented across the Organization, the fact reflected in the proposed budget. It was also heartening to know that the overall development activities budget increased from 19.4 per cent to 21.3 per cent but, at the same time, there was a 9.1 per cent decrease in the Program's budget as compared with the previous year. It might be understandable when one went into the details of the various activities that had been transferred to other programs where they would be implemented. However, a 9.1 per cent decrease in the budget for Program 8 did not look well optically. Regarding the Results Framework (page 71), the second expected result and its corresponding performance indicators said: "number of DA recommendations that have been addressed by the CDIP through projects, activities and studies" and showed the baseline of 42 recommendations out of the 45 that had been addressed. This gave an impression as if 42 recommendations had been completely addressed. However, the Delegation's understanding remained that they were not exhausted and remained open for any further projects or activities. The Delegation only wished to flag this point at this time.

384. The Delegation of France thought that the presentation of the two Programs (8 and 9) was perfectly adequate. The Delegation was particularly interested in their implementation aspect, which was directly linked to the effective implementation of the DA and thus the success of the Organization. This particular aspect had to be reflected in the follow up to these Programs. Secondly, the Delegation welcomed high quality of the information provided to Member States since the June PBC session which helped understand the various levels at which the Organization was dealing with development. There were a number of programs dealing with the objectives of the DA. This was the reason why Member States insisted that definitions had to be clear. The Delegation felt that effort made to grant the achieved cost reductions to development was absolutely vital to the Organization, to the service as a whole and, in particular, to Strategic Goal III and promoting IP for development. The Delegation welcomed the specific analysis of expenditure for developing countries and believed that all the proposed approaches were complimentary. Regarding the foreseen increase [of resources] for development activities, the Delegation believed that it required substantial communication with all Member States. It added that out of all the UN agencies, WIPO was the only place where Member States were discussing such an increase in development expenditure. The Delegation stressed that 15 per cent increase translated into a very large amount of money. This had to go hand in hand with better implementation, meaning that the goal was not only to increase the amounts but to be more effective and efficient in the implementation of what had been budgeted. That was where the Delegation's priorities were. The Delegation thanked for high quality information provided and the plan to assess activities that contributed to development, so that Member states could clearly understand how development was going to be promoted throughout the Organization. As a result of the information provided, the Delegation was in the position to endorse the increase in the amount allocated for development, which for the Government of France was an exceptional attitude that was not demonstrated in respect of any other organization.

385. The Delegation of Spain thanked the External Auditor for the rare sincerity demonstrated in recognizing that he had not studied the data that had been provided [on development]. The Delegation recognized that the External Auditor was now working in the right direction and that was a mark of his team's professionalism. The Delegation emphasized that there was no difference between the way in which it saw this Organization and other organization and, therefore, it adopted the same position in WIPO as it did in other organizations, in particular with regard to development. It added that development was of a particular interest to the Delegation as its Government allocated significant funds to development cooperation. As much as the Delegation was not at all against the increase in the budget, if that was necessary, it was extremely concerned by the management of that budget. It recalled that very few projects had been completed, only a few commenced and some had not even started. The Secretariat provided a number of reasons for this; the receiving country was not ready or sometimes they had not found the right agent to implement the project. The Delegation believed, from its Government's experience, that the projects should be "state owned" and should be based on the needs of the country benefiting from cooperation. It added that the issue should be studied and most should be made of the existing budget. Consultants should not be flying across the globe giving the same lessons to countries with problems very different from one place to another. The Delegation was very concerned that development funds were not always being used for the interests of the countries receiving development cooperation. It did not understand why some concepts were being associated with the cooperation when in fact they should not be, e.g., the external bureaus, and did not see why some costs, e.g. travel costs, were being attributed to the implementation of the DA. The Delegation stated that Member States should not be giving more money to development cooperation but should, instead, administer that money better. In order to do that there had to be the understanding of the concept of state ownership of development cooperation and added that this element was lacking in the budget proposal. The Delegation supported the increase of funds for development, but did not agree or support the way in which the money was being used. It thought that a lot of money had been wasted in areas that had not improved development cooperation at all or had not been useful for the recipient countries. It also believed that the text in the Program on the DA showed that this had

been already said. The Delegation recalled that the Director General had recently said (during diplomatic lunches with the Spanish presidency of the European Union) that approximately 20 million Swiss francs had been saved. The Delegation wished to know where that money had gone. It believed it impossible that all of the money budgeted in the previous biennium for DA implementation had been exhausted. The Delegation wished to know why the funds had not been used and where the unused money had gone and where it had been spent. The Delegation called for improvement in the way in which the funds were managed and greater country ownership of the development assistance provided. It also called for a new WIPO approach to that matter (cooperation with developing countries in relation to IP).

386. The Secretariat, in addressing the budgetary issue raised by the Delegation of Morocco (144 million Swiss francs attributed to the DA activities), referred the delegations to the Results Framework spreadsheet (page 10) in the budget document which provided the development share by expected results. This was at the high level of expected results and, following a request by one Member State, the Secretariat had prepared a breakdown of the 144 million within the expected results by program. That information that had been made available the previous day and allowed to see how the 144 million Swiss francs were distributed. The Results Framework spreadsheet demonstrated the mainstreaming of the DA and, at the bottom of the page, indicated the total budget and the total development share, as well as such share by every expected result. Therefore, the money had not gone anywhere; it had actually been redistributed by expected results, in accordance with the result-based management approach adopted by the Organization.

387. Expanding the explanation, the Secretariat added that the main thrust of the DA was to mainstream development within the Organization and this was what the Secretariat had been trying to do. It further said that technical assistance and development should not be the exclusive domains of the Bureaus. It recalled that Member States themselves had requested that in mainstreaming development, technical assistance be incorporated in the programs of all other sectors of the Organization. The Secretariat added that this had been done. To carry out those development activities, within the other sectors of the Organization, programs needed resources. Therefore, the Secretariat had spread the resources that had originally resided with the Development Sector amongst other areas of the Organization in which development was mainstreamed. Essentially, the whole Organization was now engaged in development. To explain the outflow of resources for development, the Secretariat said that it had looked at the expected results, what countries needed, what the goals were and, on that basis, allocated the resources to enable each of these sectors to attain the expected results that had been developed in coordination with developing countries. Responding to the question from the Delegation of Pakistan, the Secretariat took the point on board (the optics). The Secretariat added that, clearly, the 42 recommendations had been exhausted. It had been acknowledged and agreed that Member States could, at any time, come up with new proposals for projects or extend the presently approved projects. The Secretariat fully agreed with the comment made by the Delegation of France that the essential point was the implementation. The Secretariat noted and agreed with the comments made by the Delegation of Spain that development assistance should not be imposed on developing countries. It added that the Organization put very great emphasis on the demand driven nature of its technical assistance. This was not designed and formulated by the Secretariat, excluding Member States. On the contrary, the reason for a request and demand for more resources was because of the level of demand being received from Member States. The Secretariat felt the need to establish a section for extra-budgetary resource mobilization as it was clear that it would be unable to meet the demand of developing countries within regular budget. To a certain extent, it was the evidence of success of the development program, i.e., that the level of awareness, importance and use of IP in developing countries had risen tremendously. On the point of demand driven assistance, the Secretariat said that it was looking at new ways of getting input from Member States. It was even trying to develop a new methodology in its work plan formulation so that it would not be too broad. In engaging with the countries and obtaining their input, the Secretariat would design plans for each country and, as Member States themselves recognized, it would not be a "one

size fits all” but, on the contrary, a tailor made plan for each country with the expected results that would be established with those countries. The Secretariat aimed to ensure that assistance provided to countries emanated essentially from the countries themselves.

388. The Secretariat, responding to the question on the supposedly saved 21 million Swiss francs, clarified that the Secretariat was neither aware of such statement on this issue, nor where and in what context it had been made. However, regarding the broader issue of the DA projects and implementation, the Secretariat pointed delegations to Table 8 of the budget document, which detailed all DA projects currently under implementation (and some which were subject to the CDIP approval) with the corresponding resources. It added that no changes had been made to the appropriation of resources to the DA projects. They were completely in line with what the CDIP had approved and, in the upcoming CDIP meeting in November 2011, detailed progress reports (including utilization of the budget and implementation) would be discussed. Referring to the questions on the reduction in resources for Program 9, the Secretariat said that the details of these reductions were provided in Answer 21 of the Q&A paper. The answer provided detailed flows from Program 9 into the different programs responsible for delivering the projects and the results. The most important point was that there was no change in the nature of the expenditure. It remained very much development expenditure.

389. The Delegation of Germany wondered as to the faith of a proposal expressed at one time on financing a larger part of development through extra-budgetary resources. It also inquired as to the utilization of funds and noted that for the DA projects approved in 2008 only 20 per cent of funds had been utilized (out of 7.1 million Swiss francs, 5.5 million Swiss francs was still unused). The Delegation asked what the lessons learnt were and whether this had been taken on board in the 2012/13 planning.

390. The Delegation of India was happy with the efforts made by the Secretariat to mainstream the DA and noted a marked improvement in the way development dimension was being integrated into various aspects of WIPO’s work. Similarly to the Delegations of France and Spain, the Delegation believed that there was value in focusing on implementing these projects effectively and ensuring the ownership by the recipient country in any development oriented activity. The Delegation believed that the central issue, which it wished to stress, was how development expenditure was defined. The budget document (in paragraph 5, page 9) defined development expenditure as followed: “expenditure was defined as development expenditure only where the beneficiary is a developing country and the equivalent expenditure is not available for developed countries”. In the Delegation’s view, this was an imprecise definition, which lent itself to rather optimistic projections of the amount being spent on development activities. The Delegation said that it had reasons to believe that the figures quoted were in excess of what actually translated into development oriented assistance by WIPO. The reason was simple; looking at this definition, any activity that was undertaken by WIPO in any developing country was automatically defined as development expenditure and included in the percentages that the Secretariat reflected as DA or development oriented expenditure. A valid question to ask was: there were [several] seminars and conferences organized by WIPO which propagated traditional [models] of enforcement. They had been held in developing countries. The question was whether this enhanced development of the country. Similarly, there were lots of training programs held in India and elsewhere, which trained patent examiners and patent officers to expedite processing of patent applications. In most developing countries, 90 per cent of patents were filed by foreigners, which was a common knowledge. The question was how these seminars and programs helped the country develop itself. It definitely translated into more expeditious processing of patent applications and was definitely one of the core mandates of WIPO. However, the issue under discussion was enhancing social economic development of WIPO Member States. Therefore, the Delegation believed that it was very important to have very clear, precise definition which allowed Member States to correctly quantify the magnitude of money being spent on enhancing development. The Delegation recalled that the opening remarks made by the Assistant Director General (introduction of the Program and Budget

document) contained an excellent definition of development activities (being used in ECOSOC), i.e., “activities that promote the sustainable development of developing countries and least development countries”. The Delegation considered this a very good definition and added that a definition that simply included a blanket statement such as in paragraph 5 could not be used. It added that, in fact, there might be activities that were equally [valid] for developed countries, which might be development oriented. The SMEs sector was a good example as the Delegation saw no reason why an activity targeted at enhancing SMEs capabilities should only be held in developing countries. The Delegation added that clarity in definition would have other collateral benefits; a clear definition would allow clarity in figures and would also allow for clarity in more effective implementation (the concern raised by the Delegations of France and Spain). Clear activities that fall under development would be easier to track and monitor than a wide list spreading over large number of areas. Further, a clear definition would help in evaluating these development projects. The Delegation considered allocating money for projects a very important aspect but added that implementing them effectively and evaluating whether the moneys achieved the targets was equally important. The Delegation proposed that ECOSOC used definition of development expenditure be used for the Program and Budget purposes.

391. The Delegation of Algeria thanked the Secretariat for all explanations provided. It reiterated its interest in the programs coordinating the implementation of the DA. It said that its country had invested heavily in the success of the DA and hoped that the DA received the important attention it deserves. It welcomed the efforts of the Secretariat in implementing the DA and thanked the Director General for his personal involvement and attaching such great priority to the WIPO DA. The Delegation shared the concerns expressed by other delegations concerning reduction in resources attributed to Programs 8 and 9. Although the Delegation had listened with great attention to what had been said about the mainstreaming approach, it continued to think that Program 8 was the cornerstone of the DA and, as a result, its funds should not be reduced. Regarding the definition of development activities, the Delegation believed that such definition was complex and very difficult. It added that it supported much of what had been said by the Delegation of India when it had given examples of activities which were not necessarily considered development activities but which were included as such within the existing definition. Acknowledging complexity of the issue, the Delegation invited the Secretariat and Member States to think carefully about the concept and the definition that should be given to development activities because any progress in implementing the DA would, to a certain extent, depend on this definition. The Delegation also supported what had been said in this regard in the African Group’s statement.

392. The Delegation of France wished to reiterate the three points it had previously made. First, the Delegation was satisfied with the quality of the data and the explanations given by the Secretariat, both orally and in writing. It felt that the impact of WIPO was much greater than included in the definition (in paragraph 5). Second, the Delegation had previously presented a number of principles that it thought would be useful in order to understand the issue better. Third, the Delegation wished to make it quite clear that it was one thing to have a discussion on what was development in a country and how the Organization could contribute to it, but it was something quite different to discuss the mandate of WIPO. WIPO had never been, was not and probably would not become a development agency. WIPO had big ambitions for the development of IP and this distinction was vital. Member States’ challenge was not to define development, as it was not WIPO’s mandate nor its job to work on a definition of development activity. What was important, was for Member States to measure the impact on IP in developing countries because this impact contributed to development. The Delegation stressed that it did not wish its position be interpreted to mean that WIPO was in charge of development. It was IP development, which was one of the factors representing development. The Delegation did not see why WIPO should be called on to make any judgment on what development was or what its impact might be on the sectors WIPO knew nothing about.

393. The Delegation of Morocco concurred that WIPO was not a development agency. However, it also agreed that it would be helpful if the definition of development activities was

more specific. Limits needed to be set in terms of expenditure and Member States needed to know exactly what they meant when they talked about development cooperation. Table 9 of the budget document included Program 20 (External Relations, Partnerships and External Offices) in the DA activities. The Delegation did not understand the reasons for it as the Director General (during the meeting with ambassadors) had talked about the possibility of opening new external offices and had said very clearly that external offices did not cost anything. If they did not cost anything then they should not be included in Table 9 listing development activities expenditure. The Delegation also requested an explanation with regard to Program 26 (Internal Oversight), as it had a reference to the DA activities and a third of the Program's budget was for development cooperation. The Delegation opined that there seemed to be a trend to attribute every expenditure to the development. The real question of development expenditure was not "how much" but rather a question of quality of development cooperation. Perhaps it was not really necessary to come up with a definition but rather set limits on what was meant when referring to development expenditure.

394. The Delegation of Venezuela (Bolivarian Republic of) welcomed the funds allocated to development and the mainstreaming of the DA throughout the work of the Organization, as called on by the Assemblies. The Delegation supported the point made by the Delegation of Spain that efforts should be made to ensure that these funds were used appropriately. The Delegation attached great importance to the DA and, as the Delegation of France had said, it was true that WIPO was not a development agency. However, the Organization did have an important influence on development because it could hinder it. The Delegation referred to the geographic representation of staff and emphasized the importance of having staff who knew the realities of developing countries. That was why it welcomed the fact that staff working on the DA came from developing countries. The same would also be important in the context of the WIPO Academy. There should be a member of staff from a developing country who knew the flexibilities that used to be used by developing countries in terms of patents, for example. This had an important impact on the way in which developing countries could use and grant patents. The Delegation thought it very important to continue making efforts to ensure that the DA was mainstreamed and that WIPO could meet the United Nations' millennium goals by 2015.

395. The Delegation of Egypt disagreed with the opinion that resources allocated to development cooperation had been inefficiently spent. It cited data provided in the Results Framework for Program 8 showing explicit results as to effective planning, implementation monitoring evaluation and reporting on the DA recommendations. There were two performance indicators which indicated that all of the projects that were to be implemented would be subject to evaluation and assessment. So there was a clear mechanism to ensure that resources were spent efficiently. Also, the table listing resources allocated to Program 8 (page 72) showed that almost 15 per cent of its resources were allocated to this particular result, i.e., effective planning, implementation, monitoring and evaluation that seemed to be a satisfactory mechanism to ensure efficiency of the resources allocated. In addition, resources table on page 73 demonstrated that the proposed budget listed decrease on items like third party travel (by 37 per cent), fellowships (by 100 per cent) and experts' honoraria (by 56 per cent), which would mean that efficiency criteria were being observed. The Delegation considered that Members should focus on the issue of this Program's resources instead of engaging in a theoretical debate, because the Organization had been mandated with a development mandate and there were DA recommendations to implement. With regard to the Q&A paper and Answer 21 on the shifting of resources from Program 9 to other programs, the Delegation found the chart therein very complicated and not very reader friendly. It suggested that it be redone to make it more accessible to readers.

396. The Chair observed that there was a long list of different issues, including the philosophical debate on development definition, which, in fact was taking place across the UN system. He said, however, that in the last stages of the Program and Budget process it was important to focus on the measurements, the delivery and the outcome for the next two years, "keep everybody's feet to the fire" in monitoring the implementation and focus better on the

impact on developing countries. He added that the whole point of the results-based budget was not to have activities but to have impact results, change and improvement. These were the words that all delegations used. The Chair called on delegations to stay focused and see to the ways to refine the budget document, to which all Members would need to commit for the next few years.

397. The Delegation of India concurred with the Chair's opinion. The Delegation clarified its stand as it believed it had been misunderstood. It reiterated its satisfaction with the improvements in the DA's mainstreaming. It stated that it was trying to assist by coming up with better ways of measuring, quantifying and assessing the impact. WIPO was certainly not a development agency and the Delegation never implied otherwise. If anything, it had said to the contrary when referring to the training programs for patent examinations or enforcement issues. The core mandate of WIPO was the promotion and protection of IP. However, Members should not forget that development was also part of WIPO's work and one of WIPO's strategic goals. The General Assembly had asked all relevant WIPO bodies to mainstream development in their respective areas of work and to report on it. That was the reason why the Secretariat had tried to give a figure and a percentage of what amount of the total expenditure was going to be spent on development oriented activities. The Delegation explained that when one had a percentage, it stood to reason that there had to be an explanation for it, including what activities had been counted to arrive at that percentage. That led to the question how to define development and development activities. A more precise definition was needed in order to provide a more precise measurement tool which would be of benefit to the developing countries as the primary beneficiaries and the recipients of this assistance, and the developed countries as the stakeholders of the Organization who had an interest in ensuring clarity in the figures. Therefore, the Delegation hoped that it had suggested an improvement and stressed that it was not an attempt to define WIPO as a development agency. Taking the exhortation of the Chair very seriously, the Delegation recognized the efforts made by the Secretariat to come up with a definition and recognized that it was a very complex and difficult issue. It urged that an attempt be made to redefine the definition, perhaps by identifying activities that would be considered as development activities and, as the Chair had also pointed out, some way of measuring the impact to assess the activity in terms of its final delivery and impact.

