Program and Budget Committee
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Q&A
PROPOSED PROGRAM AND BUDGET 2016/17
(and other PBC documents)

FINANCIAL AND RESULTS OVERVIEW

Q1: What is included in "Unallocated"?

A1: Unallocated (Personnel) amounts to 4.3 million Swiss francs and includes the following:

- a provision of 1.5 million Swiss francs for reclassifications;
- a provision of 0.8 million Swiss francs for the finalization of the regularization of continuing functions (within the framework of the 156 regularization posts approved in principle by Member States (ref. WO/CC/63/5));
- a provision of 2 million Swiss francs for the payment of overtime expenses budgeted on the basis of past expenditure patterns.

Unallocated (Non-personnel) amounts to 2 million Swiss francs and includes the following:

- a provision of 1 million Swiss francs should the Member States decide to convene a Diplomatic Conference in the 2016/17 biennium;
- a provision of 1 million Swiss francs should the Member States decide to open new External Offices.

Q2: Does Table 3 "Evolution of the Income of the Organization from 2006/07 to 2016/17" include Funds-in-Trust related income?

A2: No. Table 3 deals with the Regular Budget only. Annex VIII provides an estimation of the Funds-in-Trust Resources Potentially Available for Programming in the biennium 2016/17.

Q3: Where are the savings and cost efficiencies in 2014 reported on?

A3: The savings and cost efficiencies realized in 2014 are reported on in the Program Performance Report 2014. A separate information paper will be made available during the 23rd session of the PBC providing a consolidated overview of savings and cost efficiencies realized in 2014 and/or baselined in the proposed Program and Budget 2016/17.

Q4: What are the main drivers for the proposed 4.9% increase in the budget for 2016/17?

A4: Paragraphs 17-39 provide the summary of key priorities in the 2016/17 biennium. Table 5 in the Financial and Results Overview and Table 9 in Annex II provide the comparisons of the 2016/17 Budget with the 2014/15 Budget after Transfers by cost categories and Programs, respectively.

The main drivers for the increases in personnel resources are summarized in the Planning Assumptions for Personnel Costs in paragraphs 53-59. No new positions are foreseen in 2016/17 (paragraph 57 refers). Increases in personnel costs are primarily due to statutory increases and completed regularizations (offset by reductions under "temporary staff" cost category).

The main drivers for the increases in non-personnel cost are summarized in paragraphs 40-44. The notable increases on a net basis on non-personnel resources are under Program 5 PCT (5.6 million Swiss francs), mainly due to the increase in the PCT translation volumes and provisions for the strengthening of PCT resilience; Program 6 Madrid and Lisbon Systems (2.5 million Swiss francs), mainly due to the expanding membership of the Madrid System and enhancement of the operational efficiencies of the system; Program 25 ICT (6.9 million Swiss francs), mainly due to the increased dependence on reliable and effective ICT infrastructure and services; Program 28 Information Assurance, Safety and Security (3.9 million Swiss francs), mainly for the implementation of the Information Assurance strategies in 2016/17; and Program 22 Program and Resource Management (4 million Swiss francs), mainly due to the absorption in operations of the new modules and capabilities of the ERP system and the provisions for the negative interest rates on Swiss franc deposits.

Q5: One of the main drivers for the expenditure increase is the need to strengthen ICT and information security. Is the related proposed expenditure different from the Capital Master Plan projects approved by the Member States in 2013 for financing from the reserves?

A5: The ICT and information assurance investment are linked to the increased threat of cyber-attacks, the need to strengthen organizational resilience, and the need to address the information assurance gaps identified by the information assurance audit conducted in 2013. The IT-related Capital Master Plan projects, approved by Member States for financing from the reserves in 2013 which concerned Enterprise Content Management (ECM) and Identity Management (IDM). These projects do not overlap but complement the proposed expenditure contained in the Program and Budget 2016/17.

Q6: Certain Member States' legislation does not allow for a budgetary provision to be made for negative interest rates. Has WIPO negotiated with the banks to increase the 10 million Swiss francs threshold before the application of negative interest rates?

A6: The thresholds currently in place total 125 million Swiss francs (these include short-term deposits which earn zero interest). It is very unlikely that the two banks which have provided these exemption thresholds will increase them. In fact, it is more likely that the thresholds will be reduced as a result of developments in the market.

Furthermore, it is increasingly difficult to establish new banking relationships for Swiss francs and if this could be done, it seems unlikely that new banking partners would offer exemption thresholds.

Q7: Can the payment of negative interest rates be avoided?

A7: This would seem to be very unlikely. Even if all of the proposals in document WO/PBC/23/7 are accepted, it will take time to contract with external fund managers for the investment of core and strategic cash whilst operating cash, which will be managed in-house, may exceed exemption thresholds. Negative interest can be regarded as the bank charge for maintaining an account in Swiss francs – it is not therefore any different from regular bank charges, an amount for which is always included in the budget.

