

Program and Budget Committee

**Eighteenth Session
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STATUS OF UTILIZATION OF RESERVES

Document prepared by the Secretariat

1. This document provides an overview of (i) the status of Reserves and Working Capital funds (RWCF) following closure of the 2010 annual accounts¹ 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 proposal².
2. 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) is presented as a separate document, on its own merit, for consideration by Member States.

3. *The Program and Budget Committee is invited to recommend to the Assemblies of the Member States of WIPO to take note of the contents of the present document.*

[Information on the Status of the Utilization of Reserves follows]

¹ Please see also Annual Financial Statements 2010 (document WO/PBC/18/3).

² Please see also Capital Investment Proposal (WO/PBC/18/13).

INFORMATION ON THE STATUS OF THE UTILIZATION OF RESERVES

INTRODUCTION

1. The financial statements of the Organization for the year ended December 31, 2010, were, for the first time, prepared in accordance with International Public Sector Accounting Standards (IPSAS). At the forty-third session of the Assemblies, from September 24 to October 3, 2007, the Member States agreed in principle to the adoption by WIPO of IPSAS by 2010 (A/43/5). This agreement formed part of a United Nations system-wide initiative endorsed by the General Assembly (A/RES/60/283(IV)) to replace the existing United Nations System Accounting Standards (UNSAS) with IPSAS, which are internationally recognized.

2. The 2010 financial statements constitute the first set of financial statements to have been prepared in accordance with IPSAS. In previous years, the interim (year one) financial statements of the Organization were not audited. Since WIPO has a biennial financial period, only the biennial statements were audited in the past. Beginning 2010, as required under IPSAS, the Organization prepares and presents three sets of financial statements: two annual statements for each year of the biennium, and a biennial statement for the biennial financial period. All three sets of financial statements are presented to WIPO's External Auditors for audit.

3. In order to ensure full transparency and understanding of the impact of IPSAS implementation on the Organization's Reserves and Working Capital Funds (RWCF):

(a) the following two sections present the status of RWCF following closure of the 2010 annual accounts³ on a budgetary as well as an IPSAS basis;

(b) followed by a section presenting the status of RWCF appropriations approved by Member States to date, including the impact of the proposed appropriation for an IT capital investment proposal.

STATUS OF RESERVES AND WORKING CAPITAL FUNDS AS AT DECEMBER 31, 2010 – BUDGETARY BASIS

4. On a budgetary basis, with the exception of the Hague and Lisbon Unions, all Unions showed a surplus for the year 2010. The result on a budgetary basis, net of reserve expenditures was a surplus for the Organization of 3.1 million Swiss francs.

5. Reserve expenditures totaled 5.8 million Swiss francs against appropriations approved by Member States. As a result, the RWCF opening balance of 228.3 million Swiss francs dropped by 2.7 million Swiss francs (3.1 million Swiss franc surplus offset by the reserve expenditures of 5.8 million Swiss francs), to a total RWCF level of 225.6 million Swiss francs on a budgetary basis.

³ Please see also Annual Financial Statements 2010 WO/PBC/18/3.

Table 1: RWCF by Union at end 2010 on a Budgetary Basis*(in thousands of Swiss francs)**Budgetary Basis*

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF, Opening 2010	25,662	159,770	42,207	473	141	228,253
2010 Income	18,413	218,149	51,879	3,580	495	292,516
2010 Expenditure	18,205	214,798	51,609	4,019	763	289,395
Surplus/Deficit	208	3,350	270	(439)	(269)	3,121
Reserve Special Projects expenditures 2010	723	4,093	954	6	6	5,781
RWCF, End 2010	25,147	159,028	41,524	28	(134)	225,593

Note: Any differences in totals are due to rounding.

6. The expenditures totaling 5.8 million Swiss francs, shown as “Reserve Special Projects expenditures 2010” in the table above, reflect spending against appropriations approved by Member States against the RWCF, and on a budgetary basis are shown as distinct from expenditures under the regular budget. These appropriations are listed in full in Table 5 below, as approved by Member States, and total 63.2 million Swiss francs.