398. The Delegation of Chili concurred with the Chair's statement and believed that Members should focus on ensuring that the proposed budget considered development activities in accordance with the income expected over the next two years. The Delegation requested confirmation of the explanation on the transfer of resources from regional bureaus to other areas of WIPO, to ascertain that development activities would continue to be coordinated through regional bureaus and that the beneficiary States would not have to knock on doors in different WIPO divisions to get access to the development activity funds. The Delegation also hoped that the transfer of resources did not infringe on the capacity to implement development activities, in particular, considering the excellent work of the Pan American Bureau. The Delegation requested confirmation that the transfer of human resources would not negatively affect coordination of activities and would not be an extra burden on the beneficiaries of these activities.

399. The Delegation of South Africa reiterated its earlier statements on the need for clarity on the nature of development activities. It recalled a lengthy debate in the June PBC session on the definition of development expenditure. Since the debate recurred, the issue needed to be resolved, otherwise it would resurface again. The Delegation believed that adopting the ECOSOC definition was the way forward since that language had been used elsewhere in the UN system. The Delegation therefore supported the proposal made by the Delegation of India to adopt the language used in the ECOSOC and then to establish a mechanism on how to measure development activities. The Delegation also agreed with the Delegation of Spain that Members should look at the quality of activities and reflect it in the indicators, which at present were mostly quantitative.

400. The Delegation of Brazil thanked the Secretariat for the information on development activities. It believed that the Q&A paper was a genuine effort to explain how the resources were allocated in the development projects. The Delegation took note of the total amount dedicated to development for the biennium (144 million Swiss francs) and added that further details requested from the Secretariat would indeed be very helpful. The Delegation supported requests for a more precise definition of development activities and added that it could be the ECOSOC definition or any other definition that would address various delegations' concerns. It believed that clarification on how development activities could be differentiated from the regular activities of the Organization would be beneficial.

401. The Delegation of Monaco endorsed the last statement made by the Delegation of France, which had put forward extremely relevant arguments. The Delegation felt that WIPO had no vocation to carry out development agency activities, but that through its actions (and some of its activities) it helped promote IP in developing countries and, indirectly, helped to promote development in those countries. This notion should be taken into account regarding definition of development activities within the context of WIPO. The Delegation opined that the main issue in the debate was that of the fall back of the utilization of development resources and WIPO's activities in the field. From this viewpoint, it might be more relevant to find an effective way of measuring the effectiveness with which the resources were utilized rather than concentrate on the amount of resources allocated.

402. The Delegation of Singapore was satisfied that the Program and Budget encapsulated a very strong focus on development across all the substantive WIPO programs. As a developing country, Singapore was also satisfied with the explanation by the Secretariat on the budgetary allocations. Concerning the definition of development activity, the Delegation found the ECOSOC definition useful and saw it as a broad guidance. It added that, at the end of the day, it was a valued judgment by each recipient country whether an activity contributed to development. For instance, in Singapore, the training of patent examiners was very much welcome and constituted a form of development activity. In the context of the proposed Program and Budget, the Delegation wished to focus on a quantifiable indicator so that Member States knew the precise amounts. In that respect, the Delegation was happy with the definition provided by the Secretariat. The Delegation concluded by saying that Members should avoid debating this issue at the PBC and instead focus on the types of development activities available in the next biennium.

403. The Delegation of the Dominican Republic fully supported the statement made by the Delegation of Chili concerning confirmation as to the transfers of funds (from Program 9) and wondered as to the capacity of different sectors in the Organization to carry out technical cooperation activities. For this very reason the right level of coordination was necessary. Good progress had been made in this regard and there was a lot of expectation that cooperation would continue to be made available to those who needed it, when they needed it and that funds would be made accessible for it. The Delegation hoped that there would not be any extra burden on the beneficiary countries i.e., knocking on different doors trying to get access to people who might not necessarily understand the needs or have no expertise in terms of technical cooperation. In closing, the Delegation thanked the Director General and the Secretariat for maintaining focus on development activities within WIPO.

404. The Delegation of Venezuela (Bolivarian Republic of) supported the statements made by the Delegations of Chili and the Dominican Republic. It was very important for the Delegation that, irrespective of the technical issues of where the funds were situated, states could get a hold of those funds whenever they were needed for development activities and technical cooperation, especially in a region where there was no regional office.

405. The Chair announced a break for informal consultations.

406. The Delegation of India announced that informal consultations on the definition issue had take place during the break. The common objective was to ensure that the budget process was not derailed and that Member States would not ask the Secretariat to redefine and reforecast figures. Therefore, the Delegation proposed the following: it would be made clear in the budget document that the definition provided was an interim one, used for purposes of the 2012/13 biennium budget and that it would be further refined in consultations to be convened by the Chair of the PBC. The refined definition would be used for purposes of drawing up the 2014/15 biennium budget. The Delegation added that if there were no objections it had draft language ready.

407. The Delegation of France agreed, in principle, to reworking of the definition of development expenditure as arrived at during the consultations. It requested that a reference/a footnote be included limiting the definition to the context of WIPO's field of competence.

408. The Secretariat responded to the questions on Program 8. Regarding the use of funds through the extrabudgetary resource mobilization (question from Germany), the Secretariat explained that it was an ongoing process; a matchmaking database had been set up to help the process of matching beneficiaries and donors. However, at present, there were no new funds-in-trust. Nonetheless, the Secretariat attached great importance to the process of developing the mechanism, the methodology and the strategy for raising extrabudgetary resources. At present there were two potential countries, one of the countries that had, in the past, provided funds-in-trust and was in the process of renewing them. A new emerging economy country had also indicated its plans to establish funds-in-trust within the Organization. The Secretariat noted the point made by the Delegation of Algeria and the Delegation's vision of the Development Agenda Coordination Division as the cornerstone of the DA process. The Secretariat stressed that the importance of the Division was not being diminished or reduced. In fact, a new post had been created for the Division in the context of the goal to deliver as one, i.e., the Organization delivering as one rather than delivering as separate components. In the context of the DA Coordination Division being the focal point for the mainstreaming of development in the Organization, the Secretariat felt that for it to be successful, greater mainstreaming across the Organization had to be sought. The Secretariat added that simple looking at the amount of money allocated to each particular program should probably be avoided. What should be important were the expected results. The Secretariat further said that it was trying to provide the requisite resources for each expected result in order to achieve it, be it through the Division's activities or in coordination and cooperation with other sectors of the Organization (depending on the particular expected result). The Secretariat also said that despite the intention to reduce the resources available to the Division, the Division had all the support from across the Organization. Regarding external offices (question from the Delegation of Spain) and its understanding that external offices did not cost anything, the Secretariat stated that it was not sure what such statement meant. There was a cost involved in the maintaining and running of the offices and a question what they had to do with the DA. The Secretariat went on to say that there were four external offices: the Japan office, the Singapore office, the office in New York and the office in Rio de Janeiro. Two of those offices, (Rio de Janeiro and Singapore) had a development mandate in addition to other areas. So, to this extent, they clearly had a mission to address a number of the DA recommendations and they did so. The Singapore office worked particularly closely with the Bureau for Asia and the Pacific and so, to that extent, was very much involved and engaged in development issues. The office in Rio de Janeiro worked very closely with WIPO Bureau for Latin America and the Caribbean and, in that context, was very actively engaged in development issues. With respect to the question on the third of the budget of the IAOD going to development and the suggestion that perhaps too many things had been attributed to development, the Secretariat mentioned the IAOD's mission to Kenya, in the context of the independent evaluation of the technical assistance activities carried out by the Development Sector. The IAOD had identified two countries where external consultants had been used and therefore conducted an evaluation of the technical assistance in respect of those countries.

409. The Secretariat further explained that, along the very same lines, the 1.7 million Swiss francs that had been counted as development expenditure for the next biennium were related to the country level evaluations. The Organization would learn from these evaluations to make improvements in development assistance and activities. This was the amount counted under development budget line in the IAOD allocation.

410. The Secretariat, addressing the issue of development expenditure, thought that it had been captured in the intervention of the Delegation of India. As for request by the Delegations of Chili, Dominican Republic and Venezuela, the Secretariat officially confirmed that the funds that had been transferred from the Bureaus to WIPO specialized sectors remained available to developing countries and that there would not be a problem in accessing those funds and carrying out activities. It was part of the Organization working as one and greater coherence in the delivery of development program. The Secretariat added that the Development Sector and the Bureaus were and remained the holders of the master plan for development activities. They took decisions, knew the countries and the regions and were responsible for defining the strategy and the activities that should be carried out. Therefore, WIPO's specialized sections and divisions could only carry out activities in the developing countries in cooperation and in the framework of the master plan held by the Bureaus. The Secretariat further said that there would not be "knocking on different doors" within the Organization while looking for resources. The Bureaus were the "one stop shopping center" and nothing had changed in that context.

411. The Delegation of Spain went back to the question of the external offices not costing anything. The Delegation recalled again that the Director General had made that statement during a meeting with ambassadors when the ambassadors had asked him how much opening of a bureau cost. The Delegation now realized that, apparently, bureaus did cost money. The Delegation added that it had been explained why under Program 26 there were funds related to the DA. The reproach was not that it was being spent on development but because of the discouraging situation in the IAOD apparently due to too few resources. The Delegation was surprised that one-third of the IAOD budget was marked as development activities without there being a proper risk assessment. The basic problem was that there was a lack of transparency whenever Member States asked questions and subsequently discovered that things were not necessarily as they had seemed. The Secretariat explained that the external offices cost money while Member States had been told they did not. The Delegation was taking this opportunity to say that this was a general problem with the whole budget - total lack of transparency.

412. The Chair stated that, according to his recollection of the Director General's briefing on the external offices, the Director General had said that there were no additional funds for external offices in the program and budget and that one office that was not subsidized was the WIPO New York liaison office to the UN. The Chair added that, obviously, there were costs and that the misunderstanding of the matter might have resulted from a glitch in the interpretation (or a misunderstanding).

413. The Delegation of Venezuela (Bolivarian Republic of) stated that delegations needed to discuss external offices issue with the DA Division because an issue with Latin America and the Caribbean region offices needed to be resolved. There was no office for Latin America. An office had been established by Brazil because Brazil wished to do so and subsidized it. That office offered excellent support for Latin America but it was not supposed to be a Latin America office and that should be clarified. The Delegation believed that the most transparent solution would be a decision by the Latin American and Caribbean countries as to where the best place for an office would be, geopolitical reasons or historical reasons might be taken into account, to work on IP and development. This would be important for transparency reasons because despite collaboration from Brazil, it was not a Latin American office. Brazil office was providing support for which the Delegation was grateful but it was not a regional office.

414. The Chair pointed delegations to the Q&A paper which contained a table on the cost of external offices. He added that the ambassadors, at the briefing, were discussing the policy to be drafted in that respect.

415. The Delegation of Mexico supported the statement made by the Delegation of Venezuela (Bolivarian Republic of). It felt that clarification was needed as to the details of the Secretariat's statement that external offices were delegated to development issues.

416. The Delegation of Brazil endorsed the explanations of the Secretariat on Program 8. Echoing what other delegations had said, the Delegation felt that matters should not be scattered and countries should not have to address various bodies/sectors of WIPO to have their needs met. The Delegation stated that Programs 8 and 9 had to have adequate human resources and equipment to remain proactive and not wait for countries to submit requests for assistance (as some countries did not even have the means to formulate a request). The Delegation restated the question from Germany regarding the expenditure for the DA projects that had been allocated in the budget and not spent. The Delegation wondered for what reasons the allocated resources had not been fully spent.

417. The Secretariat, referring to external offices, said that the mandate of the offices in Singapore and Brazil had a technical assistance (or development) component. They provided services within the region in respect of the PCT, Madrid, arbitration, the Hague and technical assistance. As for the Singapore office, when the agreement had been signed, it had been understood and supported by Member States that this office would also cater to the needs of the ASEAN Member States. The New York office was a liaison office to the UN in New York. The Brazil office was a country office. It was not a regional office. It did, however, have in its mandate, technical assistance as well. The Japan office not a regional office either. None of those offices were regional offices. Two of them did have, in their mandates within the Organization, technical assistance in addition to other areas.

418. The Delegation of Brazil remarked that development cooperation in Latin America was a major task for the Brazil office. It added that the Government of Brazil helped finance the working of this office. Therefore, basically, it was a not an office for Brazil but an office in Brazil to help development in [form of] technical assistance.

419. The Delegation of Panama supported the statements made by the Delegations of Mexico and Venezuela (Bolivarian Republic of).

420. The Delegation of Venezuela (Bolivarian Republic of) thanked the Secretariat and the Delegation of Brazil for their respective explanations. It added that things needed to be called by their name, i.e., the Brazil office was a development office.

421. The Delegation of Chili supported the statements made by the Delegations of Mexico, Panama and Venezuela (Bolivarian Republic of). The Delegation's understanding was that the WIPO office in Brazil was an office for Brazil, which carried out some technical assistance activities. However this office could never be considered as an office that provided technical assistance for the Latin American region.

422. The Delegation of India read out the proposed language on the definition of development expenditure for purposes of the present budget to be inserted as a footnote at the end of paragraph 5 on page 9: "This definition is considered as an interim definition for purposes of the proposed 2012/13 biennium budget. It would be refined further in informal consultations convened by the Chair of the PBC, with a view to evolving a more precise definition of development expenditure. The refined definition would be used for purposes of preparing the budget for the next biennium 2014/15 and would be approved by the 19th session of the PBC scheduled to be held in September 2012."

423. The Delegation of France recalled that it had requested to incorporate a reference that the definition was within the sphere of competence or in the context of WIPO. At the end of the first sentence, it would say: "in the context of WIPO".

424. The Delegation of Morocco requested the Legal Counsel's opinion whether the question of the definition was the responsibility of the CDIP.

425. The Delegation of India said that this very issue had been discussed internally within the DAG when it had met informally. DAG had concluded that Members were not trying to define development activities but merely development expenditure, a matter that fell directly within the purview of the PBC. The definition was only for the purposes of the budget document for the biennium. It recalled that, as pointed out by the delegation of Morocco, the DA recommendations included those with the budgetary implications and those without. The ones with the budgetary implications fell directly under the PBC.

426. The Legal Counsel's understanding was that the PBC was trying to come up with a definition of what constituted development expenditure in the context of the Program and Budget. The CDIP could also come up with a definition of what constituted development in certain contexts. He said that, in direct response to the question from the Delegation of Morocco, both the CDIP and the PBC were subsidiary bodies of the General Assembly. So, ultimately, they both made recommendations to the General Assembly and it was the General Assembly that would ultimately approve whichever definition, whether from the PBC or from the CDIP.

427. The Delegation of Egypt welcomed the proposal by the Delegation of India and took note of the proposal by the Delegation of France. It suggested adding that this consultation process (in the definition) should be guided by the definition of development expenditure used in other UN agencies. The Delegation also noted that this definition would be used in WIPO only. Regarding the best forum to discuss the definition, the Delegation believed that it was directly relevant for the PBC to discuss the matter because it related to budgetary expenses. If other delegations insisted, the Chair of the CDIP could also be engaged in the exercise but, the PBC should take the lead in the process.

428. The Chair pointed out that since the text would appear in the approved Program and Budget, it needed a few edits. He proposed to strike the word "proposed" and add "Program and Budget" (not just the budget).

429. The Delegation of Egypt suggested to add language (in the part about consultations) saying that it would be guided by the definition of this term in other UN organizations.

430. The Delegation of Switzerland requested the text in writing.

431. The Chair announced that the text of the proposal would be made available at the documents' counter at the end of that day's meeting.

432. Following informal consultations between country Groups, the Delegation of India presented the agreed language: "Following concerns expressed by several delegations at the 18th session of the PBC, this definition is considered as an interim definition for purposes of the 2012/13 biennium Program and Budget. This definition would be defined further in informal consultations convened by the Chair of the PBC with the view of evolving a more precise definition of the development expenditure in the context of the WIPO Program and Budget. The revised definition should be submitted to the 19th session of the PBC for consideration and recommendation for approval by the General Assembly. The revised definition would be used for the preparation of the Program and Budget for the next biennium 2014/15."

433. The Delegation of Switzerland confirmed that the text, as read, had been agreed.

Program 9

434. The Delegation of India inquired as to the difference between UTTOs (University Technology Transfer Offices) mentioned in the Results Framework and the TTOs mentioned elsewhere in the document. It also believed that a reference to the TTOs and the TISCs, in paragraph 9.12, would be important. Regarding Results Framework (page 77), the first performance indicator was the number of countries with available IP training programs and IP related career opportunities, Arab region. The baseline was 5 countries and the target was 3 countries. The Delegation inquired why the number was lowered. For the second performance indicator, the baseline indicated 14 countries from Africa, 13 from the Arab region, 7 from Asia Pacific and 12 from the LAC region. In the target, the numbers were drastically reduced and the Delegation wished to know the reasons for the reduction. Page 78, for the second expected result baselines were not available and the target indicated 90 per cent. The Delegation's question was how this would be quantified and assessed. Page 78, performance indicator "number of Member States having received legislative advice in the area of trademarks, industrial designs and GI's"; the baselines did not have a specific number. However, elsewhere in the document such number did appear.

435. The Secretariat confirmed that the comment in respect of enhancing innovation would be incorporated. Regarding the TTOs, and the UTTOs, there was a program called the University Initiative and so, University TTOs, were in reference to the University Initiative Program that was in the Innovation Division. When the text talked about TISCs or TTOs, these TTOs were not within the context of the University TTO's. There was therefore distinction of TTOs situated either in R&D institutions or, in some countries, in the IP Offices and another separate program of TTOs under the University Initiative Program. Regarding figures in the baseline and the target, Secretariat said that the figures in the baselines were cumulative i.e., the situation as it was today that had been accumulate over time. The target was the figure for the next biennium. Regarding percentages (90 per cent) in the target, the Secretariat said that of all the countries that would receive legislative advice for the next biennium, 90 per cent of them would find the advice useful. Regarding the number of Member States that had received legislative advice in 2010, the Secretariat said that it would get the appropriate [presently missing] figures

436. The Chair concurred with the need for figures, as pointed out by the Delegation of India, and said the Secretariat would fill those in.

437. The Delegation of South Africa suggested new language either to replace paragraph 9.5 or add a new one, which would take into account the outcome of the forth United Nations Conference on LDC's. The language was: "the work on the LDC's will be guided, among others, by the commitments made by WIPO contained in the document "WIPO Deliverables for the LDCs" adopted at the High Level Forum on Building a Comprehensive Framework for Promoting Development in the LDCs held on 10 May 2011, in Istanbul, Turkey". Regarding performance indicators on page 76, the Delegation felt that some of them were too general. The last indicator on page 76 needed to be clarified as it only looked at specialized training without elaborating on the targeted audience or practitioners in comparison to what other indicators from other Bureaus indicated. The Delegation requested the African Bureau to specify who the targeted audience was and how the success of this specialized training would be measured since the focus was on enhancing human resource capacities. Providing the number of training programs was not enough to measure the success or the quality of the development activities provided to the region. The Delegation also believed that the performance indicator on page 78, referring to the number of countries with available IP training programs and IP related career opportunities was also related to Africa, and wondered if the Africa region should also be indicated there in addition to the Arab region. In paragraph 9.6 bullet point 2, the language and international IP flexibilities should be reflected (as in bullet point 1).

438. The Secretariat said that, with respect to the expected results on enhanced human resource capacities, the performance indicators would be modified following consultations with the African Bureau. As regarded the other indicator (referring to the Arab region), the matter would also be consulted with the Africa Bureau as it depended on the activities that they had in their work plan.