Q8: If Member States were to agree with the new investment policy proposal, would the 2.4 million Swiss franc provision for negative interest still be required?

A8: Please refer to the answer to question 7**.**

Q9: What will the impact of negative interest rates be on the financial result?

A9: Negative interest will obviously be a cost for the Organization and will therefore be included within expenditure. The overall financial result will be reduced as a result.

Q10: Why is the provision of 2.4 million Swiss francs for negative interest rates not shown in Table 3 "Evolution of the Income of the Organization from 2006/07 to 2016/17?

A:10 Negative interest rates are shown under Finance Costs (Expenditure budget) as these constitute payments to service providers (banks). They can be considered to be similar to bank charges.

Q11: The Budget after Transfers 2014/15 is given as at the end of March 2015. Will the Budget after Transfers be updated for the PBC session in September 2015?

A11: The 2014/15 Budget after Transfers is established as at March 31, 2015. The final Budget after Transfers 2014/15 will be reported on in the Program Performance Report for the biennium 2014/15.

Q12: Paragraph 8 states that miscellaneous income is expected to remain stable, however, Table 3, "*Evolution of the Income of the Organization from 2006/07 to 2016/17,"* shows the 2016/17 estimate to be significantly lower than the current 2014/15 estimate. Can you explain?

A12: Miscellaneous income remains stable in 2016/17 compared to the 2014/15 Approved Budget (please refer to the last column in Table 3). The 2014/15 Current Estimate is higher than the 2014/15 Approved Budget due to the positive impact of exchange rate valuations and higher-than-expected positive accounting adjustments in respect of prior years booked in 2014.

Q13: Can you give a breakdown of the budgeted miscellaneous income for 2016/17?

A13: Miscellaneous income includes registration fee for conferences and training courses, support charges in respect of extra-budgetary activities implemented by WIPO and financed by funds-in-trust, accounting adjustments (credits) in respect of prior years, currency adjustments and UPOV's payments to WIPO for administrative support services (please refer also to the Definition of Cost Categories in Appendix B).

Q14: What is comprised under the budgetary provision for Finance Costs in Table 5 amounting to 7.3 million Swiss francs? Does it include interest payments on loans? If, yes, when can the debt be paid off? Which Programs have Finance Costs?

A14: Finance Costs include provisions for the payment of interest on loans and bank charges. Finance Costs are budgeted under Program 24 (4.2 million Swiss francs) for the payment of interest on the loan in relation to the New Building and under Program 22 including 2.4 million for the provision for negative interests and 0.75 million for bank charges.

The commercial loan taken out to finance the New Building was drawn down in four separate tranches, two of which reach their maturity within the next seven months. These two tranches, totaling 40 million Swiss francs, will be repaid (document WO/PBC/23/7) as their maturity dates are reached. The remaining two tranches reach maturity in March 2019 and November 2025. If these amounts are paid early, the Organization would incur significant penalties.

The FIPOI loan is interest free and will be repaid within 16 years.

PERSONNEL RESOURCES

Q1: What is the increase of 2.1% in personnel expenditure composed of?

A1: The overall increase in personnel costs compared to the 2014/15 Approved Budget amounts to 9.6 million or 2.1% and results primarily from statutory increases (ICSC related) and to a much lesser extent from increases in contributions to the UNJSPF (pension fund) and ASHI provisions. No new positions are foreseen in 2016/17. Paragraphs 53-59 as well as Appendix C 'Costing for Personnel' provide more details on the planning assumptions and costing methodology for personnel costs.

As a result of the containment of the increase in personnel costs for 2016/17, the share of budgeted personnel costs as compared to the total budget has decreased from 66.3 per cent in 2014/15 to 64.6 per cent in 2016/17 (paragraph 56 refers).

Q2: Does the 2,1% increase in personnel cost take into account the savings of 4 million Swiss francs expected from the implementation of the new policy on home leave travel?

A2: Provision for home leave entitlements is included in the estimated personnel cost for 2016/17. It takes duly into account the savings of 4 million Swiss francs expected from the implementation of the new policy on home leave travel (please refer to the 5th bullet under 'Planning Assumptions' in paragraphs 56-59).

Q3: Does the estimated personnel cost for 2016/17 take into account the current ongoing review of the UN common compensation package?

A3: There is currently insufficient information on the financial implications of the changes proposed or discussed in the ICSC Compensation Review. It can be assumed, however, that in the short term the changes are unlikely to have any significant impact on costs. The estimated personnel costs for 2016/17 are therefore based on an assumption of "no change".

Q4: Why is there a decrease in personnel expenditure for temporary staff?

A4: The decrease in personnel cost for temporary staff is due to the regularization of continuing functions completed in 2014/15 (within the framework of the 156 regularization posts approved in principle by Member States (ref. WO/CC/63/5)). The number of temporary positions budgeted for 2016/17 thus amounts to 111 as compared to 144 in the biennium 2014/15.

Q5: Does the regularization of continuing functions lead to an increase in expenditure under "Posts"?

