

Program and Budget Committee

Nineteenth Session
Geneva, September 10 to 14, 2012

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 2010/11 biennium and the 2011 annual accounts¹ on a budgetary as well as IPSAS basis; and (ii) the status of RWCF appropriations approved by Member States to date.

2. The document further contains a proposal related to the utilization of the remaining balance of funds from one approved Development Agenda (DA) project (funded under the Reserves) for another approved DA project (initially approved to be funded under the regular budget).

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

(i) take note of the contents of the present document; and

(ii) endorse the proposal in paragraph 9 of the document.

[Information on the Status of the Utilization of Reserves, including the proposal in respect of the Reserves follows]

¹ Please also see Annual Financial Statements 2011 (document WO/PBC/19/4).

INFORMATION ON THE STATUS OF THE UTILIZATION OF RESERVES

INTRODUCTION

1. The financial statements of the Organization for the year ended December 31, 2011, have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). This completes the first full biennial financial period, for which IPSAS compliant financial statements have been prepared by the Organization, and is in line with the decision of Member States, taken at the forty-third session of the Assemblies (document A/43/5) for the adoption by WIPO of IPSAS by 2010. It is recalled that the 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. In line with the presentation submitted to Member States at the end of the prior year, and to continue to ensure full transparency and understanding of the impact of IPSAS implementation on the Organization's Reserves and Working Capital Funds (RWCF):

- (a) the first section of the document presents the status of RWCF following the financial closure of 2011², noting the impact of IPSAS adjustments;
- (b) the second section presents the status of RWCF appropriations approved by Member States to date; and
- (c) the third section provides a summary overview of RWCF levels after appropriations.

STATUS OF RESERVES AND WORKING CAPITAL FUNDS AS AT DECEMBER 31, 2011

Table 1: RWCF by Union as of end 2011
(in thousands of Swiss francs)

IPSAS BASIS

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF*, Opening 2010 (IPSAS basis)	23,251	128,335	54,103	2,380	210	208,278
2010/11 Income (budgetary basis)	36,467	443,041	105,833	6,798	710	592,849
2010/11 Expenditure (budgetary basis)	36,111	436,293	105,261	9,747	1,483	588,895
Difference (budgetary basis)	356	6,748	572	(2,949)	(773)	3,954
Reserve Expenditure 2010/11	(4,607)	(29,248)	(7,950)	(108)	(42)	(41,955)
IPSAS Adjustments 2010/11	2,538	(13,523)	3,411	(166)	(9)	(7,748)
Surplus/Deficit (IPSAS basis)	(1,712)	(36,022)	(3,967)	(3,223)	(825)	(45,750)
SUBTOTAL RWCF End 2011 (IPSAS Basis)	21,538	92,312	50,136	(843)	(615)	162,529

*Reserves and Working Capital Funds

3. The result for the biennium, as compared to the 2010/11 budget approved by the Member States, was a surplus of 3.9 million Swiss francs. The result for the biennium, after Reserve expenditures and IPSAS adjustments, was a deficit of 45.8 million Swiss francs, with all Unions showing a deficit for the biennium. Reserve expenditures totaled 41.9 million Swiss francs against appropriations approved by Member States.

² Ibid.

4. As a result, the RWCF of WIPO as of the end of the 2010/11 biennium, totaled 162.5 million Swiss francs, representing a reduction of 45.8 million Swiss francs from the opening balance at the beginning of 2010 of 208.3 million Swiss francs.

5. Table 2 below provides an overview of IPSAS adjustments for the biennium 2010/11, together with an annual view of the same, while Table 3 lists the detail behind the corresponding IPSAS adjustments in respect of each year. The IPSAS adjustments for 2010 were listed, with clarification provided in respect of each of these, in the document on the Status of Utilization of Reserves (document WO/PBC/18/7). IPSAS adjustments made for the year 2011 are listed below³.

Table 2: IPSAS Adjustments Overview for the Biennium 2010/11
(in millions of Swiss francs)

	2010/11 Actuals		
	2010	2011	2010/11
Income	292.5	300.3	592.8
Expenditure	289.4	299.5	588.9
Operational Result	3.1	0.8	3.9
Projects financed from Reserves	(5.7)	(36.2)	(41.9)
IPSAS adjustments	(11.0)	3.2	(7.8)
RESULT	(13.6)	(32.2)	(45.8)

Table 3: Summary of IPSAS Adjustments in 2010/11
(in millions of Swiss francs)