439. The Delegation of India thanked the Secretariat for clear explanations on the baselines and the figures. However, the Delegation did not feel that it had received an answer on paragraph 9.12. It said that its point was that there was a reference to the TISCs and the TTOs in the Results Framework but it was not reflected anywhere in the Program narrative. The Delegation suggested including reference to TISCs and TTOs in paragraph 9.12. In the light of the clarification by the Secretariat on differences between the TTO and the UTTO, the Delegation requested that reference to UTTO be added in cases where it received the transfer of technology

440. The Chair announced that the Secretariat would redraft Program 9 narrative as per Member States' comments.

441. The Delegation of India, regarding the fourth performance indicator on page 78 ("number of groups of offices participating in a common platform") with the baseline of one (1) and the target of three (3), inquired what the common platform was.

442. The Secretariat explained that the common platform was the one that Latin America had at the moment; a number of IP offices coming together to share examination results to help each office whenever they examined patent applications to see what was being done in other offices and to share their results. It was an arrangement for sharing of work amongst groups of IP offices.

443. The redrafted narrative of Program 9 was distributed and the Chair invited delegations' comments.

444. The Delegation of South Africa, speaking on behalf of the African Group, clarified that it had not wanted the deletion of the performance indicator and the baseline for training programs (page 79) as done in the redrafted text. It wished those retained.

445. The Delegation of India pointed out that the explanation that the baselines were cumulative had not been addressed in the new text. The numbers in the targets were still the same. It thought that it might be helpful to give a clearer understanding that this was a cumulative figure.

446. The Secretariat apologized for any an inconsistency in the way the indicators had been reflected across the whole document and confirmed that these inconsistencies would be corrected.

447. The Delegation of India inquired whether a footnote would be inserted to indicate that the figures were cumulative.

448. The Secretariat responded that, as a general principle, figures would be cumulative. Any exceptions would be indicated.

449. There were no further changes to Program 9.

Program 10

450. The Delegation of the Russian Federation was grateful to the Secretariat for preparing the Program and Budget. The Delegation requested explanation, in the Results Framework and

performance indicators, on the uses of TISCs and how the number of users of these services would be defined.

451. The Secretariat explained that the idea was to first establish a baseline, through a survey sent out to the respective countries in order to assess the number of users of these TISCs. This would provide a basis for estimating any progress made in the next biennium. But first, the number of users of TISCs would be established through a survey.

Program 11

452. The Delegation of India made the following comments on the Program 11. First, with regard to the references to making the WIPO Academy's programs more responsive to developing country needs, the Delegation believed it important to have greater representation of trainers from developing countries in the WIPO Academy's faculty and training staff. These could be local resources (for national training programs) and resources from IP experts in those countries and regions. It was universally acknowledged that, someone living in a certain country had a better appreciation of the problems faced by the country and the solutions that might actually work on the ground. Therefore, it was very important to include developing country trainers, academics and relevant subject matter experts in the specific programs conducted in developing countries. The Delegation proposed a new language at the end of paragraph 11.6: "Efforts will be made to enhance the representation of developing country trainers in the Academy's faculty and training programs to make them more responsive to developing country needs." Regarding the redesign of the Executive Program, the Delegation had seen on the website that the course's contents were essentially the same but it had been mentioned the other day that the target audience was different (developing country participants). The question was why the fee structure changed and whether fees had been made more affordable for developing country participants. If so, the Delegation requested details of the change in the fees. The Delegation also inquired whether any course had already taken place. Further, the Delegation asked if cooperation was envisaged between the WIPO Academy and UNITAR or any other UN body involved in training. The Delegation saw value in using networks and capacities that other UN agencies might already have in the area of human resource training. With regard to paragraph 11.6 (on the Academy's ties with educational institutions in different countries), the Delegation wondered whether training programs were conducted by local universities and educational institutions in collaboration with the WIPO Academy. The last clarification requested was with regard to the Results Framework (page 88). In the fifth performance indicator ("number of participants trained under the WIPO Summer Schools annually"), there was a reduction in the figure from the baseline of 600 to the target of 500 for the next biennium. Similarly, the Delegation noted that in the subsequent performance indicator (number of academic courses incorporated in educational institutions curricular), figure 8 explicitly pertaining to 2010/12, remained unchanged for the coming biennium. It asked for the reasons for such very conservative planning. Similarly, the figures in the performance indicator on a number of languages in which courses were offered were static: 11 and 11. The Delegation inquired whether there was a reason for not trying to enlarge the scope of the Academy's work and training programs, when it seemed clear that this was going to be the focus for businesses and enterprises across the world.

453. The Delegation of Oman recalled the statement made by the Arab Group which stressed the request to undertake the necessary measures to translate a number of education and training programs into Arabic so as to increase the benefits to the Arab countries. The end of paragraph 11.7 (ii) stated: "efforts will also be made to translate the distance learning courses in additional languages as requested by Member States". The Delegation believed that the sentence was not strong enough and did not reflect the Arab Group's request properly.

454. The Secretariat, regarding inclusion of experts from developing countries in the training programs of the Academy, said that it was already being done. For example, in the field of distance learning, around 70 per cent of tutors came from developing countries. In the

Academic Institutions program, courses were organized jointly with universities. In the two programs in Africa, approximately 90 per cent of experts came from developing countries. In the Master Program (run jointly with the University of Turin), around 60 per cent of lecturers were from developing countries. As far as the Professional Training Program was concerned, training activities were organized with partner institutions which were mostly from developed countries. These institutions provided experts to train people in the areas that were jointly discussed, e.g. the European Patent Office would train future examiners, to make available more experts from developing countries. In the case of the Summer School, except two Programs, ten were run in developing countries where almost 100 per cent of lecturers came from the hosting country. The Secretariat added that the Academy was looking at ways to bring in more experts from developing countries. The Executive Program was going to be more focused on the needs and the [exclusive] participation from developing countries. It would be run in developing countries (and not in developed countries as it used to be). The Academy had changed its partners in running this program. New experts would come from the University of Harvard and programs would be run together with universities in the developing countries, which had not been the case before. The focus would be on IP management issues that were of interest to the industry or companies in developing countries. The fee structure was not going to be changed for the time being. This Program was targeted at the private sector so participation fee would be asked. As for the dates, one program would be run in November, in Singapore and the next one in Chile. Regarding working closer with other UN agencies, the Secretariat pointed out its close cooperation with the WTO. Two joint programs were run every year, in which government officials were trained as negotiators. IP professors from developing countries, LDC's and countries in transition were also being trained. The Academy was in contact with UNITAR to allow them to use the Academy's programs on IP. The Secretariat added that 35,000 participants enrolled in its distance learning programs on IP the previous year. The Secretariat further explained that, the Academy was running four joint programs at the university level, Masters in IP law: two in Africa, one in Italy and one in Australia. The Academy facilitated experts' lecturers training materials and provided certain scholarships to students. All these programs covered regional needs. For example, in Africa one was run together with the [REPO] and the African University and was devoted mainly to the English speaking people coming from African countries. Beyond that, the Academy supported activities with universities, by providing specific lectures, training materials or academic advice but these were not joint programs. Such cooperation currently existed with ten or 12 universities and the Academy planned to extend it. Regarding participation numbers at Summer Schools, the Secretariat explained that this program was run in a different way because the participants were mainly students or junior professionals who self-financed their participation. It added that, with the human resources currently available it was not logistically possible to run ten Summer Schools (the present number) so it was planned to reduce that number as well as the number of participants. In respect of distance learning, the Academy had 14 courses, most of them in the six UN languages and other non-UN official languages like Vietnamese, Portuguese or Croatian. Efforts were being made to expand the use of distance learning courses to other languages. However, that was dependent on the beneficiary country proposing to run a new distance learning course. The Secretariat commented that, already, working in 11 languages was quite a large number. The Secretariat further said that, on the point regarding the number of academic courses incorporated in educational institutions curricula, it would provide the answer once it checked the information. In connection with the comments made by the Delegation of Oman, the Secretariat said that the Academy organized training activities in Arabic in distance learning programs and professional training programs currently run in Morocco, Algeria and Egypt. More possibilities were being explored with the universities in the Arab region. As to the translation of distance learning courses in additional languages as requested by Member States, the Academy was currently engaged in enlarging the number of languages. However, translation also depended on the number of participants in particular courses.

455. The Delegation of Egypt thanked the Secretariat for giving attention to cooperation with the Arab countries. It welcomed the increase in resources allocated to Program 11. It hoped

that the resources would be used efficiently. Turning to the Results Framework table, the seventh Performance Indicator, the baseline mentioned two (2) Academies set up, with the target of four (4). In the context of creating new Academies, the Delegation recalled the CDIP decision and hoped that the target would be reached. In order to do so, resources should already be earmarked for the second stage of the project so as to increase the number to, e.g. six. As regards the performance indicator on the new cooperation agreements, the Delegation noted an increase from two (2) in the baseline to three (3) in the target, which was not a very optimistic increase. The Delegation wished to increase the target to five or six. It also wished to include the mention of setting up of a plan to provide more programs in the Arabic language (under expected results).

456. The Delegation of India found the information on the integration of developing country faculty members in the Academy programs greatly encouraging. It appreciated the efforts made to mainstream the DA in the work of the Academy. It suggested that this be reflected in paragraph 11.6, by saying that efforts would continue to be made to enhance developing country representation in the faculty and trainers in the Academy. On the Executive Program(s), the Delegation believed that relocating these programs to developing countries was immensely useful as it made them more accessible. The change of partners seemed a good idea as well. The Delegation was not certain of the reasons for the lack of change in the participation fees given that the program was now going to be held in developing countries where the overhead costs were substantially lower. It urged the Academy to reassess the fees. The Delegation was a little disappointed to know that this Program had not been run for two years. It felt that an opportunity was missed because numerous Indian companies had expressed a lot of interest in this program. It hoped that, following the program in Singapore, the program would be launched elsewhere. The Delegation took note of the information on the four joint programs currently run by the Academy in Africa, Italy and Australia. It was concerned that there were no programs in Asia and the Pacific and Latin America and the Caribbean. It wondered if there were plans to expand this program to these two regions in the coming biennium. If not, the Delegation strongly believed that there should be and requested clarification on this point. Regarding reduction in the Summer Schools, the Delegation said that it had personally received a lot of requests from Indian students wishing to participate who could not find a slot. Apparently participants were accepted on 'one per country' basis because large numbers could not be accommodated. Given the excellent quality of the programs, and the growing importance of IP, the Delegation thought it unfortunate for this program to be reduced further. The Delegation hoped that it [number of summer schools] would be increased. Similarly, the number of languages in the distance learning seemed to be static. Therefore, perhaps there was a need to look at further increasing resources allocation for the Academy.

457. The Delegation of Morocco fully supported the statement made by the Delegations of Egypt and Oman. The Delegation's wish was that the budget reserved for the Academy for the next biennium would not meet with the same fate as under the previous biennium because the resources table (in the first column) showed 10 million Swiss francs and then, under the transfer arrangements, the figure had gone down a lot.

458. The Secretariat, in connection with the number of Arab Academies, explained that this was a special project under the supervision and implementation of the Academy but added it was a special project within the framework of the DA. Initially, this project had been aimed at four pilot countries and had been approved as such. Currently, the Academy had 15 requests but, essentially, the project itself had been approved for four countries. The Secretariat did not wish to get into the details of the implementation of this project because the CDIP might be a better forum to discuss the issues. It said that establishing a national IP academy was a rather long process with political, administrative and financial implications for the beneficiary country. It added that there was an exploratory phase for each requesting country in order to evaluate the impact and the costs and benefits. That was why out of 15 requests three were currently being implemented. Regarding the Arab Academies, an agreement had been signed and the institutions had been created on the national level. With the other countries, the Academy was

still in an exploratory phase, which implied an assessment mission by a consultant, production of a mission report and establishing a list of priorities for the beneficiary country. In connection with the numbers [of Academies] currently proposed, the Secretariat said that these were linked to the project (for four) approved by the CDIP. This was going to be proposed again within the CDIP and that was why the target for the next biennium was to have four more startup Academies. The Secretariat added that the Academy was already signing agreements and was quite close to setting up joint programs with universities in other regions, which was going to be the case for the Latin American and the Caribbean and the Asian regions as well. As for the fees for the Executive Program, the Secretariat said that the Academy would try to reassess the fee policy. Regarding Summer Schools, the Secretariat agreed that demand was high and that this was a highly popular and successful program (being the most popular Summer School in Geneva). This year it would be run together with the University of Geneva (one week in WIPO headquarters and the second week at the Geneva University). Around 300 applications had been received for 50 vacancies. The Secretariat remarked that Summer Schools in other places were not that successful. The Academy was trying to compensate that by having one or two programs per region and to alternate the hosting country.

459. The Delegation of Egypt, with regard to the startup academies, observed that since 15 requests had been received, three were ongoing, 12 were still being considered, it might be envisaged that in the next two years two or three of that remaining 12 would progress. That was why contingency plans should be made for them.

460. The Delegation of Oman proposed adding the following language (already agreed in the last biennium) in paragraph 11.6, after the first sentence: "More emphasis will be given to the quality of the content of the training programs and their availability in the six official UN languages".

461. The Secretariat, on the issue raised by the Delegation of Egypt, said that the fact was that there was a limitation in the project, i.e., it had been approved for four. The project was being implemented with certain flexibility. The difficulty in implementing the project was that it was dependent not only on WIPO but also on the contribution of the beneficiary country and could proceed at various speeds because of the availability of resources or other strategic priorities. In the case of the Arab region, in one case the agreement had been signed but because of the political uncertainty the project was now "frozen". In general, since the implementation pace was different in each case, the Secretariat thought that implementation would take longer than expected. However, the number was something that should be discussed and set by Member States in the CDIP.

462. The Chair summarized the amendments made by the Delegations of India and Oman to paragraph 11.6. Both amendments were agreed on.

463. In the Chair's momentary absence, the meeting was chaired by the Vice-Chair (Russian Federation).

Programs 12 and 13

464. There were no comments on Programs 12 and 13.

Program 14

465. The Delegation of India made the following comments. First, under paragraph 14.5, it suggested saying what the TISCs were and what tasks they were mandated to perform. While the end goal of a TISC was to promote domestic innovation, the Delegation understood that it was going to be a gradual process and right now it was limited to disseminating patent data examination reports. It was therefore important to capture the idea that the TISC was supposed to be a national help for the promotion of domestic innovation and transfer of technology. The Delegation also suggested putting in the exact figure (12) in the second sentence in

paragraph 14.5, instead of saying “TISCs were established in several countries in the biennium 2010/11”. Second, regarding paragraph 14.10(iv), the Delegation inquired why there was no reference to CACE (the Centralized Access to Certain Examination Results), which was found under Program 15. Since Programs 14 and 15 had similar end goals, a reference to CACE could be added. Third, in the Results Framework (page 104), first performance indicator was on a number of national TISC networks launched. The Delegation inquired as to the possibility of indicating a second performance indicator (like in other programs), i.e., satisfaction with TISCs and indicating a percentage, e.g. 90 or 80 per cent, as feasible.

466. The Delegation of Egypt pointed out that during the 17th session of the PBC, the name of this Program had been changed. At that time, the Delegation had requested a change in the name and title to “Access to Information and Knowledge” as the purpose was to use information and knowledge about Intellectual Property and as referred to in the Results and Targets column of the Results Framework for this Program.

467. The Delegation of Pakistan wished to add new language in either paragraph 14.6 or 14.9 to indicate efforts to increase the base / the number of countries eligible for free or low cost access to aRDI and ASPI.

468. The Secretariat, responded that the exact number of TISCs (12) in paragraph 14.5 as well as the text suggested by the Delegation of India (on definition) would be incorporated. Concerning paragraph 14.10(iv) and the lack of reference to WIPO CASE, the Secretariat explained that the reference was made in Program 15 because Program 15 would implement WIPO’s CASE program (specific reference in paragraph 15.4). The decision to include WIPO CASE in Program 15, instead of Program 14, had been made on the basis of the required technical expertise, resources and the particular requirements with regard to WIPO CASE, which were to provide the common platform to Member States (like the one to be provided for Latin American countries). This meant that WIPO would not provide information as such but would provide a platform. This was technical infrastructure, which related to business solutions for IP offices and Program 15. Program 14 was intended to provide information and knowledge to Member States and stakeholders. Therefore, there was a clear demarcation of jurisdictions between the two Programs. The Secretariat further agreed that the satisfaction rate would be included in the Results Framework (performance indicators and targets for TISCs). In connection with the definition and the mandate of TISCs, and the Delegation’s of India remark that their expectations for the function of TISCs was to facilitate domestic innovation and technology transfer, the Secretariat said this was very relevant to bear in mind in discussing the question raised by the Delegation of Egypt. In informal consultation in June, Members had discussed the difference between information and knowledge. There was a difference between the connotations of those two words. Therefore, sometimes the Secretariat specifically referred to knowledge because it believed that access to mere information might not be a solution in developing countries for developing expertise and capacity building. For example, one could be provided with access to databases or documents. However, access to information alone would not tell the scientists and engineers in developing countries how a particular technology should be transferred or how the ongoing domestic innovation could benefit from such technological information. Therefore, the Program had started to advise developing countries stakeholders to develop their skills, capacities and expertise to analyze, evaluate, assess and interpret information in the context of their respective national situation. For example, the project of patent landscape had been launched and had been included in the DA. The Secretariat believed that patent landscape reports (to be developed before the end of this year) would analyze the patent information in such a way that the recipient of reports would receive some knowledge, not a mere collection of information. Therefore, there was a need for reference to knowledge. There were three or four recommendations of the DA specifically referring to access to knowledge in connection with technology transfer or domestic innovation promotion. Those recommendations were grouped together and were classed as cluster C. The document with the 45 recommendations of DA called them: “Cluster C technology transfer information and communication technologies and access to knowledge”. Regarding the change of title of

Program 14, the Secretariat was still convinced that “access to knowledge” was the right wording because it was taken from the DA document. The Secretariat offered to include a short paragraph to explain the background and the reason the Program was called Services for Access to Knowledge. In connection with paragraph 14.6 (access to aRDI and ASPI), the Secretariat explained that it had provided this special access to technology journals and commercialized patent databases. The facility was offered on the website and was available to anybody qualified and entitled to receiving these services. However, increasing the number of beneficiaries required a joint effort with Member States as WIPO was not going to force particular institutions to join this program. The Secretariat added that, perhaps, more should be done together with Member States to better advertise the availability of these services. In doing so, the number of beneficiaries could be increased. Therefore, the Secretariat did not see any problem in including this as one of the performance Indicators (the number of users or the number of countries). Possible expansion of the beneficiary countries was again subject to the negotiation with WIPO partners as these partners were not doing this for purely charity purposes. They understood the importance of access to science and technology journals and patent information databases. Those partners were commercial entities which had to make a certain return in order to make this partnership financially sustainable. So, at the moment, certain conditions were imposed upon the Secretariat to restrict the conditions of access. The fact also was that not all of developing countries were qualified enough to be covered by this program. The Secretariat had made efforts to relax access conditions during the last several months and had to consolidate by demonstrating that there was a strong demand from those countries which had not yet been qualified. Again, this issue was subject to joint efforts between the WIPO Secretariat and the Member States interested in expanding this coverage.