A5: The regularization of continuing functions (see Q4 above) converts temporary positions to posts. The associated increase under "Posts" (and decrease under "Temporary Staff") therefore amounts to the difference in the cost of a temporary position and a post (difference in benefits and entitlements between these two types of contacts).

Q6: Does the 2.1% increase in personnel costs include a provision for ASHI?

A6: Provisions for ASHI have been maintained at 6%; same as in the Program and Budget 2014/15 (please refer to the personnel cost planning assumptions in paragraphs 56-59).

Q7: What progress has been made in containing the ASHI liability and the management of ASHI funds since 2013?

A7: The Secretariat pursues a conscious strategy to contain personnel costs through a move towards a more agile and mobile workforce which can easily adapt to business needs as well as the promotion of flexible resourcing models to ensure that increases on long term employee benefit liabilities are contained. There are therefore no new posts proposed for 2016/17.

WIPO has also been an active member of the ASHI Working Group, established by the UN Finance and Budget Network in 2013, and is also a member of the Steering Team. The subject of ASHI is a large and complex one and it was recognized last year by the Working Group that the assistance of consultants was required. The consultants were engaged in early 2015 and have been working alongside the Working Group on the issuance and analysis of a comprehensive survey of healthcare plans across the UN system. Additional data has now been requested from all agencies and several areas to be investigated in depth have already been identified. These include use of national health schemes, joining forces between agencies in order to obtain a better price from healthcare providers and the establishment of internally managed healthcare schemes, amongst others. Work continues and the Working Group is expected to report to the General Assembly at its resumed session in early 2016.

Q8: Does the ASHI liability in the financial statements take account of the discount rate following negative interest rates?

A8: The discount rate reflects the situation as at the end of December 2014, before the removal of the EUR/CHF currency peg and the widespread introduction of negative interest rates.

Q9: Is there an updated figure for ASHI? Has an actuarial study been done to update this figure?

A9: An actuarial study was carried out in early 2015 in order to update the figure for ASHI. This exercise is done annually. The liability, included within the 2014 financial statements, is 127.858 million Swiss francs.

Q10: How is the provision for overtime under Unallocated split between Programs?

A10: In order to enable the Secretariat to better monitor and control overtime expenses, the estimated overtime costs are budgeted in a separate provision (2 million Swiss francs) in “Unallocated (Personnel)”. The estimated overtime costs for 2016/17 are therefore not budgeted under the individual Programs.

DEVELOPMENT EXPENDITURE

Q1: If a consensus were to be reached on a revised definition of development expenditure, could this revised definition be applied for the Program and Budget 2016/17?

A1: Due to the considerable work involved in preparing a Program and Budget, including the estimation of development expenditure, a revised definition of development expenditure, agreed to by Member States in 2015, can be applied for the preparation of the Program and Budget for the biennium 2018/19.

Q2: Which Programs, if any, do not have development expenditure?

A2: Most Programs associated with Strategic Goal IX "Efficient Administrative and Financial Support" do not have a development share (please refer to Table 6 "Development Expenditures in 2016/17 by Program").

Q3: Is the development share in the proposed Program and Budget for 2016/17 similar to the development share in the Program and Budget 2014/15?

A3: Development continues to be a priority in 2016/17 reflected by a stable development share of 21.3%. It should be noted that the absolute increase in development expenditure in 2016/17 represents 7.6 million Swiss francs, or 5.2%, compared to the 2014/15 Approved Budget (Please refer also to the Results Framework Chart on page 11, paragraph 60 and Table 6 "Development Expenditures in 2016/17 by Program").

Q4: What is the CDIP approval process for the DA projects budgeted for 2016/17?

A4: The DA projects planned for 2016/17 fall into three categories:

- projects which have already been approved by the CDIP and for which implementation is foreseen to continue in 2016/17 (as per the project documents approved by the CDIP);
- phase II of projects which are currently being implemented (subject to CDIP approval); and,
- proposals for new project (subject to CDIP approval).

Q5: Table 6 "*Development Expenditures in 2016/17 by Program*" includes a single development expenditure estimate for both the Madrid and Lisbon Systems under Program 6. Can you provide the split between the two systems?

A5: Of the total 13.5 million Swiss francs development expenditure under Program 6, a total of 13.0 million Swiss francs is attributable to Madrid and 0.5 million Swiss francs to Lisbon.

Q6: Can the Secretariat provide a breakdown of the 90% reduction in certain PCT fees granted to certain international applications filed under the Patent Cooperation Treaty (PCT) according to whether those reductions were granted to applicants from developing countries or otherwise?

A6: The table below lists all the States whose applicants in 2014 benefitted from the 90% reduction in certain PCT fees, broken down by the country of residence of the first named applicant. The *amounts* of the fee reductions were approximately 1,200 Swiss francs per international application[1].