STATUS OF RESERVES AND WORKING CAPITAL FUNDS AS AT DECEMBER 31, 2010 – IPSAS BASIS

7. Since the Organization’s RWCF are accounted for as net assets, this means that at the end of any given year, there are three financial statements which reflect the details of the changes impacting the RWCF. These are:

- (a) the balance sheet⁴, which reflects the assets and liabilities of the Organization as of the end of the year; and
- (b) the income and expenditure statement⁵, which reflects the result (surplus/deficit) for the period; and
- (c) the statement of changes in equity⁶, which summarizes the list of impacts on the net assets stemming from the above, together with any direct charges to equity, if any.

8. In line with the above, the impact of the introduction of IPSAS has two distinct elements as follows:

- (a) An impact on the balance sheet, to reflect the adjustments to the assets and liabilities of the Organization, which are required by IPSAS, and which therefore represent an IPSAS adjusted opening balance for the RWCF; and
- (b) An impact on the current period’s income and expenditures, and thereby the result of the period, to reflect the required adjustments to the current year’s income and expenditures.

9. Following the above adjustments, the Organization’s RWCF by Union at end 2010, on an IPSAS basis, is reflected in the table below. Expenditures related to Special Projects are not treated separately under IPSAS, but are part of the total expenditure line and are included on adjusted IPSAS basis.

⁴ Called Statement of Financial Position under IPSAS

⁵ Called Statement of Financial Performance under IPSAS

⁶ Called Statement of Changes in Net Assets under IPSAS

Table 2: RWCF by Union at end 2010 on an IPSAS Basis
(in thousands of Swiss francs)

IPSAS basis

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF, Opening 2010	23,251	128,335	54,103	2,380	210	208,278
2010 Income	18,412	210,644	53,616	3,595	495	286,762
2010 Expenditure	19,250	222,696	53,477	4,096	783	300,302
Surplus/Deficit	-838	-12,052	139	-502	-288	-13,540
RWCF, End 2010	22,413	116,283	54,242	1,878	-78	194,738

Note: Any differences in totals are due to rounding.

10. On an IPSAS basis, and as a result of the IPSAS adjustments made to the period's income and expenditures, with the exception of the Madrid Union, all Unions showed a deficit for the year 2010. The result on an IPSAS basis was a deficit for the Organization of 13.5 million Swiss francs. As a result, the RWCF opening balance of 208.3 million Swiss francs dropped by 13.5 million Swiss francs to a total RWCF level of 194.7 million Swiss francs on an IPSAS basis.

11. The IPSAS adjustments made were the following⁷.

(a) **Adjustments to the opening balances of the RWCF** (via the balance sheet), **totaling 20 million Swiss francs** (reduction), summarized as follows:

Table 3: IPSAS Adjustments to RWCF Opening Balances
(in millions of Swiss francs)

RWCF Opening Balances on budgetary basis	228.3
- less IPSAS adjustments to opening balances	- 20.0
RWCF Opening Balances on IPSAS basis	208.3

Note: Any differences in totals are due to rounding

Adjustment for the recognition of land and buildings	+151.5 million Sfr
Adjustment for the revaluation of investment property	+ 0.9 million Sfr
Adjustment for the recognition of PCT receivables	+11.5 million Sfr
Adjustment for deferral of unearned revenue	-132.2 million Sfr
Adjustment for the recognition of intangible assets	+28.2 million Sfr
Adjustment for the recognition of inventory	+2.4 million Sfr
Adjustment for the recognition of provision for doubtful accounts	-7.3 million Sfr
Adjustment for the recognition of post employment benefits	-78.8 million Sfr
Adjustment for the recognition of equipment	+3.8 million Sfr

⁷ For further details please also see Annual Financial Statements 2010 WO/PBC/18/3

(b) Adjustments to the income and expenditure of the Organization⁸, summarized as follows:

Table 4: IPSAS Adjustments to 2010 Income and Expenditure
(in millions of Swiss francs)

Budgetary result	3.1
- Reserve expenditure	- 5.8
Budgetary result after reserve expenditure	- 2.7
- less IPSAS adjustment to income	- 5.7
- less increase on expenditure due to IPSAS adjustment	- 5.1
IPSAS result	13.5

Note: Any differences in totals are due to rounding

- (i) Reduction of 5.7 million Swiss francs in income, to reflect income deferral of monies received but unearned; and
- (ii) A net increase in expenditure of 5.1 million Swiss francs to reflect adjustments required in respect of:

Depreciation:	+5.2 million Sfr
Equipment acquisition:	-1.3 million Sfr
Capitalization of construction expense:	-1.1 million Sfr
Capitalization of construction loan interest:	-1.9 million Sfr
Repayment of loan principal:	-1.4 million Sfr
Changes in employee benefit provisions:	+5.9 million Sfr
Inventory recognition:	-0.1 million Sfr

Note: Any differences in totals are due to rounding

RWCF APPROPRIATIONS

12. This section provides an overview of the reserve appropriations approved and proposed for appropriation. It is recalled that a number of projects are ongoing, for which unspent but approved amounts are indicated in the following tables. In addition to the projects already approved for funding from the RWCF, 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) is therefore also included in the table below. The impact of IPSAS is reflected in the available balances by way of the use of the RWCF levels as presented after IPSAS adjustments.

13. It is further recalled that the amounts authorized to fund the New Construction Project (NCP) and the New Conference Hall Project (NCHP) for 20 and 24 million Swiss francs respectively, will remain part of the Organization's reserves, and are therefore seen to be an

⁸ For further details please also see Annual Financial Statements 2010 WO/PBC/18/3

authorization to utilize RWCF without reducing their value. However, it is noted that charges (or reductions) to the assets of the Organization will appear as the depreciation related to these properties is accounted for over the required time period (30-100 years for buildings, depending on the items in question⁹).

Table 5: Overview of RWCF Appropriations and Utilization as of June 2011
(in millions of Swiss francs)

	Appropriation approved	Expenditure to end 2010	Balance available	Comment
- MAPS Modernization Phase I.	3.60	1.76	1.83	approved 2007 and 2009
- MAPS Modernization Phase II.	1.94	0.05	1.90	approved 2009
- MAPS Modernization Phase III.	8.29	--	8.29	approved 2009
- Database of acceptable indications of goods and services	1.20	0.37	0.83	approved 2009
- IT Modules FRR and IPSAS	4.20	3.64	0.56	approved 2008
- Architectural and Technical Project - New Conference Hall	4.20	3.45	0.75	approved 2008
- Security	7.63	0.87	6.76	approved 2008
- Development Agenda Projects "Carryover"	7.18	1.64	5.54	FMR 2008/09
- ERP proposal	25.00	0.01	24.99	approved 2010
Sub-total approved projects	63.24	11.79	51.45	
- new IT project	5.18	--	5.18	Proposed for September 2011
Total projects	68.42	11.79	56.63	

Note: Any differences in totals are due to rounding.

14. The share of the appropriation by Union in respect of the above is illustrated in the table below. The proposed appropriation by Union was calculated in accordance with the allocation methodology approved by Member States in the Program and Budget.

Table 6: Overview of RWCF Available by Union
(in thousands of Swiss francs)

IPSAS basis

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF, End 2010	22,413	116,283	54,242	1,878	(78)	194,738
<i>LOAN from PCT to Hague 2009</i>		(3,000)		3,000		-
Adjusted RWCF, End 2010	22,413	113,283	54,242	4,878	(78)	194,738
<i>Appropriations already approved, not yet spent</i>	<i>2,712</i>	<i>32,905</i>	<i>12,783</i>	<i>3,006</i>	<i>48</i>	<i>51,452</i>
RWCF, available balance Jan 2010	19,701	80,378	41,460	1,873	(126)	143,286
RWCF APPROPRIATIONS PROPOSED 2011						
- New IT Project	333	1,646	3,201	-	-	5,180
RWCF available after all appropriations	19,368	78,732	38,258	1,873	(126)	138,106
2012/13 RWCF TARGET	18,234	73,128	27,355	1,875	-	120,592
RWCF BALANCE AVAILABLE ABOVE TARGET	1,134	5,604	10,903	(2)	(126)	17,514

Note: Differences in totals are due to rounding.

15. Progress reports for the projects previously approved by the Assemblies for funding from the RWCF are submitted separately to the PBC or the respective Union Assemblies concerned (Madrid and Hague in respect of projects funded by their share of the RWCF), with further details of actual expenditures against these shown in their respective progress reports.

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⁹ For further details please also see Annual Financial Statements 2010 WO/PBC/18/3