469. The Delegation of India took note that 12 TISCs had been established and wished to reflect the number correctly in the baseline which said “10 national TISCs networks launched” (page 104). Regarding access to knowledge, as rightly explained, there was a big difference between information and the translation of that information into knowledge. Therefore, the Delegation wondered why there was no reference to the TTOs and the UTTOs as they were directly relevant to access to knowledge. It suggested adding that reference in paragraph 14.5. Flowing from that, they would need to be included in the performance indicators, including satisfaction level. The Delegation wondered why enhancing access to aRDI and ASPI was not in the performance indicators, but was preempted by the Secretariat’s explanation that there were difficulties with the commercial providers of the journals and publications. Nevertheless, given their very important role in the access to knowledge service, the Delegation suggested that access to aRDI and ASPI be included in the performance indicators.

470. The Delegation of Egypt did not see that knowledge and information were mutually exclusive. In fact they were mutually inclusive as knowledge was derived from information. The Delegation reiterated its proposal to change the name of the Program to “Services for Access to Information and Knowledge”.

471. The Secretariat confirmed that the name would be changed if other delegations were in agreement. Regarding the TTOs and UTTOs, the Secretariat explained that they were currently included in Program 1 (see performance indicators on page 27). Program 14, would, of course coordinate with Program 1 on that matter and reference could be made to clarify this in the last line of the paragraph 14.5. The Secretariat also confirmed that reference to aRDI and ASPI would be incorporated, and having in mind its earlier statement, with a very cautious and conservative expected target.

472. The Delegation of Pakistan stated that it had provided the Secretariat with the language on its proposal.

473. The Delegation of the United Kingdom referred to page 104 (Results Framework) and the target of 22 TISCs and requested to add a footnote saying that this target was subject to the evaluation of the DA projects and approval by the CDIP of a Phase II.

474. The Chair of the PBC returned to the podium.

Program 15

475. The Delegation of India said that one of the performance indicators in the Results Framework was “number of groups of offices participating in a common platform”. This was already a performance indicator in Program 9. The Delegation wondered whether this meant a duplication of assessment.

476. The Secretariat explained that since the same sources of information would be used, it was not a duplication. It added that the information provided by participants were crystal clear on how many countries were using the common platform so there was no duplication of efforts.

477. The Secretariat further explained that, for the first, the Secretariat had consolidated the expected results at the organizational level and, in fact, reflected that they were truly of cross-cutting nature (multiple programs contributing to the same results). It added that Members would see that that same indicator, especially in Program 9, which had a coordinating role for all the development services and assistance provided by the Organization as a whole. Members might see it as duplication, which it was not.

478. The Secretariat added, in reference to baselines, which was a recurring subject of comments, that it was important that baselines were measured “as we go along” and said that the measurement would be finalized at the end of the year. The true reflection of the baseline would be clearly seen in the PPR for 2012.

Program 16

479. There were no comments on Program 16.

Program 17

480. The Delegation of India made the following comments. First, in the Strategic Goal VI opening table (page 115), the second expected result: “Systematic and effective cooperation...”, the Delegation requested addition of the word “transparent”, i.e., “Systematic, transparent and effective cooperation (...)”. The word “transparent” was used in the narrative in paragraph 17.2 and therefore should be reflected in that table too. Second, at the end of paragraph 17.2, the Delegation suggested the inclusion of: “and in consultation with WIPO Member States.” as the narrative did not reflect the fact that WIPO’s cooperation with other agencies would be reported back to Member States. Third, a couple of words were missing in paragraph 17.5, the last sentence: “including with a view to flexibilities permitted under the Agreement”, which should read: “including with a view to utilizing the flexibilities permitted under the Agreement”. Regarding paragraph 17.6, the Delegation wished the initiatives being taken under Program 17 to be reported back to Member States through the ACE and other fora. This paragraph talked about Program 17 closely following relevant processes in other international fora and increasing cooperation where appropriate, including with a view to ensuring for the integration of development oriented concerns in joint initiatives. The Delegation believed that it was very important for these initiatives to be reported to Member States for information. The Delegation proposed adding a sentence at the end of paragraph 17.6 as follows: “Initiatives undertaken in this area will be regularly reported to Member States, including through the ACE”.

481. The Delegation of Brazil requested clarification on the third expected result in the Results Framework, reading: “Systematic and effective cooperation and coordination between the work of WIPO and other international organizations in the field of building respect for IP”. The Delegation wished to know more detail, if possible, on what these activities were and if it was known which international organizations would be involved.

482. The Secretariat agreed to insert the word “transparent” (page 115) and the phrase suggested by the Delegation of India in paragraph 17.2 because a full report on all development related activities, including activities undertaken with other international intergovernmental and nongovernmental organizations was already being approved in ACE. However, the Secretariat pointed out that the same wording appeared at the end of paragraph 17.3. The Secretariat wished to double check whether this would already meet the Delegation’s concern or whether it should also be inserted at the end of paragraph 17.2. The Secretariat agreed to the proposed insertion in paragraph 17.5 (“utilizing the”). The addition at the end of paragraph 17.6 of “initiatives being undertaken in this area will be regularly reported to Member States including through the ACE” would also be made. Regarding the list of joint activities, the Secretariat said that it could not provide a full list of all these activities because this list was what was provided to the ACE. An updated list was being prepared, which would be presented to the ACE for its information and consideration. However, in terms of the organizations with which WIPO worked, one prominent example was the organization of the global congresses taking place every one and a half to two years and which were organized in cooperation with the World Customs Organization, the Interpol, with INTA and BASCA and the International Chamber of Commerce. The Secretariat added that, in the very latest global congress, WIPO had been successful in securing the Presidency of the [steering] Committee. Quite a number of development oriented elements had been integrated into the program of that congress, e.g. a panel discussion on IP enforcement and sustainable development, one on the enforcement and competition policy and another one on enforcement and corporate social responsibility. These were the type of efforts which WIPO undertook in order to make sure that development related concerns were also taken up in the work undertaken in partnership with other organizations.

483. The Delegation of India confirmed that the addition in paragraph 17.2 was taken from paragraph 17.3. The reason for reflecting it in paragraph 17.2 was because there were two different contexts. The first one was in the planning context and the second one was the main results context. The second difference was that, paragraph 17.2 referred to partnership cooperation and coordination among partner organizations while paragraph 17.3 talked only about international organizations and there was a reference to “in consultation with Member States”. The addition would ensure that the process applied to all partnerships and forms of cooperation with any partner agency, going beyond the international organizations.

484. The Chair confirmed that the comments discussed would be incorporated in the text.

Program 18

485. The Delegation of Belgium noted that resources for Program 18 had been increased by 1.2 million Swiss francs. Of this amount, 450,000 Swiss francs would go to climate change, food security and global health. On the other hand, paragraph 18.20 only mentioned 100,000 Swiss francs for climate change and health each, and mentioned an additional 125,000 Swiss francs for strengthening the support services. The Delegation requested the exact breakdown of the budgeted 450,000 Swiss francs and, especially, its link with the food security item.

486. The Delegation of India made the following comments. First, in the last biennium, Program 18 comprised subprogram “Innovation, promotion and technology transfer”. The Delegation wondered why this subprogram did not appear in the proposed Program and Budget. The Delegation considered it a very important key program, which it was hoping to see further expanded in the next biennium. Second, the Delegation welcomed the activities proposed under Program 18 and the fact that it sought to integrate the development dimension in its work. The Delegation pointed out paragraph 18.9, line 4 reading: “Also in response to requests from Member States, IGOs, civil society and other stakeholders, the Program will provide input as appropriate in fora where innovation and IP are discussed in the context of health, climate change and food security” and paragraph 18.4 speaking of “providing support to Member States, IGOs, several society and other stakeholders, and assisting them in the

identification of feasible approaches”. It inquired what forum Member States would be making requests to this Program at. It pointed out that, currently, Program 18 did not report to any intergovernmental forum in WIPO and wondered where the interface between Program 18 and WIPO Member States would take place. The question was important, as paragraph 18.3 talked about this Program becoming a forum for international discussion. The Delegation opined that before making it a forum for international discussion, it had to be a forum for discussion within WIPO itself and, for that, one needed to identify a body where this Program could report on its work and seek guidance from Member States. The Delegation suggested that the work of Program 18 be included in the CDIP because the issues that this Program would be dealing with were very cross-cutting in nature (food security, climate change and public health). The Delegation clarified that it was requesting that there be a forum where the work of this Program could be discussed among Member States and where there could be a constructive interface between the division dealing with this Program and WIPO Member States and other stakeholders.

487. The Delegation of Brazil supported the declaration of the Delegation of India. It had some concerns regarding the mandates followed within Program 18 and the need for its activities being reported to a WIPO body to allow all Member States to have a say on the priorities and the implementation of this Program. In general, Program 18 needed clearer mandates and more reporting to Member States. Regarding paragraph 18.16 (on test data and studies), the Delegation thought that such a study should be preceded by an intergovernmental discussion on its terms of reference. The other important aspect was that such a study should count on a wide ranging body of specialists in a number of areas to bring a balanced view of all the various aspects involved. Such a study should be addressed to a WIPO body, e.g., the PBC. The Delegation’s suggestion regarding paragraph 18.16 was to exclude test data and studies and then to discuss this matter in appropriate forum within WIPO.

488. The Delegation of South Africa reiterated the position of the African Group expressed in the June PBC. The Group supported the idea of Program 18 reporting to an existing Committee; either the CDIP or the SCP. The Delegation was mindful that, in June, the Secretariat proposed to hold informal consultations (on Program 18) which had been held last week. The Delegation continued to believe, that the Program itself needed to be guided by Member States and that it should be discussed in an intergovernmental body.

489. The Delegation of Pakistan considered IP and global challenges as very important issues and said that paragraph 18.1 should stipulate that the Program had to be guided by Member States, as was the case for the DA. That included implementation strategies and risks. The Delegation appreciated informal consultations held with Member States the other week. However, it also believed that there was a need for a formal setting to interact with this Program. In that regard, the Delegation was open to whichever existing committee the Program would report to but wished to formalize the discussions.

490. The Delegation of India, speaking on behalf of the DAG, welcomed the proposed streamlining of the new Global Challenges Sector. In this context, DAG noted that paragraph 18.16 stated that “WIPO’s work in this area [of test data] would be oriented towards the collection of national practices and the identification of different manners of implementing protection of test data, thus providing a menu of available options from which Member States could draw the legal design in accordance with their national public policies”. DAG stressed that this issue had enormous implications on access to public health and food security in developing countries. As such, WIPO’s work in this area should be guided by WIPO Member States and be closely coordinated with the activities undertaken by other organizations, such as the WHO and the Food and Agricultural Organization (FAO). Further, this should build on the rich volume of research already conducted by agencies such as the WTO, UNCTAD and other research institutions. Keeping in view the important issues being dealt with by the Global Challenges Sector, DAG believed that it would be very important for it to report on its work on a regular

basis to an intergovernmental body in WIPO such as the CDIP. DAG urged the Secretariat to reflect this important aspect in the Program and Budget document under Program 18.

491. The Chair reminded delegations that paragraph 18.16 had been subject to an exhaustive discussion, led by the Delegation of Brazil, at the last PBC session. The text had been agreed but there was a comment at present that it should be reviewed: the suggestion from Brazil was to strike paragraph 18.16. The Chair added that the issue of reporting was one where the mechanism would be for the PBC to recommend a decision to the GA to consider establishing a reporting mechanism. The Chair said that, if that was agreed, the Secretariat would include the appropriate text in the PBC decision.

492. The Secretariat said that paragraph 18.16 (on test data) would be taken out if the PBC so decided. The Secretariat had thought that there was a certain need for having this information there. It added that it had tried to address the concerns raised by the Brazilian Delegation at the last informal session but obviously the efforts had not been successful. The same referred to the reporting mechanism. The Secretariat reminded delegations of the very formal way of reporting used at present, namely reporting to the PBC and then to the GA, through the Program Performance Report. If the concern was information, that could be addressed through informal briefing sessions (as done in September), in the context of other committee sessions which might be related to the activities of the Global Challenges Division. However, if delegations wished for a more formal reporting or feedback line between the Program and Member States, an appropriate language would be added to that effect. As for the detailed breakdown of the 450,000 Swiss francs, the Secretariat did not have the figures at hand but would provide them to the Delegation of Belgium as soon as possible.

493. The Chair announced that the Secretariat would prepare the text on formal reporting.

494. The Delegation of Switzerland, on paragraph 18.16, stated that the current language was the result of the compromise reached in the last session. Consequently, the Delegation would not agree to the deletion of this paragraph. However, the Delegation was open to further discussion of the language of the paragraph. On formal reporting to the CDIP, the SCP or a new committee, the Delegation said that this had been raised at the last PBC session and it had been determined that Members would not pursue that notion. Consequently, the Delegation could not agree, at this stage, to the inclusion (creation) of such a committee

495. The Chair rectified that the proposal was not to create a new committee but to formally have Program 18 activities reported to one of the existing Committees decided by the Assemblies.

496. The Delegation of the United States of America, on deleting of paragraph 18.16, shared the concern voiced by the Delegation of Switzerland. The Delegation was ready to discuss the paragraph but the outright deletion, based on the lengthy discussion at the last PBC, would be premature. With respect to the new proposal to establish a formal reporting mechanism, the Delegation was happy to look at any language that the Legal Counsel would propose on such a mechanism. However, the Delegation's particular concern was modifying any mandate that the CDIP would have in this area. If the issue was with the SCP, the Delegation recalled that a very balanced work program for the SCP had been negotiated at the last two sessions. Any change in these mandates (CDIP and SCP) would affect the Delegation's view on this suggestion.

497. The Delegation of India, although absent at the June session, supported deletion of paragraph 18.16. It said that it did not recall the IP and Global Challenges Program (in its current format) ever being discussed intergovernmentally. The Delegation recalled that it had raised a question about why the innovation promotion and technology transfer program was deleted and the fact remained that this was a decision taken by the Program Managers and the Secretariat. This had not been discussed intergovernmentally by WIPO Member States. Similarly, the work on test data in paragraph 18.16 had never been discussed

intergovernmentally. The Delegation remarked that it had not seen a proposal to this effect being made by any Member State in any WIPO body so far. The Delegation found it difficult to agree with the statement that since this was discussed in the informal session, therefore, there should be no further consideration of the issue. It added that the discussion on this paragraph was linked directly to a larger issue being discussed that day: Member States' oversight and guidance on Program 18 and the activities proposed under it. The Delegation noted that three focal areas were selected for the Program: Global Health, Climate Change and Food Security. None of those had been discussed by any WIPO intergovernmental body so far. The Delegation had certain views on the three issues and this was the first time that it had an opportunity to comment on them. The Delegation did not wish to reopen the issues at the PBC because the focus of the PBC was to approve the budget. The Delegation added that it would find it difficult to approve some of the elements contained in Program 18. The Delegation was trying to be constructive by saying that it would go along with the Program as proposed but without the controversial provision on test data in paragraph 18.16. It looked forward to streamlining and mainstreaming the work of this Program by bringing it under the umbrella of a regular intergovernmental WIPO body where these issues would be discussed transparently, with full involvement of not only Member States, but also other stakeholders. Therefore, in summary, it was extremely important to have a decision that would either refer this to the GA or to decide that the work of Program 18 would be on the Agenda of the CDIP or the SCP.

498. The Secretariat apologized for failing to respond to the question where the part on innovation and technology transfer had been transferred and clarified that in Table 11 (Annex I, page 192) comments to Program 18 clearly stated that these activities had not been discontinued but had been merged into Program 1.

499. The Chair invited the Legal Counsel to opine on the reporting issue.

500. The Legal Counsel understood that the proposal by the Delegation of India was that the work of Program 18 be put on the agenda of the CDIP or the SCP, which would be reflected in the language of the PBC recommendation to the Assemblies. The Assemblies would then take the ultimate decision to approve the Program and Budget including that language.

501. The Chair suggested that the Secretariat prepare a draft text for the Member States to consider. The other issue, on paragraph 18.16, was subject to considerable discussion and led to binary positions where some delegations supported the paragraph while others wished to suppress it. The Chair invited delegations to discuss the issue informally in an attempt to arrive at a compromise proposal.

502. The Delegation of Switzerland (in the afternoon session) thought it was a good idea to retain the text on test data as appearing in the document.

503. The Delegation of India, speaking on behalf of DAG, announced that following the Group's meeting, DAG had come to the conclusion that most of the contents of Program 18, whether they related to public health, food security or climate change, had a very direct bearing on developing countries and LDCs. It was imperative for DAG that Program 18 reported to Member States in an intergovernmental body. The Group was open as to which intergovernmental body, the CDIP or the SCP. It believed, however that it should be the CDIP. As for paragraph 18.16, DAG was firmly of the view that it was an extremely sensitive issue that could not be approved without intergovernmental consideration of the matter and added that these concerns were currently under negotiations in the respective capitals, in various fora. It would be very difficult for DAG to accept any reference to test data in the Program and Budget document without detailed consideration of the matter in an intergovernmental setting. Therefore, DAG requested deletion of reference to test data.

504. The Delegation of Switzerland clarified that it did not see the point in sending this [Program 18 reporting] to any committee. It reiterated that information sessions had already

taken place and should be taking place (as agreed in June). The compromise found was to institutionalize the information sessions so that delegations were in a position to put forward their points of view. The Delegation remarked that there were no specific committees to deal or discuss other programs. As for Program 18, the report on activities and delegations' comments could be made in the context of the annual report. There was a body already where this could take place so there was no point, within the discussion of the PCB, to discuss this or send it to any other committee.

505. The Delegation of France supported the statement made by the Delegation of Switzerland. In addition, the Delegation stated that it had the greatest respect for the PBC and the work carried out by it. The PBC was a substantial investment for most of those present in the room and had substantial financial implications. The function of the PBC was to construct a well balanced program and budget. There were other fora at which Member States could follow up Program 18. It could be done in the Assemblies. The Delegation believed that Member States would be weakening the PBC if they were to place a challenge before it which was not directly within its competence. The Delegation reiterated its previous statement that Members did not come to WIPO to talk about climate change or poverty, as this was not the competence of the Organization. Members came to WIPO to talk about intellectual property and the ways it was carried out in each WIPO sector. This fact had to be kept in mind because otherwise Members would be discussing issues unrelated to this Organization, whether at the PCB or some other committee.

506. The Delegation of South Africa reiterated its earlier statement. It disagreed that there had been an agreement at the last informal session of the PBC. To the Delegation's recollection, there was the Secretariat's (the DDG responsible for Program 18) proposal to have informal consultations. However, that was at the informal session and thus was not recorded anywhere. At the present, formal session, the Delegation reiterated that Program 18 should report to an existing intergovernmental committee, the SCP or the CDIP.

507. The Delegation of Brazil took note of the efforts by the Secretariat to present a language for paragraph 18.16. However, the Delegation considered that the discussion of test data in this PBC document was not clearly mandated by the delegations and therefore any reference to work on that subject was not adequate and should not be made. The Delegation added that it fully supported the intervention made by DAG.

508. The Delegation of Switzerland stated that the issue of paragraph 18.6 had been discussed within Group B (during the break), which saw no reason to change the existing arrangements for this Program 18. The information session that had taken place, had adequately provided information and delegations had been able to present their comments. Group B would prefer to maintain the *status quo* in the light of the various proposals made for this Program. Group B did not see any point in either setting up a new committee or sending the matter of Program 18 off to a specific committee.