The eligibility of an international application for a reduction in certain PCT fees is determined in accordance with the criteria set out in the PCT Schedule of Fees. The information set out in the table below is based on the criteria as in force during 2014[2]. With effect from July 1, 2015, new

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[1] The exact amounts also include reduced page fees, which vary according to the individual application – a calculation would require a significant investment in time and would not noticeably affect the distribution of the reductions.

[2] For the text of the PCT Regulations, including the PCT Schedule of Fees, as in force until June 30, 2015, see here: http://www.wipo.int/export/sites/www/pct/en/texts/pdf/pct_regs2014.pdf; for a list of countries eligible for PCT

[Footnote continued on next page]

criteria have entered into force[3], resulting in applicants from two States[4] no longer being eligible for the fee reductions, whereas certain applicants from ten other States[5] have become eligible for such fee reductions.

For each State on the list, the table indicates:

(a) the number of international applications filed in 2014 by applicants from that State which benefitted from the 90% reduction in certain PCT fees;

(b) the total number of international applications filed in 2014 by applicants from that State;

(c) the percentage of the total number of international applications filed in 2014 by applicants from that State which benefitted from the PCT fee reductions;

(d) the percentage of the total fee reductions granted in 2014 granted to applicants from that State; and

(e) whether or not that State is a PCT Member State.

It is not possible for the International Bureau to present a breakdown of the PCT fee reductions granted in 2014 according to whether those reductions were granted to applicants from developing countries or otherwise, noting that there is no universally agreed definition of what constitutes a developing country for this purpose.

[Footnote continued from previous page]

fee reductions under the PCT Schedule of Fees as in force until June 30, 2015, see here: http://www.wipo.int/export/sites/www/pct/en/fees/fee_reduction_pre_july.pdf.

[3] For the text of the PCT Regulations, including the PCT Schedule of Fees, as in force as of July 1, 2015, see here: http://www.wipo.int/export/sites/www/pct/en/texts/pdf/pct_regs.pdf; for a list of countries eligible for PCT fee reductions under the PCT Schedule of Fees as in force as of July 1, 2015, see here: http://www.wipo.int/export/sites/www/pct/en/fees/fee_reduction_july.pdf.

[4] Singapore and the United Arab Emirates.

[5] Bahamas, Cyprus, Greece, Malta, Nauru, Palau, Portugal, Saudi Arabia, Slovenia and Suriname.

Breakdown of 90% PCT Fee Reductions Granted to International Applications in 2014

Code	Country Name (based on residence of the first named applicant)	# of IAs filed in 2014 which benefitted from PCT fee reductions	Total # of IAs filed in 2014	% of IAs filed in 2014 which benefitted from PCT fee reductions	% of total PCT fee reductions granted in 2014	PCT Member State?
CN	China	3281	25546	12.8%	59.6%	Yes
RU	Russian Federation	456	948	48.1%	8.3%	Yes
IN	India	367	1425	25.8%	6.7%	Yes
TR	Turkey	238	853	27.9%	4.3%	Yes
BR	Brazil	207	580	35.7%	3.8%	Yes
ZA	South Africa	131	313	41.9%	2.4%	Yes
MX	Mexico	119	284	41.9%	2.2%	Yes
UA	Ukraine	93	147	63.3%	1.7%	Yes
HU	Hungary	58	158	36.7%	1.1%	Yes
PL	Poland	51	348	14.7%	0.9%	Yes
SG	Singapore	46	940	4.9%	0.8%	Yes
EG	Egypt	38	47	80.9%	0.7%	Yes
MY	Malaysia	33	313	10.5%	0.6%	Yes
CZ	Czech Republic	31	189	16.4%	0.6%	Yes
CL	Chile	24	141	17.0%	0.4%	Yes
AE	United Arab Emirates	23	98	23.5%	0.4%	Yes
CO	Colombia	22	102	21.6%	0.4%	Yes
HR	Croatia	22	54	40.7%	0.4%	Yes
IR	Iran (Islamic Rep. of)	21	35	60.0%	0.4%	Yes
BG	Bulgaria	19	52	36.5%	0.3%	Yes
PH	Philippines	19	35	54.3%	0.3%	Yes
SK	Slovakia	16	65	24.6%	0.3%	Yes
TH	Thailand	16	68	23.5%	0.3%	Yes
KZ	Kazakhstan	15	21	71.4%	0.3%	Yes
MA	Morocco	14	60	23.3%	0.3%	Yes
BY	Belarus	13	13	100.0%	0.2%	Yes
LV	Latvia	13	29	44.8%	0.2%	Yes
PE	Peru	12	16	75.0%	0.2%	Yes
RO	Romania	11	25	44.0%	0.2%	Yes
LK	Sri Lanka	10	21	47.6%	0.2%	Yes
DZ	Algeria	7	7	100.0%	0.1%	Yes
ID	Indonesia	7	17	41.2%	0.1%	Yes
KE	Kenya	7	9	77.8%	0.1%	Yes
RS	Serbia	6	14	42.9%	0.1%	Yes
BA	Bosnia and Herzegovina	5	5	100.0%	0.1%	Yes
TN	Tunisia	5	8	62.5%	0.1%	Yes
AM	Armenia	4	4	100.0%	0.1%	Yes
UZ	Uzbekistan	4	6	66.7%	0.1%	Yes
VN	Viet Nam	4	7	57.1%	0.1%	Yes
KP	Democratic People's Rep. of Korea	3	4	75.0%	0.1%	Yes
DO	Dominican Republic	3	3	100.0%	0.1%	Yes
EE	Estonia	3	33	9.1%	0.1%	Yes
LT	Lithuania	3	54	5.6%	0.1%	Yes
MK	Former Yugoslav Rep. of Macedonia	3	4	75.0%	0.1%	Yes
AR	Argentina	2	33	6.1%	0.0%	No
BH	Bahrain	2	2	100.0%	0.0%	Yes
CI	Côte d'Ivoire	2	2	100.0%	0.0%	Yes
MG	Madagascar	2	2	100.0%	0.0%	Yes
NA	Namibia	2	3	66.7%	0.0%	Yes
MD	Republic of Moldova	2	3	66.7%	0.0%	Yes
SD	Sudan	2	4	50.0%	0.0%	Yes
AL	Albania	1	1	100.0%	0.0%	Yes
BB	Barbados	1	173	0.6%	0.0%	Yes
CD	Democratic Republic of the Congo	1	1	100.0%	0.0%	No
SV	El Salvador	1	3	33.3%	0.0%	Yes
GE	Georgia	1	1	100.0%	0.0%	Yes
GT	Guatemala	1	1	100.0%	0.0%	Yes
ME	Montenegro	1	1	100.0%	0.0%	Yes
NG	Nigeria	1	4	25.0%	0.0%	Yes
SN	Senegal	1	3	33.3%	0.0%	Yes
TT	Trinidad and Tobago	1	1	100.0%	0.0%	Yes
UG	Uganda	1	4	25.0%	0.0%	Yes
Total		*5508*				