	2010/11 Actuals		
	2010	2011	2010/11
IPSAS Adjustments to Income:			
Deferral of income received but not earned	(5.7)	(14.7)	(20.4)
IPSAS Adjustments to Expense:			
Depreciation, amortization and impairment*	(5.2)	(8.1)	(13.3)
Equipment acquisition and disposal	1.3	1.3	2.6
Capitalization of construction expenditure	1.1	26.8	27.9
Capitalization of construction loan interest	1.9	1.7	3.6
Repayment of loan principal	1.4	1.4	2.8
Changes in employee benefit liabilities	(5.9)	(5.1)	(11.0)
Inventory recognition	0.1	(0.1)	-
Total, IPSAS Adjustments to Expense	(5.3)	17.9	12.6
Net IPSAS Adjustments	(11.0)	3.2	(7.8)

*related to buildings, equipment, intangible assets

³ Ibid.

RWCF APPROPRIATIONS

6. This section provides an overview of the reserve appropriations approved. It is recalled that a number of projects are ongoing, for which unspent but approved amounts are indicated in Table 4 below.

7. 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 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, accounted for over the required time period (30-100 years for buildings, depending on the building component in question⁴).

***Table 4. Overview of RWCF Appropriations and Preliminary Utilization as of end 2011**
(in millions of Swiss francs)

	Appropriation approved	Expenditure to end 2009	Expenditure in 2010/11	Balance available at end 2011	Approval
- MAPS Modernization Phase I.	3.6		3.3	0.3	2007 and 2009
- MAPS Modernization Phase II.	1.9		0.3	1.6	2009
- MAPS Modernization Phase III.	8.3		--	8.3	2009
- Database of acceptable indications of goods and services	1.2		1.0	0.2	2009
- IT Modules FRR and IPSAS	4.2	2.4	1.6	0.2	2008
- Architectural and Technical Project - New Conference Hall	4.2	3.4	--	0.8	2008
- Security	7.6	0.3	0.9	6.5	2008
- Development Agenda Projects "Carryover"	7.2		4.3	2.9	FMR 2008/09
- ERP proposal	25.0		3.2	21.8	2010
- IT Capital Investment Project	5.2		--	5.2	2011
Total projects against Reserve Appropriations	68.4	6.0	14.6	47.8	
Other projects (before IPSAS adjustments)					
- New Construction		n/a	8.1		
- New Conference Hall		n/a	19.3		
-Exchange loss from projects financed from reserves (2010/11: 17 thousand Swiss francs)			0.0		
Total Reserve Expenditure 2010/11 before IPSAS adjustments			41.96		

**figures may not add up due to rounding*

Appropriations for DA Projects

8. It is recalled that an appropriation of 7.2 million Swiss francs was approved by Member States from the surplus of the 2008/09 biennium within the context of the adoption of the Financial Management Report for the 2008/09 biennium. This approval was given on an exceptional basis, in order to ensure that the funds allocated for approved DA projects, which remained unspent under the 2008/09 Program and Budget, would remain available until the completion of such projects. The expenditures incurred under the appropriations provided for these projects are shown in Table 5 below.

9. The regular review and monitoring of project implementation has highlighted that some projects included under the initial reserve appropriation decision are expected to require less funds than initially envisaged, and will be completed with a remaining available overall balance estimated at 1.0 million Swiss francs (overall balance at end December 2011, as shown in Table 5 below, was 2.9 million Swiss francs against the reserve appropriation). Accordingly, and in order to ensure that such available balances continue to be utilized for the funding of DA projects, it is proposed that the remaining balance under the reserve appropriation would be used to fund the approved DA project South-South Cooperation on IP and Development among

⁴ Ibid.

Developing Countries and LDCs. The approved budget for this DA project totals 958 thousand Swiss francs in the 2012/13 biennium, and was approved for funding within the context of the Program and Budget for the 2012/13 biennium. Transferring the funding from the regular budget to the DA reserve appropriation would ensure that the latter can be fully utilized for the purposes for which it was approved. Subject to endorsement by Member States of this proposal, any expenditures incurred to the date of such transfer of funding (in the course of 2012) would also be transferred to the reserve appropriation.