509. The Chair recalled that some delegations had requested to strike paragraph 18.16. Other delegations had noted their satisfaction with it. There was also a request to propose language establishing a reporting structure for this Program, outside of the current structures. The Chair remarked that the issue had generated a lot of discussions in the MTSP and in the June PBC session. The Secretariat (the Program Manager for Program 18) had affirmed during the present session that it would continue providing briefings on Program 18 activities. Given that and given the concerns about paragraph 18.16, the Chair proposed the "grand bargain": dropping paragraph 18.16 (as requested by some delegations) as well as the text on reporting. He asked delegations to focus on their responsibility, as the PBC, to actively oversee this Program, i.e., the follow up and review would become a regular item on the PBC agenda. The Chair explained that the suggestion was to drop the request to task other bodies with the oversight of the Program's activities as he believed that it was the PBC's role to provide such

oversight for this and all other programs in the Program and Budget. This proposal came with the added offer by the Program Manager to continue to provide briefings on this issue.

510. The Delegation of India appreciated the Chair's initiative and explained that it would need to discuss this within its Group. The Delegation added that the two points of the Chair's proposal were related. The language in paragraph 18.16 would probably never have been there had this been discussed in an intergovernmental body. It warned that this might not be the last time that Member States had a complex difficulty with the work plan proposed under Program 18. Therefore, the Delegation proposed that this important issue be subjected to the same intergovernmental consideration as all other important issues in WIPO, e.g., patents, trademarks, industrial designs or GI's, which were all dealt with and discussed in an intergovernmental forum. The Delegation inquired why there seemed to be resistance to the idea that IP and Global Challenges be discussed in a transparent and participatory manner by all Member States. The word "transparent" was used at least thrice in the Program narrative yet, there was an opposition to actually implementing this transparency through a transparent and open dialogue.

511. The Chair responded that, in fact, the PBC was looking at this matter (discussion of global challenges) and added it had been discussed at the informal session when a new language had been proposed. The Chair invited delegations to respond to the question by the Delegation of India on the unwillingness to insert the language that was proposed by India that would refer to the SCP or the CDIP.

512. The Delegation of the United States of America, referring to why certain delegations did not agree with having a reporting mechanism for global challenges, reiterated the comment it had made the other day. If the thinking was to have global challenges as a new issue for the CDIP, that would be mean changing the CDIP mandate. The CDIP was focused on the 45 recommendations and their implementation. If the other alternative was to chose the SCP, the Delegation reminded delegations that its agenda had been heavily negotiated. Fundamentally, it was not up to the PBC to be changing mandates of other WIPO bodies. This would have to come through from the GA.

513. The Delegation of India (on the issue of mandating discussion to any other body being out of the realm of the PBC) clarified that it had not said that the PBC had to make this decision. In fact, the language it had proposed was a recommendation to the GA, saying that the Global Challenges Program would be put on the agenda of either the CDIP or the SCP. Secondly, the Delegation did not think that this might alter the CDIP mandate because these issues referred to the development recommendations themselves. It understood, however, that there may be reservations to discussing this issue in the CDIP. The Delegation stressed that it was flexible as to which body would discuss the Global Challenges Program. The reason the Delegation had pointed out the SCP as an alternative, was that public health was already on the SCP agenda. Moreover, it was the SCP that had requested the WIPO Secretariat to organize a seminar on global challenges in 2009. A report on the seminar on global challenges had been issued to the SCP Member States who had considered it and commented on it. The Delegation disagreed with the comments made by the Chair that the PBC had had the opportunity to examine the Global Challenges Program. The PBC's principal job was to approve monies. The substantive programs themselves were discussed and agreed upon in the relevant standing Committees. The PBC job was to allocate resources to programs that had already been considered, discussed and approved in other bodies. That was not the case for the Global Challenges Program. Member States saw the work program proposed by the Global Challenges division for the first time in the PBC. Therefore, it was just not the allocations but the Program itself that had to be agreed on. Further, if Member States were to respect the PBC as a body with a specific mandate, the mandate of the PBC was not to discuss programs themselves, but to look at the budgetary allocation *vis-à-vis* the program. The Delegation was proposing to let the problematic debate and approval happen in the relevant core WIPO body. Then it would come back to the PBC for the financial aspect. The Delegation urged Member States to look at its

proposal carefully because it resolved several issues at one go. First, the specific mandates of the different Committees, especially the PBC had to be respected. Global Challenges Program had to be discussed in a relevant WIPO body and, in the Delegation's view, it could be the SCP. Second, the Delegation believed that the PBC discussions proceeded largely smoothly because the programs themselves had already been considered in the relevant WIPO bodies. If the same had been done for Program 18, the issue of paragraph 18.16 would not have had to be discussed. At the present time delegations found themselves in a situation, yet again, where on the last day they were trying to resolve something that was not essentially the PBC's business. If Global Challenges Program would be discussed in the SCP, and the talk would be about climate change, the Delegation would need climate change experts from its capital. Similarly, public health was another area the Program focused on. The Delegation would have very much liked to have its Ministry of Health officials present. Such expert would not come to the PBC as the PBC was a financial allocation body. Organizationally, substantially and in the interest of respecting mandates of different bodies and facilitating their smooth functioning, it urged Member States to give serious consideration to its proposal.

514. The Chair requested the Delegation of India to specify the proposal, indicate where it wished to see it reflected and share any proposed language on it.

515. The Delegation of India replied that it had requested that Program 18 should be on the agenda of the SCP or the CDIP where it would report on its work and where its work would be considered by Member States. It added that it could be included in the PBC recommendation to the Assemblies and that it could provide the exact language.

516. The Delegation of Brazil observed that if the decision were to exclude paragraph 18.16, then reference to the tests data protection in paragraph 18.13 which said: “, including the protection or test data” should also be deleted.

517. The Delegation of Australia came back to the question originally posed by the Delegation of India in relation to the opposition to having Program 18 report to another committee. The Delegation thought that it was not so much “an opposition”; it was more the belief that the PBC was the most appropriate committee for consideration of this Program. The PBC was an intergovernmental committee. It was transparent. It was open, had a mandate which was a little broader than what had been suggested and which was demonstrated by the discussion on governance earlier in the day. As noted by the Chair, it had the responsibility to provide program oversight so, actually, it had a very appropriate role to play in relation to a program which was cross-cutting in nature.

518. The Delegation of the United States of America supported the comment made by the Delegation of Australia. It was very clear that divisions within WIPO reported to the Director General who was accountable to the Assemblies for all of WIPO's work and this was done through the Program and Budget and the PPR provided each year. With respect to the language of the recommendation, the Delegation had a problem. The PBC could not be put in a position of changing mandates of other bodies.

519. The Delegation of Switzerland, speaking on behalf of Group B, indicated that the position expressed by the Delegations of the United States of America and Australia was precisely the one held by other members of Group B. Group B reminded delegations of the discussion in the June session and the information sessions which contributed to informing the PBC and discussing global challenges matters. Group B thought that to arrive at a solution, everyone would have to give way on something. Group B wished to maintain the power of the PBC to discuss the world challenges i.e., keep things as they were as regards the competence of the PBC to discuss Global Challenges Program. Group B was also opening to the proposal to delete the reference to the test data study. Even though it was in favor of this reference, it would agree to the deletion in order to achieve compromise. However, consultations within Group B had still been ongoing on the matter.

520. The Delegation of South Africa, speaking in its national capacity, recalled that the African Group attached great importance to the international public policy issues. Many of these issues were reflected in Program 18. There were goals that the Program wanted to achieve, one of it being a forum for analyzing IP and competition policy. It added that the instructions it had received from its capital were that paragraph 18.16 was very controversial, which meant that it had to be discussed by Member States. The problem was that the Secretariat had introduced controversial ideas which were being raised in other fora. There was not agreement as to how to move forward. It was very important to understand that nuance because there were many issues on which Member States differed, e.g., geographical indications or test data issue. The Delegation was in support of Program 18 reporting to an existing intergovernmental committee. Since certain delegations indicated that it might not be legally possible, the Delegation suggested that the Legal Counsel clarify the issue: how to go about to ensure that Program 18 reported to an existing committee.

521. The Legal Counsel understood that the proposal was for Program 18 to specifically report on its activities to the CDIP or the SCP. Other Delegations had said that this would, in effect, be changing the mandate of the CDIP or the SCP and so they preferred to maintain the *status quo*. In terms of what the PBC wanted to do: the PBC was sending a recommendation to the GA. What it approved in this Program and Budget was what it would be recommending. The PBC could decide to recommend to the GA that Program 18 do X. The GA approved that Program 18 did X. The CDIP and the SCP had their respective mandates that had been established by the GA. Therefore, it was the GA that could modify the mandates of the SCP or the CDIP.

522. The Delegation of India posed a question to the Delegation of the United States of America, which had said that if the PBC were to ask the GA to put Program 18 under the SCP its mandate would have to be changed. The question was whether the mandate of the SCP had been changed when the issue of public health had been put on its work program. The Delegation did not recall such a change. As the Legal Counsel had explained, the moment that the GA endorsed the PBC recommendations to discuss these issues under the SCP, the mandate of SCP would automatically include that. The Delegation underlined that one of the issues that Program 18 would work on in the next biennium, had already been under discussion in the SCP and that the Program itself had originated in the intergovernmental discussions in the SCP. Another argument put forward was that the PBC was an appropriate intergovernmental body to discuss Global Challenges Program. By inference, it implied that the PBC was, perhaps, more appropriate than the SCP. This was questionable because, as several Group B members had said, the PBC's core mandate was dealing with the budgetary issues. During the discussion on governance, at least three delegations had said that Members should stick to what the PBC was supposed to do and not go beyond that. The Delegation's question was how the wide-spread issues of climate change, food security or public health fell under the mandate of the PBC. The Delegation thought it contradictory to say, on one hand, that the financial mandate of the PBC had to be respected and that PBC should not discuss governance or development and, at the same time, say that climate change, food security and public health were the issues that should be discussed in the PBC.

523. The Delegation of Switzerland commented that the SCP was discussing or, at least, had on its next session's agenda, an item on patents and health. The role of the SCP was to discuss, at the level of substance and with patent experts, the relationships between patents and health. The SCP did not define programs and activities that the Secretariat might launch in these areas. It was the role of the PBC to define a program. Member States (in the PBC) were not discussing the substance of climate change or health but laying down a general framework for activities and, that was why, that the PBC was the best body for discussing the program of activities regarding global challenges, whose area was much broader than just patents. Global challenges concerned all countries in the world. It was not just a development dimension. This was why the Delegation believed that the most appropriate committee to discuss Program 18 was the PBC. The Delegation thanked the Secretariat for having taken into account the need

expressed by delegations for regular information on the activities Program 18 carried out. The practice of information sessions, during which delegations comment on what they thought was appropriate or not, had been introduced. Following that, decision necessary to implement the programs would be taken in the PBC. The Delegation hoped that its clarification would help other delegations understand why it was not a good idea to start saying that it was the CDIP or the SCP that should define what programs did.

524. The Delegation of Canada expressed its support for the statements by the Delegations of Switzerland on behalf of Group B, the United States of America and Australia. The Delegation was uncomfortable with the possibility of one committee initiating amendments to the mandate of another committee, as this would be setting a precedent.

525. Informal consultation took place during the break. The Chair announced that delegations had reached agreement to delete paragraph 18.16 as well as the final part of paragraph 18.13: "including professional test data" to be consistent with the deletion of paragraph 18.16 (as requested by the Delegation of Brazil).

Program 19

526. The Delegation of Oman stated that it was very well aware of the importance of communication in order to increase awareness about IP and its pioneering role in the economic, social and cultural development. In that context, it emphasized the great importance of language as a tool to implement Program 19 widely and qualitatively. Member States had emphasized this fact in the PBC by adding a paragraph [to the budget document] that translated this context into the challenges related to Program 19, i.e., communication. Hence the Delegation proposed to add the following in paragraph 19.7(i), last line, after the word "communication": "in the six UN languages as well as other national languages when possible". This would help ensure that WIPO information materials met the standard of quality.

527. The suggestion was agreed to.

Program 20

528. There were no comments on Program 20.

Program 21

529. The Delegation of Germany remarked that, in the Results Framework, one baseline showed 100 percent and the target was 95 per cent. The Delegation asked why the future target was lower than the baseline.

530. The Legal Counsel explained that it was a question of service level indicators. The baseline was 100 per cent at the moment but due to the Program's inability to get the requested staffing level increase, the Program wished to ensure that it was not be held responsible for not having been able to continue the efficiency demonstrated so far. Therefore, the target was set at 95 per cent, which was still considerably high.

531. The Delegation of France recalled that it had presented its expectations (expressed elsewhere) on the human resources issue for this Program.

532. The Delegation of Egypt requested clarification regarding Program 21. The Delegation took note of the proposal made by the Secretariat for this Program and recalled that during the 17th session of the PBC, the Delegation had presented a proposal regarding the issue of the Executive Management and the Legal Counsel. Having reviewed the proposal by the Secretariat, the Delegation noticed that its proposal had not been integrated. Therefore, the Delegation requested clarification on this point as it was important for the Delegation to ensure

that the Legal Counsel would be able to continue to perform his role of providing impartial and independent legal advice to Member States.

533. The Chair responded that the issue had been discussed extensively at the last PBC when it the extreme diversions of opinions on it had been clear. The proposal referred to by the Delegation of Egypt did not get any support. In fact, there had been an extremely controversial discussion. Therefore, there were two options: replay that discussion or let it stay as it was. The Chair stated that he was in the delegations' hands but added that, quite frankly, the time to do this was when the program had been reviewed.

534. The Delegation of Egypt thought that the issue was important. There was no separate performance indicator reflecting it and the Delegation did not wish to have a lacuna in this regard. If allowed/given an opportunity, the Delegation would consult with the interested parties to find a common language in this regard.

535. The Chair announced a break for informal consultations during which the Delegation could address the issue, i.e., present a concrete proposal. .

536. Resuming the meeting, the Chair thanked delegations for their collaborative effort to find an agreement. It was agreed to edit the Results Framework (page 140), where the very bottom performance indicators would read: "percentage of queries for legal advice which receive prompt, independent and reliable responses from the Office of the Legal Counsel".

Program 22

537. There were no comments on Program 22.

Program 23

538. Regarding the Results Framework, the Delegation of Germany remarked that one HR personnel covered 31 employees and would cover 50 employees in the future, i.e., an increase of 50 per cent. The Delegation considered this as a tremendous and risky increase. Regarding the sixth performance indicator (Results Framework table), the Delegation considered 0.44 per cent of all total mass salary invested in staff development as being quite low.

539. The Delegation of Belgium wondered how the baselines were selected because paragraph 42 of document WOPBC18/17 said that 20 staff members returned the satisfaction survey.

540. The Secretariat, responding to the question from the Delegation of Germany, said the numbers would increase because the HR department had been restructured into cluster groups which serviced a given sector rather than each person doing the same repetitive task for everybody across the Organization. The Secretariat added that a system was being put in place to allow increased productivity and that the Secretariat was examining how policies and procedure could be streamlined. It was hoped that these efforts would results in the increased productivity. On the remark by the Delegation of Belgium, the Secretariat said that the question referred to the External Auditor's report and the survey conducted by him. Therefore, Secretariat was not in a position to assess whether 20 responses were considered to be satisfactory or not.

Programs 23, 24 and 25

541. There were no comments on Programs 23, 24 and 25.

Program 26

542. Delegation of France reiterated its concern, expressed during the discussion on the presentation by the IAOD Director, regarding the resources allocated to the internal audit in order for Program 26 to perform its audit and oversight function as expected from it by Member States.

Program 27

543. The Delegation of Oman queried the indication in paragraph 27.1 that Language Services excluded translations under the Madrid, Hague and the PCT systems. The Delegation considered the word “exclude” to be excessive since even though the PCT and Madrid sectors handled specific translation needs, as was indicated by the Secretariat, the administrative and treaty documents would need to be translated and would fall under the Language Policy. The Delegation requested that the word “exclude” be deleted.

544. The Chair proposed, and it was agreed, that the sentence should read: “Language Services include translation work for WIPO meeting documentation, publications, laws and certain parts of the website.” The remainder of the sentence relating to PCT, Madrid and Hague systems would be deleted.

545. The Delegation of Germany raised a question on the difference between translation costs in PCT and for regular documents.

546. The Secretariat briefly explained the manner in which translation was done for the Organization as a whole, to provide a better understanding of the way it was done for the PCT. The Language Division of the Organization dealt with a very diverse set of documents including documentation for WIPO meetings, documentation relating to WIPO Treaties, internal circulars, translation for the WIPO website, core and other publications and information documents. Translation was into and from the six UN languages, and also German and Portuguese. Though the volume of translation was not as high as for the PCT, there was unpredictability in terms of length of the documents and frequency of the work, with tight deadlines. Documents had to be grammatically correct, and the style elegant to ensure that they were readable and suitable for very wide dissemination. The translators used were experienced in IP. They needed to understand the terminology and the subject matter and be familiar with the way WIPO operated. Most of the translation work was done in-house in the six languages, although, due to rising volumes an increasing portion of work was being outsourced. The outsourced translations were, to a large extent, reviewed to ensure that they were consistent with WIPO’s style. Efforts were made to ensure that the external translators were adequately trained in order to limit the time spent on revising the documents which would represent an additional workload for WIPO staff. For those reasons, costs in respect of WIPO documentation were slightly higher than the cost for the translation of PCT documents. However, costs had been brought down, from about 246 Swiss francs per page to 227 Swiss francs in 2006/07; and then to 213 Swiss francs per page in 2008/09. Methods and procedures had been introduced to streamline the workflow and make use of computer assisted tools to ensure that quality was maintained, and attention paid to productivity and efficiency so that the costs would go down.

547. The Secretariat continued with a comparable outline regarding PCT documents. There were two main document types in the PCT, abstracts and patentability reports. The abstracts were translated into English and French for publication and the reports were translated into English. The volumes were very high, reflecting the filing rate. Translations were done from the 10 PCT publication languages, the largest volumes being for English, Chinese, German, Japanese and Korean. Quality requirements were important, but differed from those of the Language Division. The abstracts were mostly used for search purposes, in conjunction with the drawing, to give a quick indication of what the application was about. Terminological accuracy was essential. The grammatical correctness and elegance of the language were of

secondary importance. The fact that those documents would usually be consulted by technical specialists represented a major difference compared with documentation for meetings and publications where the readership was much more varied and where it would be highly embarrassing for the Organization and its Member States if the grammar were to be of inferior quality. In the context of a highly technical document, it was of secondary importance. In 2004/05 work was mainly done in-house. Subsequently, the model shifted completely and most of the work was outsourced to three categories of partners: private translation companies, a number of government affiliated agencies, in particular for the Asian languages, and individual contractors. The current trend of increasing the number of individual contractors compared to corporate entities had two benefits. Firstly, it eliminated the middleman. A lot of the companies were in fact hubs for redispaching the work to individuals. They took a cut of the price and therefore required their translators to accept lower rates. The translators retained were less experienced and thus provided less good quality work. Secondly, there was a management problem because the companies put their best people on the projects that they deemed most important. Frequently, at the beginning of a contract, the companies used very good people for PCT translations, but over time they shifted their personnel and the translators they then assigned gave less good results. Current thinking was that greater reliance should be placed on individuals. Technology enabling data to be distributed digitally had made that possible. Another point of great importance was that more and more technology was being introduced into the translation process. Five years previously, the translation process was manual, but currently installed technical translation platforms should make the process more efficient. It was still early days, but some software was already in use. Over the next biennium or two, usage would increase. The translation technologies referred to were not machine translation without human intervention. They were tools that allowed a human translator to work more efficiently. Pure machine translation would not offer the high degree of reliability required. However, in the long term that might change and there was considerable discussion on how far machine translation could go. There was also a focus on the cost/quality ratio because translation was a very large budget item at WIPO. Endeavors were made to ensure that translation costs were kept to the minimum possible, while insisting on adequate quality. That was achieved by introducing more competition, there being 15 companies and agencies, and about 13 individuals, constituting the suppliers. The use of technology and IT tools was also a means of improving cost efficiency. It was not a simple matter given the increased proportion of Asian languages which were much more expensive to translate. Even though there may have been efficiency gains, due to the increased volume of translation in the Asian languages the overall cost may still have increased, but at a lower rate than would otherwise have been the case. It was generally considered, albeit without a substantive analysis having been done, that translations in the Language Division were probably slightly more expensive than in the PCT because of the technical nature of PCT documents and different quality requirements.