STRATEGIC GOAL I: BALANCED EVOLUTION OF THE INTERNATIONAL NORMATIVE FRAMEWORK FOR IP

Q1: Why is there a difference in the number of sessions budgeted for the SCP and the SCT, on the one hand, and the SCCR and IGC, on the other hand?

A1: The planning assumption for 2016/17 regarding the number sessions for the SCP, SCT, SCCR and IGC remain unchanged from the 2014/15 biennium. The primary cost drivers for Standing Committees are the number of sessions, the number of days per session, interpretation and translation costs as well as travel costs. The budget estimates for 2016/17 have been refined based on past expenditure patterns and assumes five working days per session. Should the Member States, during the biennium, decide to convene more sessions of a Standing Committee than what was budgeted for, the Secretariat will identify the required resources from cost-efficiencies realized in the biennium.

Q2: The planning assumption for 2016/17 includes up to four sessions of the IGC. Are the resources proposed for the IGC process in 2016/17 at the same level as in 2014/15?

A2: The resources budgeted to support the IGC process in the 2016/17 biennium are consistent with the resources budgeted in 2014/15. In 2016/17, the provision for a possible Diplomatic Conference is reflected under Unallocated.

STRATEGIC GOAL II: PROVISION OF PREMIER GLOBAL IP SERVICES

Q1: Usage of the Hague System is likely to significantly increase in 2016/17. Why is there no proposed increase in resources proposed for the Hague System?

A1: The 2016/17 budgeted resources for the Hague System is based on the actual budget utilization rate in 2014/15 and takes duly into account the anticipated workload based on the projected growth in the number of registrations and renewals (as reflected in Table 2 “Estimates for Demand for Services under the PCT, Madrid and Hague Systems”). It should also be noted that, at the time of preparing the proposed Program and Budget, a number of regularizations of continuing examiner functions, were still pending in Program 31. When implemented, these would result in an increase in the number of posts in the Program.

Q2: The proposed budget for Program 6 includes a single budget figure for both the Madrid and Lisbon systems. Can you give the breakdown of the budget figures for both systems?

A2: Of the total budget of 59.4 million Swiss francs for Program 6, a total of 58.1 million Swiss francs is attributable to Madrid and 1.3 million Swiss francs to Lisbon.

Q3: Why are the performance indicators for “improved productivity and service quality” of the PCT, Hague, Madrid and Lisbon systems not the same?

A3: Taking into consideration the particularities and individual requirements of each System, as well as the varying maturity levels, the performance indicators for "improved productivity and service quality" of the PCT, Hague, Madrid and Lisbon Systems are defined to reflect the most relevant metrics for each System in the 2016/17 biennium.

Q4: In the Results Framework for Program 6, what is meant by the Performance Indicator "Filing Rate"?

A4: The filing rate for the Madrid System refers to the number of applications filed in a given year. For example, 47,885 applications were filed in 2014, which represents a 2.3 per cent increase in the filing rate over 2013.