10. It is highlighted that the above proposal will have no impact on the overall level of RWCF available.

Table 5: Development Agenda Projects Under Exceptional Reserve Appropriation
(in thousands of Swiss francs)

Development Agenda - Five Recommendations	Project Budget	2008/09 Expenses	2010/11 Reserve appropriation	2010/11 Expenses	Balance Available at end of 2011
<i>Conference on Mobilizing Resources for Development (Recommendation #2)</i>	198	198	-	-	COMPLETE
<i>IP Technical Assistance Database (IP-TAD) (Recommendation #5)</i>	300	84	216	199	17
<i>Specialized Databases' Access and Support (Recommendation #8)</i>	1,874	155	1,719	1,576	142
<i>IP Development Matchmaking Database (IP-DMD) (Recommendation #9)</i>	190	-	190	154	36
<i>Recommendation #10: "To assist Member States to develop and improve national IP institutional capacity..."</i>					
1. Pilot Project for the Establishment of "Start-Up" National IP Academies	522	15	507	381	126
2. Smart IP Institutions	1,169	111	1,058	689	369
3. Innovation and Technology Transfer Support Structure for National Institutions	600	-	600	192	408
4. Strengthening the Capacity of National IP Governmental and Stakeholder Institutions to Manage, Monitor and Promote Creative Industries, and to Enhance the Performance and Network of Copyright Collective Management Organizations	840	91	749	359	390
5. Improvement of National, Sub-Regional and Regional IP Institutional and User Capacity	2,209	66	2,143	729	1,414
Total - Five Recommendations	7,902	720	7,181	4,280	2,901

RWCF BALANCES AFTER APPROPRIATIONS

11. Table 6 below provides an overview of RWCF balances by Union. In summary, it is noted that as at end 2011, the Organization's RWCF balance is 162.5 million Swiss francs (also see Table 1).

12. The following is noted in respect of Table 6.

- It is recalled that Member States have already approved appropriations for various projects to be funded under the RWCF (see Table 4 above). Accordingly, the table highlights that appropriations already approved, but not yet spent, represent a total of 47.8 million Swiss francs of future spending envisaged under the RWCF.
- The target RWCF level is presented as approved in the Program and Budget 2012/13, at 120.6 million Swiss francs, constituting approximately 18.6 per cent of the total approved budget of 647.4 million Swiss francs. This does not take into account the 10.2 million Swiss francs in cost efficiency savings the Secretariat is aiming to achieve as requested by the Member States, which, if taken into account, would lower the target RWCF by approximately 2.1 million Swiss francs.

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

IPSAS basis

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF, End 2011	21,538	92,312	50,136	(843)	(615)	162,529
<i>Loan from PCT to Hague as approved in 2009</i>		(3,000)		3,000		-
<i>Loan proposed to be transferred as per MM/A/45/6</i>		3,000	(3,000)			-
RWCF, Jan 2012	21,538	92,312	47,136	2,157	(615)	162,529
Appropriations already approved, not yet spent	2,584	28,788	13,507	2,931	38	47,849
2012/13 RWCF Target	18,234	73,128	27,355	1,875	-	120,591

13. It is recalled that in 2009, the Assemblies of the Madrid Union and the Hague Union approved the International Bureau's proposals for the implementation of Phases II and III of the IT Modernization Program as from January 2010. The cost of Phases II and III were estimated at some 10.2 million Swiss francs, of which approximately 3 million Swiss francs were to be financed by the Hague Union (see documents MM/A/42/2 and H/A/28/2).

14. Regarding funding for the Hague Union's share of the project, document H/A/28/2 recalled the negative balance of the Hague Union Reserve Fund⁵, and proposed that the Assembly of the PCT Union authorize a loan to the Hague Union of an amount of 3 million Swiss francs from the PCT Union Reserve Fund to cover the Hague Union's share in the financing of Phases II and III of the above-mentioned IT Modernization Program. It was further proposed that the amount would be reimbursed by the Hague Union to the PCT Union as soon as the level of reserves of the Hague Union Reserve Fund would so allow.

15. As at the end of the 2010/11 biennium⁶, while the Hague Union Reserve Fund levels still do not allow the reimbursement of the loan to the PCT Union, the Madrid Union's Reserve Fund levels are in excess of the target level defined by the Reserve Policy of the Organization. Accordingly, it will be proposed to the Madrid Union Assembly⁷ at its 2012 session to modify the arrangement so that, rather than the Hague Union reimbursing the loan to the PCT Union (as it had originally been envisaged), the financing of the Hague Union's contribution to the IT Modernization Program of the Madrid and Hague international registration systems be assumed by the Madrid Union rather than the PCT Union.

16. The amount will be reimbursed by the Hague Union to the Madrid Union as soon as the level of reserves of the Hague Union Reserve Fund so allows. Table 6 reflects the impact of this proposal, it being understood that the proposal has no impact on the overall level of RWCF available.

[End of document]

⁵ Please see paragraph 44 of document H/A/28/2.

⁶ Please see Annual Financial Statements 2011 (document WO/PBC/19/4).

⁷ Please see documents MM/45/3 and HA/31/1.