548. The Delegation of Germany noted that PCT technical documents were considered slightly less expensive than the general documents and asked what portion of the fee of 1,300 Swiss francs for a PCT [filing] application went to translation.

549. The Secretariat responded that for 2010, looking at the direct cost, the average cost of translation was 158 Swiss francs per application.

550. The Chair summarized that an edit would be made in paragraph 27.1 (requested by the Delegation of Oman). The sentence would end after the word "website". The sentence would read: "Language Services include translation work for WIPO meetings' documentation, publications, laws and certain parts of the website."

Program 28

551. The discussion on this Program took place under agenda item 19 (Progress Report on the Project to Upgrade Safety and Security Standards for the Existing WIPO Buildings).

Program 29

552. The discussion on this Program took place under agenda items 17 (Progress report on the New Construction Project) and 18 (Progress Report and Proposal on the New Conference Hall).

Program 30

553. The Chair announced that the Secretariat had reestablished a separate Program for SMEs and was working on the narrative for this Program which would be made available shortly. The proposal was prepared in response to several Member States' requests to enhance the visibility and reinstate the SMEs as a separate program. It also responded to the comments made by the Delegation of India on the importance of WIPO's work on innovation technology transfers. The proposal was to establish a separate Program 30 entitled SMEs and Innovation. The Program reflected in details all activities that had to be undertaken for SMEs and included innovation and technology transfer activities that had previously been proposed under Program 1. The benefits of the proposal were: facilitating and strengthening the synergies between the work for SMEs and innovation (innovation being essential to enhance competitiveness of SMEs); SMEs work was a cross cutting issue and a significant part of that work was related to innovation and knowledge transfer. Importantly, the work done in the area of innovation and knowledge transfer was related to, directly or indirectly, to SMEs in both developing and developed countries. The proposed resources for Program 30 reflected and retained the resources allocated for SMEs in the 2010/11 biennium, after transfers i.e., 5.2 million Swiss francs. The Chair announced that the document outlining the proposal, along with revised Program 1 and Program 30, would be available at the document counter. The Chair also announced that the Secretariat had produced a paper on the efficiency measures and the impact of the endeavor to decrease the budget increase to 3 per cent, as pledged by the Director General, without affecting program delivery. This table was also available at the document counter.

554. Discussion on Program 30 resumed the following morning. The Chair observed that a number of complicated issues remained to be discussed and invited further comments from delegations.

555. The Delegation of Italy welcomed the reinstatement of a separate program for SMEs which gave the subject proper visibility and was an improvement in comparison to the previous budget proposal. It hoped that funds allocated for Program 30 would be spent efficiently and that there would be no funds transfer to impede SMEs activities. Regarding the narrative of the Program, the Delegation was concerned that it was rather negative/prudent, too cautious and in certain parts not ambitious enough. The Delegation believed that the second sentence in paragraph 30.2: "Since WIPO has neither the resources nor the capacity to the effectively reach out (...) to individual SMEs (...)" was too negative in tone and suggested that it be deleted. Paragraph 30.3 (second sentence) contained a long definition of risks which was not seen in any other program. The Delegation thought that it would suffice to say that a risk inherent in a strategy targeting SMEs supporting institutions was that they might not be able to perform the expected functions. The Delegation found that the end of paragraph 30.3 provided a limitation on the scope and suggested that Africa and the Mediterranean areas should be added. Regarding the scope (paragraph 30.2) and the sentence starting "To this end, WIPO will rely on teaching (...)", the Delegation proposed that the text should say: "To this end, WIPO will rely on teaching, through the continuation of training of trainers program initiated in 2010/11 biennium and through further capacity building initiatives, including distance learning programs (...). "This would increase the scope, which was limited at present. In paragraph 30.4, the Delegation

proposed adding PANORAMA™ to the list of Internet tools made available to supporting institutions. The Delegation requested clarification of the term “SMEs supporting institutions” as it wished this definition to be broad enough to include, e.g. government departments dealing with these issues. In the previous Program and Budget, an expression “national regional IP offices and other state supporting institutions” had been used. The Delegation was interested in knowing more on the advanced regional training programs.

556. The Chair summarized the changes to the narrative proposed by the Delegation of Italy.

557. The Delegation of India was content that the separate program on SMEs was reinstated. It was also happy to note that the sub-program on innovation and technology transfer was reinstated within Program 30. The Delegation supported the editorial changes proposed by the Delegation of Italy. The Delegation hoped that, given the cross-cutting nature of the SMEs division and in order for the Program to make a meaningful impact in all countries, sufficient funding would be made available and that the SMEs unit be autonomous enough to have the say on how the funds were allocated under the different systems for SMEs (PCT, the Madrid system etc., DA coordination, etc). It stressed that any work done by other units in the realm of SMEs should be in consultation with the SMEs program. In the Delegation’s view such approach would not only ensure more value for money and greater synergies between different work programs but would also translate into a more meaningful impact for the beneficiary countries and the SMEs sector. The Delegation flagged that the SMEs had conducted approximately 24 training programs in the last biennium and, hoping that this number remain maintained, requested that this be reflected in the program narrative. The Delegation also requested addition of reference to branding and marketing being a part of the work of the SMEs program (as this aspect was not reflected in the currently proposed text). It added that the core function of the SMEs division should be IP asset management and not just innovation and commercialization. Therefore, the Delegation requested that this aspect be reflected either in paragraph 30.2 (or elsewhere). The Delegation fully agreed with the opinion expressed by the Delegation of Italy that the Program appeared conservative and hoped that in the next biennium it would be augmented both in terms of budget allocation and the work program.

558. The Chair said that the Secretariat would include the suggested amendments in a revised text.

559. The Delegation of Switzerland, speaking on behalf of Group B, accepted reinstatement of a separate program on SMEs and Innovation, which would indeed improve the visibility of these activities. However, Group B’s acceptance was conditioned on the fact that this should not bring into doubt the strategic goals of the Organization or reduce any synergy.

560. The Delegation of South Africa, speaking on behalf of the African Group, was happy with the reinstatement of the SMEs program. The African Group suggested addition of an expected result (in the Results Framework) reading: “building awareness of SMEs support institutions and strengthening their capacity in the area of IP asset management”. This would be complemented by performance indicators reading: “A number of SMEs support institutions providing services and information on IP” and “number of SMEs support institution providing services and information on IP” and “percentage of SMEs support institutions which found WIPO training program on IP management as useful”.

561. The Delegation of Algeria echoed the contents of the statement by the African Group. It added that the proposal for the program on SMEs and Innovation fitted the objectives that Member States were seeking for this program, as SMEs played a great role in enhancing innovation in developing countries by providing an opportunity for competitiveness. The Delegation fully agreed with the edit in the Results Framework suggested by the African Group

562. The Chair announced that the text would be revised during the break. After the break discussions resumed on the narrative of Program 30.

563. The Delegation of Italy suggested to say “and other relevant government institutions” instead “including relevant government institutions”. In the text suggested by the Delegation of India, other IP rights should be included.

564. The Delegation of India agreed with the suggestions made by the Delegation of Italy. In reference to ‘train the trainers’ programs and its previous comment thereon, it requested that the number of programs be reflected. The second comment was that SMEs program should not simply be relegated to becoming a coordinating body between the various divisions in WIPO catering to SMEs through their respective budgets but should also had a substantive role in the programs and activities that they undertook. The Delegation asked confirmation that this was reflected in the new narrative.

565. The Chair responded that the number of ‘train the trainers’ programs was indicated in the Results Framework. It suggested that the Delegation of India and the Secretariat consult on the exact position and wording of the amendments.

566. The Delegation of India agreed to discuss it with the Secretariat.

567. The Chair announced that, having taken note of the comments made by the Delegation of India, the Secretariat proposed the following phrasing for paragraph 30.2: “Recognizing the cross-cutting nature of the work of SMEs, this Program will coordinate SMEs related activities in close collaboration with other programs within WIPO, including the WIPO Academy.” In addition, reference to Program 30 was inserted in other programs’ narratives which dealt with cross-program coordination and collaboration, where applicable.

568. The text was agreed on and there were no further comments on Program 30.

569. The discussion of the budget document program-by-program was concluded. The delegations took the floor to raise other related issues.

570. The Delegation of Spain thanked the Secretariat for its quick response and the presentation of the cost saving measures announced by the Director General. The Delegation reaffirmed Group’s B statement that these measures were the right steps in the right direction. A reduction of 1.7 per cent (in the budget growth) corresponded to saving of approximately 10 million Swiss francs. In the difficult economic times this was indeed very welcome. The Delegation believed that these cost saving measures could be pursued even further and that certain missing pieces of information could be added. The Delegation was particularly interested in staff cost reductions. The Delegation recalled that 70 per cent of the budget (as the External Auditor’s report showed) was dedicated to staff cost and, as the Director General had said during the meeting with ambassadors, the major part of the 4.7 per cent increase [in the budget] was going to be dedicated to staff cost. The Delegation found such situation unacceptable. It added that minimal amounts of money had been saved while the Delegation wished to consider a considerable reduction in staff expenditure, as done in many other international organizations (e.g. WHO). It continued to say that in many Western countries civil servants had seen their salaries reduced. The Delegation was not certain that such a move was possible in the case of the international civil servants, but there should be a possibility of cost saving in the case of consultants. It invited the Director General and the Deputy and Assistant Directors General to reduce their own salaries and to ensure that consulting contracts be negotiated at lower rates. The Delegation was also concerned about the travel and hotel costs and wondered whether it was possible to realize some savings without the impact on programs or essential activities. It seemed to the Delegation that it would be possible to achieve some travel and hotel cost savings before the Assemblies, e.g. by ensuring that stopovers were not made in expensive cities like London. The Delegation stressed that the measures taken up to date were a step in the right direction but they were insufficient and therefore did not allow the Delegation to give a green light to the budget proposal.

571. The Secretariat emphasized that the proposed measures were not a one time effort but rather a continuous improvement and search for efficiency. The proposed measures would not affect program delivery. The Secretariat added that it was committed to finding more efficiencies (as stated by the Director General). Since it was a work in progress, the Secretariat would report to Member States as the process moved forward, especially in view of the initiatives under the SRP. The Secretariat further stated that, hopefully, between now and the PBC in 2012, it would be able to show Member States where the process was headed and report on other measures to achieve efficiency savings.

572. The Delegation of Spain stressed that it would like to see significant efforts made in this regard between this PBC and the Assemblies. The proposed reduction was heartening, however the 3 per cent budget increase remained and some reforms needed to be made.

573. The Delegation of Morocco thanked the Secretariat and other delegations for the efforts made, which had allowed the membership to arrive at a certain consensus and encouraging results. The Delegation supported the statement of the African Group and the Delegation of Algeria. It also shared the concerns voiced by many delegations concerning staff expenses. The Delegation noted that this was a very important budgetary line and efforts had to be made to reduce it. The Delegation noted with satisfaction the efforts of the Director General, expressed in paragraph 2 of the budget document, which said that in order to balance the budget proposed for 2012/13 there would be neither new jobs nor new hiring during the next biennium. The Delegation attached great importance to this promise and hoped that with this commitment there would not be any surprises at the end of the next biennium.

574. The Chair thanked delegations for their collaborative effort to find agreement. Regarding Program 18 there was accepted language for the decision paragraph and agreement to delete paragraph 18.16 as well as the final part of paragraph 18.13: "including professional test data", to be consistent with the deletion of paragraph 18.16 (as requested by the Delegation of Brazil).

575. The Chair read out the text of the draft decision.

576. The Program and Budget Committee (PBC) recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, the approval of the proposed Program and Budget for the 2012/13 Biennium as contained in document WO/PBC/18/5, subject to the following:

- (i) Efforts by the Secretariat to reduce expenditure through cost efficiency measures by 10.2 million Swiss francs, from 647.4 million Swiss francs to 637.2 million Swiss francs, through, *inter alia*, travel policies for staff and third parties, premises management, policies for payments of SSAs and honoraria for experts and lecturers, internship programs, receptions and rental of premises and equipment during conferences and a reduction of personnel costs through improved organizational design. These cost efficiency measures will not affect Program delivery, results and targets as set out in the Program and Budget proposal. The Secretariat will report back to Member States on the implementation of the efficiency measures in the annual Program Performance Reports; and
- (ii) Reflection of the new program for SMEs and Innovation and the narrative changes agreed in the course of the PBC session to: Results Overview chapter, Results Framework chart, Programs 1, 3, 4, 6, 7, 8, 9, 11, 14, 17,18, 19, 21, 27 and 30 as well as addition of a footnote to paragraph 5 regarding the definition of 'development expenditure'.

577. The PBC further recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to utilize any surplus generated as a

578. The PBC further recommended that its June session in budget years be convened as a formal session for future Program and Budget cycles, starting with the discussions of the Program and Budget for 2014/15.

579. The PBC recommended that the Secretariat report on the activities, both undertaken and planned, of the IP and Global Challenges Program to Member States during PBC sessions.

ITEM 14 CAPITAL PLANNING AND MANAGEMENT FRAMEWORK

580. Discussions were based on document WO/PBC/18/16.

581. The Chair invited the Controller to introduce the document.

582. The Controller summarized the contents of the document, which provided an overview of the framework in which WIPO capital expenditure and investment were planned, implemented, monitored, assessed and reported on. For this purpose, capital expenditures and investment were defined as the purchase of fixed assets or the cost of major renovations or modernization of assets, such as implementation of information technology projects which were intended to enhance the efficiency of the administration of the Organization. The Introductory paragraphs reminded the reader that WIPO worked on results based management, which established its strategic goals, expected results, resources and strategies to obtain these results as well as reporting on the carrying out of the programs. The projects that involved investments or capital expenditure often went beyond one single annual exercise or even biennial ones so they were either funded through successive biennial budgets or they could be proposed for funding from the Organization's reserves (in accordance with the principles and approval mechanism for the utilization of the reserves set out in document WO/PBC/16/7 Rev., approved by the Member States). The Controller proceeded to explain the capital expenditure cycle, which followed a very precise methodology (demonstrated in Diagram 2 in the document). First step was the project initiation, with results and expected results, links of the project to the results of the Organization, the financial and human resources required and the funding source proposed. The second stage was the project planning. The third stage was the actual implementation, the monitoring and presentation of reports, evaluation, assessment and particular risks control. Last step was project closure, with a final assessment and a formal project closure with the closure report. The stage after closure reports was mainstreaming, which represented incorporation of any regular maintenance activity required. The Controller added that the document was intended to show Member States how the Organization worked and which methodology and principles it used.

583. The Delegation of the United States of America appreciated receiving the document, which was concise, intelligible and contained appropriate references to WIPO's results-based management framework, MTSP and program and budgeting processes. The Delegation commented that the definition of capital expenditures and investments was contained in the introductory chapter, while the Delegation believed that these definitions should be incorporated in the framework itself. It also thought that the information provided through the framework should include some analysis of alternatives, including the relative cost and benefits of the alternatives. For example, the common practices to compare the relative costs and benefits, at least in equipment, to the costs and benefits of purchasing it. The Delegation believed that these changes would improve the contents of the document.

584. The Controller said that the comments of the Delegation of the United States of America would be taken into account and would be noted in the report.

585. The Program and Budget Committee took note of the contents of document WO/PBC/18/16.

ITEM 15 CAPITAL INVESTMENT PROPOSAL FOR FUNDING OF CERTAIN INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) ACTIVITIES

586. Discussions were based on document WO/PBC/18/13.

587. The Secretariat introduced the document. It said that while the proposed Program and Budget for 2012/13, under Program 25, had already covered the ICT operational expenditure, one time capital expenditure would be needed in response to growing demands to bring down the operational risks and to contain costs. Obsolete equipment was more expensive to support and maintain, in some cases the supplier informed the Secretariat that it would no longer support such equipment as it was too old. The proposed capital investment was to cover ICT related facilities for the new conference hall, replacement of obsolete PABX systems and the replacement of desktop computer system and software. This proposal had been prepared in accordance with the principles and the approval mechanism for the use of reserves approved the previous year by the General Assembly.

588. The Secretariat explained that the proposal covered three areas. One was to support the new conference hall, second was to replace the telephony exchange system, and the third was the desktop environment. Regarding the first area, the Secretariat recalled that the approved proposal for the conference hall did not include equipment which had not been essential to a conference hall operation. With the growing number of delegates using laptops in the room, there had to be means to support them (the availability of the network). At present, the ICT could support 50/60 laptops. However, in two years time, this would not be sufficient, as many delegates would bring their laptops, smart phones and i-pads. In many cases there would be two or three devices per delegate, all requiring and seeking wireless connection. The Secretariat also recalled that some delegations had requested arrangements for remote participation in meetings, allowing such participants to speak (which was not a standard arrangement as for passive participation). The person's speech was then fed to the interpreters so it would be interpreted. Such arrangement was completely different and more technically complex than the standard video streaming available at present. Digital recording system had to be put in place so meetings could be recorded. Without additional facilities, a traditional meeting could take place in the new conference room. However, if Member States' requirements were to be taken into consideration, technical equipment had to be built in during the construction period. Regarding the PABX system (the telephony exchange). WIPO had already been told by the supplier that starting from next year the support would be based on a best effort, i.e., no guarantee, because the devices were so old. The Secretariat had not asked for funds to replace them earlier as this was very expensive and the Secretariat had not been certain what to replace them with until IP computer based telephony technology was put in the new building. This system had gone live very recently. Without that experience, the Secretariat had not been quite sure whether it should go down that path to replace the entire Organization's telephony system. The replacement of the telephony system would save the operational need to maintain three different telephony systems, which was the case at present. In many traditional organizations IT computer networks plus telephony network had to be maintained. This would not be the case anymore once the new system was implemented. The third investment aspect was the desktop environment. The Secretariat said that it was embarrassing to admit that WIPO computers (including in the Director General's office) were, on average, five years old. Without the requested funds, by the end of next biennium the average age of WIPO computers will be seven years, which was very old in that industry and very few organizations would run computers older than that. They also presented a range of IT challenges and

affected the productivity of WIPO staff. It was also worth mentioning that old machines were a lot more expensive to maintain and a lot more staff was needed to fix them. Regarding software, the Secretariat explained that, at the moment, WIPO used Windows XP and Microsoft Office 2003. There were continuous troubles with converting files from later versions of this environment. The system also prevented installation of new applications because of incompatibility issues (e.g., with the new telephony system). In conclusion, the Secretariat emphasized that the capital investment proposal was not reoccurring in nature but a one-off investment as the operational costs were already covered under the regular budget for Program 25.