Q5: In the Results Framework for Program 6, how are the Performance Indicators for the Madrid System and the Lisbon System differentiated?

A5: In the Results Framework for Program 6, for each Expected Result, the Performance Indicators for the Madrid System are listed first, followed by the Performance Indicators for the Lisbon System. For the Lisbon System, wherever relevant, there is a specific reference to Lisbon in the Performance Indicator description, baseline and/or target.

Q6: In the Results Framework for Program 6, do the Performance Indicators for client satisfaction, unit cost, timeliness of transactions (days) and quality refer to both the Madrid and Lisbon Systems?

A6: The metrics for client satisfaction, unit cost, timeliness of transactions (days) and quality in the Results Framework for Program 6 refer only to the Madrid System.

Q7: Can the Secretariat provide a visual representation if the Lisbon System were to be split in to a separate program?

A7: This scenario is presented in Annex I.

Q8: Table 2, "Estimates for Demand for Services under the PCT, Madrid and Hague Systems" provides estimates for demand for services for three of the four registration systems maintained by WIPO. Why not all four?

A8: The estimates for the Lisbon System have not been provided because the figures are very small. However, the request can be accommodated. Since the figures are very small, it would require the addition of several footnotes in Table 2. Income estimates for Lisbon are included in the footnote to Table 3.

Q9: According to Article 24 of the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications, "[t]he income and expenses of the Special Union shall be reflected in the budget of the Organization in a fair and transparent manner." Why does the Draft Proposed Program and Budget Report co-mingle income and expenses of the Lisbon Union with those of the Madrid Union?

A9: The income and expenditure by Union are reflected in accordance with the current methodology for the allocation of income and expenditure by Unions described in Annex III. The income and expenditure for the Madrid and Lisbon Unions are showed separately in accordance with the methodology.

Q10: Does the Lisbon System rely on the Madrid System's revenues to cover the costs of the System?

A10: The income for each Union is clearly separated. The income allocated to the Madrid Union comprises Madrid System fee income, rental from the Madrid union building, small portion of income from the Arbitration and Mediation Center as well as share of Other Income which is equally distributed to each Union.

The income allocated to the Lisbon Union comprises Lisbon fee income, small portion of AMC income as well as share of Other Income which is equally distributed to each Union.

Q11: Table 6 "Development Expenditures in 2016/17 by Program" lists "Program 6" as the "Madrid and Lisbon Systems" and includes a single budget figure for both systems. Can the development expenditure figures be separated for the two systems?

A11: If the Program is separated into two separate Programs for the Madrid System and the Lisbon System, the development expenditure will be shown separately for the two new Programs.

Q12: At the PBC meetings in 2013 where funding for a diplomatic conference for the adoption of a New Act of the Lisbon Agreement was discussed, we were told by the Lisbon Union Secretariat that the diplomatic conference would be open to full participation by all WIPO members as the Geneva Act of the Hague Agreement had been.

A12: In this respect, the Secretariat would like to refer the PBC to the record of the 20th session of the PBC, in particular paragraph 448 of document WO/PBC/20/8.

Q13: Article 11(3)(v) of the Lisbon Agreement requires that fees should be set to cover the costs of the System and if not, that Contributions be solicited from the Contracting Parties or the Host State.

A13: A revision of the Lisbon fee schedule was discussed at the 31st session of the Lisbon Union Assembly. A revised working document will be submitted to the forthcoming session of the Lisbon Union Assembly in October 2015.

Q14: Lisbon Union fees have not been increased in the last 20 years to cover the continuing deficit, which in the last 10 years has risen to a total of 4,034,000 Swiss francs.

A14: The accumulated deficit for the Lisbon Union amounted to 531 thousand Swiss francs at the end of 2014 (please refer to the Annual Financial Report and Financial Statements for 2014 "Revenue, Expenses and Reserves by Segment" on page 75 (English version)).

Q15: The WIPO Program and Budgets have in the past presented the Lisbon System in the same Program as the Madrid and the Hague Systems. Does this imply that the Lisbon System deficit has been financed through hidden funding sources?

A15: The sources of funding for each of the Unions have been fully disclosed in every Program and Budget as well as reported on in subsequent Financial Management Reports and Financial Statements.

Q16: Can Expected Results II.6 and II.7 be separated into different Expected Results for the Madrid and Lisbon Systems respectively and can the two Systems have separate performance indicators?

A16: Should the Member States decide to split the Madrid and Lisbon Systems into two separate Programs, a separate results framework for each System would follow automatically.

Q17: Can a footnote be added under "Resources for Program 6", under the Table: Resources by Object of Expenditure, which says: "While the Director General has discretion under Financial Regulation 5.5 to move up to 5% of the budget across programs, this discretion will not be exercised with regard to the Lisbon System budget."