589. The Delegation of the United States of America, in view of the information provided, supported the proposal and the recommendation. It fully understood the need for acquiring and using current technology and had objections, in principle, to making use of video conferencing technology, incorporating the latest telephony and desktop computing technology into WIPO's infrastructure. However, the Delegation did look to the Secretariat to use best practices in considering product services alternatives for IT needs and also to undertake particular processes that would result in the best value for money. The Delegation continued to urge the Secretariat to take necessary steps to keep the implementation and acquisition costs at a reasonable level.

590. The Delegation of Japan emphasized that since more than 90 per cent of the Organization's income was derived from the fee income of international registration systems, those sectors should benefit the most from the proposed improvement. It added that, as the United States' Delegation had mentioned, resources should be spent carefully. In this context the Delegation inquired how the Secretariat had arrived at the estimate of 5.1 million Swiss francs and what efforts it would make to reduce that cost.

591. The Secretariat responded that, regarding PABX system, the suppliers had been asked to estimate the cost of replacing the entire network. The supplier came back with a figure (and there was no big variation amongst different suppliers). In general, the Secretariat requested cost estimates from suppliers which had already gone through the competitive contracts with WIPO before. The Secretariat then explained the process of selecting the suppliers and partners to achieve the most cost effective mechanisms (value for money). WIPO had a steady partnership with some of the UN organizations. Therefore, e.g., contracts relating to network equipment were jointly bided with to the United Nations International Computing Center (UN ICC), which operated and provided ICT services to more than 30 agencies. Regarding other areas of cooperation, e.g., desktop computers and laptop computers, WIPO had made a joint bid with other agencies, including the UN and WMO, for over 1,000 computers. These were the examples of efforts to make economies and achieve value for money. Lastly, the Secretariat engaged in outsourcing of services, including to the ICC and private industries.

592. The Chair read out the decision paragraph in document WO/PBC/18/13.

593. The Program and Budget Committee:

- (i) took note of the contents of document WO/PBC/18/13; and
- (ii) recommended to the Assemblies of the Member States of WIPO to approve the amount of 5,180,000 Swiss francs to be used from the reserves for the implementation of the ICT capital investment project described in document WO/PBC/18/13.

ITEM16 STRATEGIC REALIGNMENT PROGRAM (SRP) UPDATE

594. Discussions were based on a PowerPoint presentation.

595. The Secretariat introduced this topic by reminding Members of the Committee, that the Director General had made introductory comments on the broad progress of the Strategic Realignment Program (SRP). It was announced that the Secretariat had produced an updated SRP roadmap in 2011 and that it was available in the English language version on that day and that it would be available in all official languages at the WIPO Assemblies. The Secretariat noted that the SRP had made substantial progress in 18 of the 19 initiatives during the previous year, the only exception notably being the initiative on external offices which was still under discussion with Member States with two consultations having taken place in that period. The Secretariat stated that since there were 19 initiatives that comprise the SRP, the presentation would not go into the detail of each one, but would rather report on the key topics that had been referred to in that session of the PBC. The Secretariat pointed out that questions on the background of the SRP had been raised during informal consultations between Member States and the Secretariat. It was stated that the SRP had its origin in the desk-to-desk assessment report, which had been mandated by the Member States in 2005 and completed with the assistance of PwC in 2007. The Secretariat further noted that the WIPO Assemblies of 2007 had approved the principal recommendation in that report which was to undertake a comprehensive organization improvement program. The Secretariat further stated that the desk-to-desk assessment report had recommended a number of best practice changes to be undertaken across the Organization, most notably in respect of human resource management practices. It was remarked that when the Member States mandated the Secretariat to undertake that program in 2007, they had also instructed the Secretariat to report periodically to the Audit Committee (now named the Independent Advisory Oversight Committee) and that that Committee was mandated to oversee the SRP implementation. The Secretariat stated that the SRP addressed all categories of recommendations within the desk-to-desk report. However, the Secretariat also recalled that the Organization had already changed since 2007 given the fact that it had adopted a new strategic framework with nine strategic goals in 2008. The Secretariat observed that the SRP was designed to deliver significantly more than originally identified in the desk-to-desk assessment recommendations. This mapping was then presented through a chart mapping the recommendations to the initiatives of the SRP. The Secretariat remarked that the report had recommended very clearly that the organization improvement program (now referred to as the SRP) should be undertaken over a three to five year timeframe which had been observed by the SRP. The Secretariat stated that a program of change - in term of projects and initiatives should have an end date, but that the process improvements were to continue beyond the SRP as part of continuous business improvement. The Secretariat commented that progress on the SRP has been reported to the IAOC on a quarterly basis *via* a progress report and subsequently published on the WIPO internet site. The Secretariat reported that an independent staff survey had been undertaken at the beginning of 2011 and that it would be reissued each year of the SRP to contribute to measuring the desired outcomes of the program. The Secretariat confirmed that the WIPO staff survey provided very interesting results; it noted that although not all of the comments were positive, the SRP included initiatives to address every category of comment. The Secretariat stated that discussions with delegations had taken place during the previous days on measuring results at WIPO. It noted that the SRP results framework had been published on the internet, and that the Secretariat would be reporting against specific targets and indicators for the different SRP values and initiatives on an annual basis. The Secretariat then provided some concrete examples of progress which had been made for each of the four Core Values which comprise the SRP. Noting the importance of language coverage for majority of Member States, the Secretariat stated that under the service orientation value, core publications available in all required languages had improved to a level of over 65 per cent which was an increase of 3 per cent since December 2010. The Secretariat then stated that the business impact assessment, undertaken as part of the business continuity initiative was another key activity for the Service orientation. It noted that the Secretariat, as

part of the SRP, would develop a plan in case of unanticipated disruption hence ensuring that WIPO's business processes and external facing processes could continue to operate for WIPO's users across the world in time of disruption. It noted that the business continuity planning exercise was being led by the Secretariat's Chief Information Officer. The Secretariat emphasized that the central objective of the ERP was to provide tools and processes that would help the Secretariat improve with the Working as one value. The Secretariat stated that internal communication was one aspect that a number of staff had commented in the Staff survey needed improvement. It noted that much had been done since that survey to engage with staff at multiple levels of the Organization, such as cross-sector discussion groups organized to garner ideas and suggestions on how internal communication could be improved. The Secretariat observed that the staff response had been overwhelming for the discussion groups, with almost 150 staff having participated in the meetings. The Secretariat then commented that the accountability for results value may be of particular interest to the PBC. It recalled the MTSP had been developed and that, together with comments of the Member States as reflected in the report of the 2010 Assemblies, the MTSP remained a strategic guide for the Organization. It noted that having established the MTSP with its Strategic Goals, the Secretariat had embarked on the strengthening of results-based management which was evident in the proposed 2012/13 Program and Budget document. The Secretariat then noted that the Organization's Strategic Goals cascaded down to the individual. It was said that WIPO had developed a Performance Management and Staff Development System (PMSDS) for that purpose. The Secretariat explained that WIPO, through the SRP, also had a Value focused on environmental, social and governance accountability. It was pointed out that one of the initiatives under that Value was focused on ethics and integrity. It was stated that the drive to establish a code of ethics in the United Nations system organizations was strong and that this therefore also applied to WIPO. It was stated that the Secretariat had established an ethics office and had developed a draft code of ethics that had been widely consulted with staff. Furthermore, it noted that the SRP included initiatives for improving accessibility as well as for reducing the Organization's carbon footprint. It was stated that the Secretariat would then spotlight on two SRP initiatives, in the interest of time. The Secretariat suggested firstly, a focus on the internal control initiative of the SRP. It explained that there had been many questions from delegations about internal controls and risk management and that the IAOC had also focused on it. It noted that internal controls and risk management were closely associated and that the Secretariat's proposed approach for the internal controls initiative was based on risk assessment and risk management thereafter. It said that delegations had mentioned enterprise risk management and invited them to review the PowerPoint presentation which illustrated that, as it had mentioned previously, "upper case" ERM (Enterprise Risk Management), required a certain higher level of maturity, resource allocation and formality than the risk management at use in WIPO at that time. It was reported that the Secretariat undertook risk management actively and that it was moving very consciously and rapidly towards formal coordinated risk management. The Secretariat noted that internal controls existed in areas across the Organization. It emphasized that both the PCT Operations and financial operations had internal controls. It commented that the Organization had risk registers in some of the organizational units, such as the new construction project. It further explained that it would have liked to reach that sort of systematic assessment of risks right across the Organization. The Secretariat also remarked that it had recently published a request for proposal to allow the Organization to bring in an external company to assist in the process, to formalize WIPO's risk management, risk assessment and internal control system. The Secretariat explained that the approach was intended to conform to the industry standards. It pointed out that much value was gained from the advice and guidance that was received from the IAOC. It noted that the IAOC recommended that the proposed solution follows the industry standards. The Secretariat then turned to a second SRP initiative. It remarked that there had been some discussions with delegations around the organization design, and that an SRP initiative had been designed to focus on that. The Secretariat reported that when the Director General had taken office in 2008, a significant restructuring of the Organization had been undertaken. It explained that WIPO had at that time been reorganized along the lines of strategic goals, and that the seventh sector had

been created. The Secretariat observed that, during that restructuring in 2009, it was the first time that it had brought organizational units concerned with Administration and Management (A&M) under a single Assistant Director General (ADG). It remarked that this consolidation had helped to drive planning and policies more coherently throughout the sector. The Secretariat stated that the second phase of the organization design initiative was in the planning and design process. The Secretariat then noted that there had been considerable interest in risk management as a topic earlier in the session of the PBC. It stated that the IAOC had adopted a risk-based approach to their work. Risk management was seen by the Secretariat as an integrated part of the management of the SRP. The Secretariat noted that various risks had been identified in all the initiatives, and notably that the initiative focusing on updating the Staff Regulations and Rules (SRR) had been affected by risks associated with the consultative group being interrupted. It pointed out that the effects of this risk had been mitigated by the prioritization of the SRR chapters with most interdependencies with other SRP initiatives, such as the ERP. The Secretariat commented that many of the initiatives had experienced scheduling delays, which had led to an underutilization of the allocated budget planned for that biennium. It noted that some of the Programs incorporated the SRP elements into their regular Program and Budget requirements and resource envelopes, although those elements subject to delays would need to seek further funding to complete successfully. Such funding would clearly be within the overall approved budgetary envelope and consistent with the organizational results to be achieved. The Secretariat recommended the need to re-issue the Core Values survey to staff. It advised that a further identified risk, related to the level of staff engagement, and that over the previous months a conscious effort had been made to receive structured input from staff. The Secretariat pointed to the next steps identified on the PowerPoint presentation and opened the floor for questions and comments.

596. The Chair thanked the Secretariat for the very informative briefing and reiterated the request for questions or comments from delegations.

597. The Delegate of Germany thanked the Secretariat for the presentation and said that it had learnt about organization redesign. It stated that the documents concerning WIPO's organization design initiative were not entirely as the Delegation had expected. It then asked for clarification on what the purpose of the initiative was, and whether it was to reorganize WIPO to reduce the levels of hierarchy. This, it said, had been learnt from the IAOC comments on the structure of the IAOD, where there was a disproportionate ratio of senior staff. The Delegation stated that it did not want to start a discussion on that subject, but it was somewhat disappointed and it had higher expectations. It hoped that the results of the organization design initiative might have led to less posts, to the re-profiling of posts, and to a different classification process. The Delegation also hoped that the savings would be "in the millions" and asked if the Secretariat believed that something was wrong with the figures, or whether greater benefits would be reaped in the longer term perspective, rather than the following biennium.

598. The Secretariat replied by reconfirming that the organization design initiative had been planned in a number of steps. It said that the first phase of the initiative, undertaken in phase 1 of the SRP, was to align the Organization to the new strategic framework. The Secretariat said that as part of that restructuring, it was necessary to bring in some new skills at different levels in the Organization. It commented that this had been undertaken to create an organizational structure equipped to achieve the strategic objectives mandated by Member States. The Secretariat suggested that the appointment of the Chief Information Officer (CIO), was a good example of that element of redesign. The Secretariat further restated that the consolidation of the Administration and Management Sector was an important second step. It observed that while it might appear logical to have such a sector, historically, WIPO had not been structured in that way. It was further stated that the difficulty that the prior structure posed for initiatives such as the ERP implementation was dramatic. The Secretariat also stated that the third major step that the Director General had undertaken was to appoint a new senior management team. It said that the subsequent development of the portfolios for each sector was aligned to the Strategic Goals. It underlined that each sector had been restructured to align more closely to

the strategic goals, an effort which had been completed in July 2010. The Secretariat emphasized that the Voluntary Separation Program (VSP), was another element of the organization redesign, which also had its root in the desk-to-desk assessment report. It explained that the VSP contributed to organizational design by freeing up posts in order for the posts to be re-skilled or re-profiled to match the organizational requirements. It clarified that the replacements from VSP-vacated posts were not re-staffed one-to-one with the same skill profile. This practice allowed the Secretariat to attract new talents and skills, such as in the area of language skills that were required in PCT. The Secretariat explained that the work on organization design was not yet complete, and that the next phase of that initiative was under planning. It said that in that next phase, it would expect to address the issues identified by the Delegation of Germany; "looking at job design, looking at coherence across the Organization and, looking at opportunities to consolidate the synergies between different organizational units". The Secretariat concluded by stating that the Director of Human Resources was not present to comment on this issue, but that the SRP office had worked closely with him on this matter. It assured delegations that project documentation had begun to be developed and that the initiative would be taken forward in a structured fashion.

599. The Chair stated that the PBC had been invited to take note of the content of the presentation.

600. The Program and Budget Committee took note of the contents of the presentation.

ITEM 17 PROGRESS REPORT ON THE NEW CONSTRUCTION PROJECT

601. Discussions were based on document WO/PBC/18/9.

602. The Secretariat introduced the document and highlighted the main points outlined therein. The Secretariat reported that the local authorities had granted a partial occupancy permit mid-March 2011, which let WIPO take over the safety and security responsibility for the building from the general contractor. The final occupancy permit had been obtained at the end of March 2011. The move of about 500 staff from rented premises had started mid-March; in total, all buildings combined, about 750 moves had been carried out between the middle of March and the end of June. The delegates' parking delegates had opened in June. In terms of compliance with the timetable, as had been reported to the PBC at its September 2010 session, there had been some delays in the delivery of the new building. A financial compensation of 500,000 Swiss francs had been agreed between the Secretariat and the general contractor for the postponement of the original delivery date from October 8 to November 25, 2010, followed by a further compensation of 1,725,000 Swiss francs for the delays during the period since November 2010. In addition, in order not to further delay the moves of staff from rented premises, a phased delivery by zones of the building had been agreed, with the priority given to office floors. Consequently, the biggest rented building (P&G Building) had been vacated by August 31, 2011, as originally planned. As of the present date, a few areas in and around the new building remain to be completed (exterior landscaping, liaison tunnel between the AB Building and the new building, and roof of the building). The Secretariat recalled that, in December 2008, the Assemblies had approved a basic budget envelope of about 145 million Swiss francs as well as a Provision for Modifications and a Provision for Miscellaneous and Unforeseen, for an additional total of 16 million Swiss francs. As of the present date, the basic budget envelope had been almost entirely used or committed, except for an amount of about 175,000 Swiss francs. The Provision for Modifications (about 8.2 million Swiss francs) had been fully engaged or committed. As to the Provision for Miscellaneous and Unforeseen (about 7.8 million Swiss francs), about 5.7 million Swiss francs had been used or committed, leaving an amount of about 2.1 million Swiss francs not used and not committed. The Secretariat indicated that, for the reasons outlined in document WO/PBC/18/9 (local safety and security regulations, increasing need for small meeting rooms and recent launch of the ERP

project), it had decided to retain the lease for the CAM Building in order to secure the adequate balance between occupied and non-occupied office spaces.

603. The Delegation of Germany inquired as to the planned use of the financial compensation obtained from the general contractor.

604. The Delegation of the United States of America expressed appreciation for the progress report indicating that the new construction project was nearing completion, with the actual cost appearing to be close to the final estimate, while recalling that the estimated cost had increased considerably since initially proposed several years ago. The Delegation expressed concerns about the need to retain the CAM Building at a cost of approximately 1.4 million Swiss francs per biennium, particularly given the planning and the cost that had gone into the new construction project. It was surprised to learn that consideration for small meeting space, safety requirements and the ERP project had not been made in the design phase of the project. It fully expected that the Secretariat would make every effort to explore alternatives to the continued use of the CAM Building and renegotiate that lease within five years.

605. The Delegation of Japan noted with appreciation that the new building and the related facilities had been almost completed, despite the regrettable delays in the delivery of the project which had been compensated by the general contractor. It also took positive note that no life-threatening injuries to workers during the construction had been reported. In respect of the decision by the Secretariat to retain the CAM Building for the expected five-year duration of the ERP project at a cost of approximately 1.4 million Swiss francs per biennium, the Delegation believed that the Secretariat should make every effort to shorten the duration of the lease.

606. The Delegation of Australia thanked the Secretariat for the briefing and update on the project. It wondered whether there was any risk to staff using the new building as a result of the non-completed areas and inquired what steps would be taken to ensure the safety and security of staff while those areas were being completed.

607. The Delegation of France thanked the Secretariat for the presentation and update given, noting that such information corresponded to what the Delegation expected to receive from the Secretariat. It also inquired how the Secretariat was proposing to use the financial compensation obtained from the general contractor.

608. In response to the questions raised by delegations, the Secretariat indicated that the financial compensation to be paid by the general contractor was reported on as part of document WO/PBC/18/9, while a proposal for the utilization of the corresponding amount was contained in document WO/PBC/18/10. The Secretariat confirmed that its decision to retain the CAM Building had only been taken at the end of 2010, for the reasons outlined in document WO/PBC/18/9 and noting that these reasons could not have been taken into account in the design of the new design which had been made several years before the start of construction. The ERP project had been approved by Member States in 2010, the new Swiss requirements on safety and security had been included in the building permit issued by the local authorities in 2007 and had to be complied with in order to obtain the occupancy permit. The Secretariat indicated that the rental cost of the CAM Building (a long-standing contract with a local foundation whose board included representatives of the Swiss authorities) was relatively low in comparison to the office space in the vicinity (the market price being about three to four times more expensive). The Secretariat added that it had been taking measures aimed at improving the use of office space, in particular through the implementation of a stricter office space allocation policy. It was essential for any entity the size of WIPO to have the necessary flexibility to manage the occupied and unoccupied space in all of its buildings in order to provide adequate working conditions to all programs and react appropriately to the organizational changes. In respect of risks to staff in the unfinished construction areas, the Secretariat confirmed that the applicable Swiss and WIPO safety and security measures and safeguards would be complied with under the responsibility of the administrative units concerned and the

construction and maintenance companies that had been or would be engaged for any repair or renovation work, so that staff, delegates and visitors would not be at risk. The Secretariat would continue to provide information on all the matters covered by the Progress Report through its future periodical reports to the PBC sessions.

609. The Program and Budget Committee took note of the Progress Report contained in document WO/PBC/18/9.

ITEM 18 PROGRESS REPORT AND PROPOSAL ON THE NEW CONFERENCE HALL PROJECT

610. Discussions were based on document WO/PBC/18/10.

611. The Secretariat summarized the contents of document WO/PBC/18/10. The Selection Board composed of representatives of Member States had met in December 2010 and February 2011 to select the general contractor for the project (its March 2010 session had already been reported to the September 2010 PBC session). At its December 2010 session, the Board had reviewed the proposals and alternatives (ranging from about 60 million to about 80 million Swiss francs) presented by two pre-selected companies. The Board had considered the separate evaluations presented to it by the WIPO Evaluation Team and the Project Pilot. The Board then had mandated the WIPO Evaluation Team and the Pilot to: conduct negotiations on its behalf with both companies; and to present a joint final recommendation, with the objective to obtain price reductions in order to bring the proposals closer to the approved budget envelope. The Secretariat recalled that the estimated cost of the construction work portion of the approved budget envelope was about 50 million Swiss francs. The Selection Board had met in February 2011 to examine the results of the negotiations and to hear the joint final recommendation made in favor of the "wood alternative structure" presented by one company, which was the least expensive of all the proposals, while preserving the required quality for the architectural and technical design heavily relying on a wood structure. The Selection Board had selected "*Implenia Entreprise Générale SA*", the same company that had been selected in 2007 by the previous Board for the construction of the new building. The company had been selected on the understanding that the Secretariat would review the project requirements, including scaling down of certain elements, identification of options that could be exercised later to fit within the approved budget. The Secretariat and the Pilot had undertaken negotiations with the selected contractor on the final contract terms, the phasing of various parts of the project between its various components (the new hall *per se*, the AB Building modifications and the access center) and the overall timetable. In particular, taking due account of the infrastructure work and unique wood structure of the future hall, the contract included specific provisions addressing the essential relationship between the general contractor and the wood sub-contractor and listed the features which would have to be reassessed by the Secretariat with a view to scaling them down, as well as several features in respect of which the contractor had the obligation to re-launch tenders since market prices were expected to continue to go down. The negotiations had been concluded and the contract signed in May 2011. Therefore, the Secretariat confirmed that, in terms of cost containment, the signed contract guaranteed unit prices for the whole duration of the construction, offered the possibility to review and scale down certain features in order to reduce costs and, finally, offered the possibility to take certain options as currently specified, or in a modified form, or not to take them. In addition, the Secretariat would not have to deal directly with a variety of additional contractors in the course of the construction, but would rather continue to rely on the established framework based on a general contractor-type of contract, ensuring much clearer lines of responsibility and accountability. The Secretariat also confirmed that the contract had been signed for a fixed price and that the parts of the contract that covered all elements that did not need to be reviewed, modified or scaled down, were within the approved budget (for construction cost and honoraria, fees and charges) under the New Conference Hall Project, plus

the amounts previously approved under the New Construction Project (mainly, exterior landscaping) and under the UN H-MOSS Project (part of the access center). However, the estimated cost of the options and other features to be reassessed included in the contract represented an additional estimated cost of approximately 4.4 million Swiss francs as compared to the approved basic budget envelope of 60 million Swiss francs. Despite the fact that the Secretariat would make every effort to scale down certain options and that new tenders would be launched by the general contractor as explained above, the Secretariat proposed to use for the New Conference Hall Project, and only if and when necessary, the funds which remained available in respect of the other major WIPO construction project - the New Construction Project - for approximately 4.5 million Swiss francs (as set out in the table annexed to document WO/PBC/18/9). The Secretariat recalled that financing for the New Conference Hall Project was also partly based on a commercial loan for 40 million Swiss francs, which had been negotiated with the banks on the basis of the existing contract (an addendum having been signed in October 2010), providing for drawdowns to be made until 2014, under the same favorable conditions as currently in place. Based on the experience gained with the loan for the New Construction Project, the Secretariat would closely watch the evolution of interest rates and other factors to minimize the burden of the loan on the regular budget, and only as from the 2014/15 biennium (no drawdown is planned during the 2012/13 biennium). As recommended by the External Auditor in respect of the New Construction Project, the Secretariat would continue to exercise caution in the utilization, during the construction phase, of the approved Contingency Provision for Miscellaneous and Unforeseen dedicated to the New Conference Hall Project. Finally, the Secretariat referred to the construction phase timetable, noting that preparations for re-opening the worksite had started mid-August 2011 and added that the new conference hall and related facilities were expected to be delivered in April 2013.

612. The Delegation of Slovenia, speaking on behalf of other members of the Selection Board, thanked the Secretary of the Board for having facilitated the work of the Board. The Delegation remarked that the Board had to cope with a very limited number of bidders and high prices proposed, but always kept its focus on getting the best price for the high quality of construction required by the design of the hall. The Board was able to recommend the best solution for the benefit not only of WIPO but also of the Member States.

613. The Chair thanked the Member of the Delegation of Slovenia and all other delegations which had Members serving on the Board, noting that their work had led to stronger results in concluding the selection process.

614. The Delegation of Japan was of the view that the New Conference Hall Project had to be carried out very carefully and controlled very thoroughly in view of the current estimated cost of more than 64 million Swiss francs. The Delegation asked the Secretariat to exercise stronger caution in respect of that new project, in view of the overall cost and delivery delays which occurred in respect of the construction of the new building.

615. The Program and Budget Committee:

- (i) took note of this Progress Report; and
- (ii) recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to authorize the use for the New Conference Hall Project, if and when necessary, of an amount of up to 4,500,000 Swiss francs remaining available from the budget and provisions they had approved in December 2008 for the financing of the New Construction Project, as indicated in paragraph 10 of document WO/PBC/18/10.

ITEM 19 PROGRESS REPORT ON THE PROJECT TO UPGRADE SAFETY AND SECURITY STANDARDS FOR THE EXISTING WIPO BUILDINGS

616. Discussions were based on document WO/PBC/18/6.

617. The Secretariat recalled that an upgrade of the safety and security concept had been approved by Member States in 2008. Since then, and partly due to a request by the Geneva local authorities to maintain the pedestrian right of way on Chemin des Colombettes towards Route de Ferney, further discussions have been held with those authorities and the Host Country (in particular the Federal Security Office) in order to review the original concept and propose alternatives to make the WIPO campus much more open (mainly by removing the surrounding walls and fence from the original design), while complying with the UN H-MOSS standards. The revised concept included a number of anti-vehicle protection walls and features (fixed as well as retractable ones) around the WIPO campus and on underground parking access ramps. It would also include the pedestrian right of way on Chemin des Colombettes, between the AB Building and the new building. The existing pedestrian right of way across the WIPO park, in front of the AB, GBI, GBII and PCT Buildings would also be maintained. Along Chemin des Colombettes, in the direction of the entrance to the AB Building through the future access center and in front of the future new conference hall, the security perimeter would be composed of a fence (the height of which will be reduced by 30 cm compared to the original design) and pedestrian guard rails, in order to provide adequate security for access to the main entrance to the WIPO campus. The Secretariat indicated that a Memorandum of Understanding had been signed in June 2011 between WIPO and the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI) in order to establish the framework between the Host Country and WIPO for an effective and coordinated management of the implementation of the security perimeter, noting the financial and operational participation of the Host Country in that implementation. The Secretariat took the opportunity to thank the Host Country, once again, for having offered a contribution of 5 million Swiss francs towards the financing of the security perimeter around the existing WIPO Buildings. The Secretariat reported that preparation work was ongoing as planned, and that implementation was expected to start at the end of 2011, as soon as the building permit was issued. In terms of the budget approved by Member States in 2008 (in the amount of 7.6 million Swiss francs) for security measures other than those financed by the Host Country, only about 1.5 million Swiss francs had been committed or used so far, leaving about 6 million Swiss francs to cover the remainder of the implementation.

618. The Delegation of Japan, while expressing understanding for the enhancement of the safety and security of the existing WIPO buildings, sought clarification as to the breakdown of the financing between the Host Country and WIPO, and the evolution of the budgets since the project had been approved in December 2008.

619. The Secretariat replied that, on the one hand, the Host Country had increased its original contribution from 2 million Swiss francs to approximately 5 million Swiss francs to cover parts of the security perimeter around the existing buildings, and, on the other hand, the WIPO budget had remained at about 7.6 million Swiss francs, as originally approved by Member States in December 2008, for all other features of the security perimeter and internal measures in the existing buildings.

620. The Program and Budget Committee took note of the contents of document WO/PBC/18/6.

ITEM 20 PROGRESS REPORT ON THE IMPLEMENTATION OF IT MODULES TO ESTABLISH COMPLIANCE WITH THE NEW FINANCIAL REGULATIONS AND RULES (FRR) AND INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

621. Discussions were based on document WO/PBC/18/11.

622. The Chair recalled that at the 2007 Assemblies, Member States had agreed in principle to the adoption by WIPO of the International Public Accounting Standards (IPSAS) by 2010. At the 13th session of the PBC in December 2008, the Secretariat had presented its proposal for the implementation of IT modules to establish compliance with new Financial Regulations and Rules (FRR) and IPSAS. At both the 14th and 15th sessions of the PBC in September 2009 and September 2010 respectively, the Secretariat had presented progress reports providing information on the status of the project and the cost incurred to date. The PBC had taken note of both reports and its recommendations had been approved by the 47th and 48th sessions of the Assemblies in, respectively, September 2009 and September 2010. Document WO/PBC/18/11 contained a detailed report of the progress made since the last report concerning the implementation of the proposal known as the FRR-IPSAS Project. The Chair invited the Controller to introduce the document further.

623. The Controller said that the document reported on the status of progress made in the implementation of the IT modules which enabled WIPO to set up the FRR, as well as the IPSAS compliance. The project had begun in 2010 with the objective of achieving conformity with the IPSAS and the application of the FRR, the adoption of the best practices as regards purchasing, integration between procurement and finance, better monitoring and control and staff development through the introduction of best practices based on an ERP solution. The project commenced on January 15, 2010, within the timeframe and the budget limits and with no major difficulties. The Secretariat was able to set up its different phases and these phases had been implemented correctly. The project had worked smoothly and the Secretariat had learnt a number of lessons which would be reported at the end of the project. Some lessons learnt were: ensure communications were cascaded throughout the Organization, make training as specific as possible rather than provide theoretical information, provide more practical courses and provide initial training to project team members on the approach and methodology applied to the project. The Controller also confirmed that the cost of the project was within the budget. A small amount (465,000 Swiss francs) was left over and would be used to cover the remaining expenses, estimated at 407,000 Swiss francs. Any remaining amount would be put back into the reserves, once the project would have been audited. The implementation of the project would be concluded by September 30, 2011.

624. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO to take note of the contents of document WO/PBC/18/11.

ITEM 21 PROGRESS REPORT ON THE PROJECT IMPLEMENTATION OF A COMPREHENSIVE INTEGRATED ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN WIPO

625. Discussions were based on document WO/PBC/18/12.

626. The Chair recalled that the 48th session of the Assemblies in September 2010 had approved the Secretariat's proposal for the implementation of a comprehensive enterprise resource planning system (ERP). The main purpose of the present progress report was to provide a brief background on the objectives and scope of the ERP project, an update on the key achievements to date and an outline of the budget utilization to date. The Chair invited the Secretariat to present a summary of the high level activities that were expected to be performed

for the remainder of 2011 and throughout 2012, along with an outline and the risks that had been identified for the ERP portfolio.

627. The Secretariat recalled that although the ERP portfolio had been approved by Member States the previous year, it was also a continuation of previous efforts to implement ERP (started in 2004). Since that time the Secretariat had been gradually phasing in different modules in the ERP system. The Secretariat had followed an approach that was slightly different from that of other UN organizations, which had chosen a “big bang” approach. WIPO had taken a phased approach that was more suitable for the Organization, to be able to manage and absorb the change and to build foundations slowly but gradually, including the culture of using an ERP system appropriately. Therefore, the first phase, finance and budget reporting system, had started in 2004. The second phase was the FRR IPSAS compliance requirements and the procurement and asset management system. The third phase, which was expected to take about five years, would mainly comprise human resources management systems, a [component] to address the performance management and reporting needs and, finally, improvements to the management of customer information to better relate to customers from within the Organization. One of the challenges of the project’s portfolio was the fact that the Organization had systems in place and any changes to the needs of the Member States and the stakeholders, in terms of reporting information, would impact those existing systems. Therefore, the guiding factor in the ERP implementation was that any changes to the existing systems needed to be managed carefully. First, in accordance with the proposal approved by Member States, the Secretariat had established project governance structure. This was of foremost importance in the ERP implementation because ERPs were not purely automation or system changes. They involved changes to policy, process, training and changing the way people worked. All this required commitment and involvement of the senior management and a coherent body to make decisions in a speedy fashion. The Secretariat was also looking at a very comprehensive solution architecture to build on what had already been done but aligning the solution architecture to the ICT strategy of the Organization, to make sure that it was in line with the vision laid out in the ICT strategy. Building on the past, the Secretariat was also leveraging significantly on the UNICC hosting arrangements; the IP modules were currently hosted in the UNICC hosting facilities and the Secretariat would build on that for the future modules. Regarding governance, the Secretariat said that the ICT Board established by the Director General had been tasked to oversee the implementation of the portfolio projects, focusing on business benefits realization through the cycle of the implementation. A Cross Functional Group had also been established, composed of staff from across the Organization with sufficient seniority and authority to be able to guide and help shape the planning and conceptual design of the system. Every project that would be undertaken would be governed by the project management methodology, on which staff had been trained and which was being increasingly used in most of the Organization’s projects. The ERP Project Management Office (EPMO) had also been established, to plan and manage the implementation of the projects in accordance with the plans and risk management (a fundamental part of the approach to the ERP implementation). The Secretariat added that the IAOC had shown a very strong interest in the ERP project and regular dialogue was taking place between the IAOC and the Secretariat on the plans and the risks. The establishment of EPMO was 60 or 70 per cent completed, through the recruitment of talented and experienced individuals into the project posts, in accordance with the proposal approved by Member States. The duration of those project posts and positions was limited and tied to the project duration and would not exceed it under any circumstances. The Organization had selected a partner to assist in delivering the conceptual design and vision part of the project. Gartner Group (WIPO’s external advisor) advised on some of the ICT strategic components and reviewed the tender prior to it being issued. In terms of progress, the Secretariat said that the Organization was halfway through the planning and vision stage of the project. The current state assessment had been completed and the work moved into defining the specific elements of the guiding principles that would be used to plan the subsequent projects within the scope of the portfolio. An important foundational project had been started, which was the upgrade of the existing finance and budget system i.e., upgrading the PeopleSoft application in order to be able to extend it to the HR and performance

management. Business Intelligence would be a key focus area and it would benefit Member States as well. The Secretariat commented that, during the session, there had been many calls for better information, more information on HR and better information on the targets and indicators. Better measurement systems were needed to support WIPO's results framework and this was exactly what the ERP would address in the coming years. The highest priority in the next steps was the HR component of the portfolio. In terms of budget utilization and the time frame, the project was much on track. One of the important aspects had been the purchase of the products in the Oracle suite, after a full consideration of WIPO's ICT strategy to see what different elements of the products in the Oracle suite would be applicable to the ERP portfolio. Because of the timing of the purchase, which coincided with the end of Oracle's financial year, the Organization benefited from a significant discount. The Secretariat added that the next steps would be to complete the vision and planning project by the end of the year and to initiate the key HR priority projects in the early parts of next year. The upgrade project would also be completed in the first quarter of 2012. The Secretariat pointed out that with the SRP and the number of changes taking place in the Organization, the capacity of the staff to absorb the extent of the numerous changes needed to be managed very carefully. The Secretariat further explained that risk management was also an integrated part of its approach and some of the risks was the uncertainty felt that the Secretariat lacked the capacity and the resources necessary. However, this issue was going to be addressed through the portfolio budget, through backfilling, so that some of the best users and professionals from the different functional areas could be released to be able to devote their time to the project. The other risk that the Secretariat foresaw, and which was standard for ERP implementations, was the inability to derive maximum value from such an implementation. An ERP was not simply automating processes as they stood today. It required thought and reengineering of the processes. This automatically impacted people's roles and structures. It was therefore a real business transformation project which was internal to the Organization but was key to supporting program managers in their delivery to the external world.

628. The Delegation of the United States of America appreciated the status report delivered by the Secretariat and found it full of useful information. The Delegation appreciated knowing that the PeopleSoft upgrade was proceeding a year ahead of schedule and hoped that this was an indication that the overall project was still proceeding on track to completion within the approved five year timeline. It noted that the expenditures in 2011 (as projected by the Secretariat) would be approximately on-fifth of the total approved amount for the project but that some expenditures, such as for the project personnel, were lower in 2011 than anticipated. As noted in the Secretariat's report, this would likely result in higher costs in the later years of the project. Therefore, the Delegation would appreciate receiving a guarantee from the Secretariat that it still expected to complete the project within the approved 25 million Swiss franc envelope.

629. The Secretariat confirmed that the overall project portfolio would be completed within the approved 25 million Swiss francs. It added that the underutilization of the budget this year was primarily due to some delays in recruitment contract negotiations and getting the project off the ground. This was indeed one of the most difficult aspects of the start-up of the project.

630. The Delegation of Algeria thanked the Secretariat for the information provided. It stated that it supported this project for at least two reasons. First, the project was starting to prove it is worth thanks to the role it played in different areas. The Organization needed to provide sound information to its stakeholders and the ERP system enabled the Organization to deliver better information to Member States. Second, the project provided a further guarantee and strengthened the financial system. The ERP was a complex system, which from the outside was very difficult to understand but it did produce results.

631. The Chair read out the decision paragraph in document WO/PBC/18/12.

632. Program and Budget Committee recommended to the Assemblies of the Member States of WIPO to take note of the contents of document WO/PBC/18/12.

ITEM 22 ADOPTION OF THE REPORT

633. Discussions were based on document WO/PBC/18/21 Prov.

634. The Chair said that Secretariat had prepared the list of decisions and recommendations taken at the session, contained in the draft document WO/PBC/18/21 Prov., which, following approval by the PBC would be formally issued and submitted to the WIPO Assemblies. The Chair invited delegations to review the document. The Chair announced that the full report of the eighteenth session would be produced by the Secretariat, according to usual practice, i.e., with the shortest delay possible. The draft report would be posted on the PBC website for electronic approval. Delegations would be invited to review the draft report, and sent their amendments and comments to the Secretariat, who would prepare the final version.

635. The Program and Budget Committee adopted the Summary of Decisions and Recommendations contained in document WO/PBC/18/21 Prov.

636. The Delegation of India, speaking on behalf of DAG, expressed its sincere thanks to the Chair for the excellent conduct of proceeding in the last five days. It believed that it was thanks to the Chair that Members managed to finish this meeting and keep their respective sanity and good humor.

637. The Delegation of Egypt thanked the Chair for having steered the session so efficiently and also for putting a smile on the delegates' faces now and then.

638. The Delegation of Slovenia fully endorsed the statement made by the Delegation of India and congratulated the Chair on behalf of CEB for an amazing leadership and right doses of humor which had been badly needed during the last five days.

639. The Delegation of South Africa, speaking on behalf of the African Group, joined the previous speakers in congratulating the Chair on the manner in which he had presided over this and all previous PBC sessions.

640. The Delegation of the United States of America, speaking on behalf of Group B, joined in congratulating the Chair on the conduct of the session. It also commended the Secretariat for being very well prepared to deal with a Herculean task of answering delegations' numerous questions and the preparation of all documents.

ITEM 23 CLOSING OF THE SESSION

641. The session was closed.

[Annex follows]