A17: The Financial Regulations and Rules (FRR) provide the regulatory framework for the implementation of all Programs of the Organization. In accordance with **Regulation 5.5** "The Director General may make transfers from one program of the program and budget to another for any given financial period, up to the limit of five per cent of the amount corresponding to the biennial appropriation of the receiving program, or to one per cent of the total budget, whichever is higher, when such transfers are necessary to ensure the proper functioning of the services." The suggested footnote would therefore be inconsistent with the FRR.

Q18: Can transfers made in the current biennium in respect of the Lisbon System be identified in Table 8, "2014/15 Budget after Transfers by Program" in Annex I?

A18: Table 8 "2014/15 Budget after Transfers by Program" reports on the transfers by Program. Should Member States decide to split the Madrid and Lisbon Systems into two separate programs, the Budget after Transfers will be reported on separately for the two Programs in the 2016/17 biennium.

Q19: Have any transfers been made to the Lisbon System in the last 10 years?

A19: A separate budgetary unit for the Lisbon System only came into existence in 2014 and Lisbon-specific program activities were only created in the administrative systems following the change in the activity code system for the Organization as a whole (previously WIPO had more generic activity codes). It is therefore not possible to trace back transfers prior to 2014. In 2015, a total of 430,900 Swiss francs were transferred to Lisbon for the Diplomatic Conference due to the change in location of the Diplomatic Conference (to Geneva).

Q20: Can the budget and number of posts be shown separately for the Madrid and Lisbon Systems in Table 9: 2016/17 Budget by Program and Table 10: 2016/17 Posts by Program in Annex II, respectively?

A20: Should Member States decide to split Madrid and Lisbon into two separate Programs, the budget and the number of posts will be reported on separately for the two Programs in Tables 9 and 10.

Q21: Why is accounting for the Lisbon System opaque? Also, why is there limited reporting on the specifics for the Lisbon Union budget when the WIPO Financial Regulations and Rules stipulate that the budget for the Organization shall "be presented separately for each Union"?

A21: The Union view contained in Annex III provides full details of projected income and expenditure in 2016/17 attributable to the Lisbon Union. Under IPSAS, the Financial Statements include a report on Revenue, Expenses and Reserves by Segment in WIPO. These segments relate to Unions.

Q22: Why are some direct and indirect expenses not attributed to the Lisbon Union?

A22: According to the current methodology on the allocation of expenditure by Unions, the Hague and Lisbon Unions do not bear any share of indirect union or indirect administration expenses (please refer to the methodology on the allocation of expenditure by Unions described in paragraphs 2 and 3 in Annex III).

Q23: Why does the Madrid Union receive a larger share of the rental income than the other unions and why is the remaining "other income" allocated equally across all unions?

A23: The total rental income for 2016/17 is estimated at 1.09 million Swiss francs. This includes an estimate of 0.34 million Swiss francs from the Madrid residential building in Meyrin. This income is fully attributed to the Madrid Union. The remaining rental income amounting to 0.75 million Swiss francs comprises income from the rental of: parking spaces to WIPO employees; the Data Center in the New Building to UNICC; rooftop antennas to Swisscom & Orange; UBS Bancomat in the AB lobby; and one parking lot and an office space to AMFIE in the CAM building. The remaining rental income as well as the other components of miscellaneous income (registration fees for conferences and training courses, support charges in respect of extra-budgetary activities executed by WIPO and financed by UNDP and trust funds, accounting adjustments (credits) in respect of prior years and currency adjustments, UPOV's payments to WIPO for administrative support services) are divided equally among all Unions, in accordance with the methodology on the allocation of income and expenditure by Unions.

Q24: The Contribution-financed Unions, the Hague Union, and the Lisbon Union all project a deficit. Where will the money come from to cover the deficits?

A24: Union deficits are not covered. From an organizational point of view, at the end of a financial period, some unions are in surplus and some in deficit resulting in a net financial position for the Organization.

Q25: Could Annex IV, Evolution and Demand for Services under the PCT, Madrid, and Hague Systems in the Medium Term also include projections for the Lisbon System and could there be an annex, "Indicators of the Lisbon System Operations," in the same manner as for the PCT, Madrid and the Hague?

A25: Both could be provided.

Q26: Can the Budget by Expected Results and Program (Annex X) and the Budget by Expected Result (Annex XI) be separated for the Madrid and Lisbon Systems?

A26: Should the Member States decide to split the Madrid and Lisbon Systems into two separate Programs with separate Expected Results, the budget by Expected Results and Program in Tables X and XI for each of the Systems would follow automatically.

Q27: What are the sources of financing for the buildings from which rental income is derived?

A27: For a breakdown of the rental income please refer to Q&A 23. The table in Annex II further contains an analysis of the rental income currently received in respect of the various buildings and the reserves position from 1977 for each of the Unions at the time the buildings were acquired.

NEW **Q28: How would the introduction of a fee discount for university applicants affect PCT income in 2016 and 2017?**

A28: The supplement to the study "Estimating a PCT Fee Elasticity" (PCT/WG/8/11) presented hypothetical simulations on how the introduction of a fee discount for university applicants would have affected PCT filing volumes and income during 2010-2014. Unfortunately, one cannot straightforwardly extend these simulations to 2016 and 2017, as WIPO's forecast model does not provide a forecast of future filings from university applicants, nor a forecast of the average fee paid by those applicants. However, applying the percentage income effects of 2014 – as shown in Tables 4 and 5 of PCT/WG/8/11 – to the overall PCT income forecast for 2016 and 2017 offers an order-of-magnitude estimate of the likely income effect. In particular, a hypothetical fee discount of 50 percent for university applicants from developing and developed countries would imply forgone income of CHF 1.02 million and CHF 6.92 million, respectively, for 2016, and CHF 1.05 million and CHF 7.08 million, respectively, for 2017.

STRATEGIC GOAL III: FACILITATING THE USE OF IP FOR DEVELOPMENT

Q1: In which Program is the work on SMEs and universities for transition countries reflected?

A1: The work on SMEs and universities for transition countries is reflected under Program 30 SMEs and Entrepreneurship Support.

Q2: Where is South-South cooperation reflected in the proposed Program and Budget for 2016/17?

A2: South-South cooperation is reflected in Program 9 (please refer to paragraph 9.11).

Q3: In Program 2, the Resources by Result Table references Expected Result III.4: Strengthened Cooperation Mechanisms and Programs Tailored to the Needs of Developing Countries and LDCs. Why is this result not reflected in the Results Framework?

A3: The resources allocated to Expected Result III.4 in the Program 2 Resources by Result Table are related to the DA Project IP & Design Creation for Business Development in Developing Countries and LDCs (D0040). The Results Framework for each Program reflects the Performance Indicators for the regular work of the Program only and does not include DA Projects and Special Reserve Projects.

Q4: In Program 30, under Expected Result III.1: National Innovation and IP Strategies and Plans consistent with National Development Objectives, what is the cumulative number of national innovation strategies initiated, in progress or adopted with the assistance of WIPO?

A4: At the end of 2014, as reported in the PPR 2014, four countries had initiated the process of developing national innovation policies with the assistance of WIPO. This is reflected in the baseline for 2016/17 in the Results Framework for Program 30.

Q5: In Program 30, for the Performance Indicator "No. of countries having established or improved IP training programs for SMEs", does the baseline of 13 reflect the cumulative number of countries?

A5: The baseline of 13 refers to the number of countries having established training programs in 2014 as reflected in the PPR 2014. No cumulative figure is available, as 2014/15 was the first biennium that this performance indicator was used.

Q6: In reference to the table summarizing Expected Results and Performance Indicators for Strategic Goal III (Table on pages 64 – 66 in the English version of the document), should Programs 14 and 16 also be listed?

A6: Program 14 contributes to Expected Result IV.2 and Program 16 contributes to Expected Results V.1 and V.2. These Programs are therefore not listed under Strategic Goal III although they contribute to development. Their contribution is illustrated by the development share of these two Programs.

Q7: Why are Expected Results II.1, II.4, and II.6 related to the wider and more effective use of the PCT, Hague, Madrid and Lisbon Systems respectively reflected in the Results Framework for Program 10?

A7: In line with the 2014/15 results framework for Program 10, the promotion of WIPO products and services will continue to be a priority in transition and developed countries in the 2016/17 biennium.

Q8: In the Results Framework for Program 10 under Expected Result II.8, what is the cumulative number of disputes and bons offices from transition and developed countries?

A8: At the end of 2014, there were 377 disputes and 76 *bons offices* involving parties from transition and developed countries (cumulative). (Based on the data from the PPR 2014).

STRATEGIC GOAL IV: COORDINATION AND DEVELOPMENT OF GLOBAL IP INFRASTRUCTURE

Q1: What is the breakdown of the proposed budget for Program 15 Business Solutions for IP Offices?

A1: Please find below the breakdown of the proposed budget for Program 15 Business Solutions for IP Offices?

Business Area	Personnel 2016/17	Non-Personnel 2016/17	Total*
WIPO CASE and DAS	1,999	1,260	3,259
WIPO Connect Project and WIPOCOS Support	1,100	1,344	2,444
IP Office Business Systems**	4,657	3,445	8,103
Total	**7,756**	**6,049**	**13,806**

* The budgeted amounts are in thousands of Swiss francs and are estimations at the time of preparing the Program and Budget. The budget for each business area will be further refined by the Program Manager during the annual workplanning exercises.

** IP Office Business Systems include the following systems that are available to IP offices: IPAS (IP Administration System), AIPMS (Arabic language IP Administration System), WIPO Scan (digitization), EDMS (document management), WIPO File (online filing), WIPO Publish (online search database).

STRATEGIC GOAL V: WORLD REFERENCE SOURCE FOR IP INFORMATION AND ANALYSIS

Q1: Why is there an increase in resources Program 16? Are the resources for the DA Project in addition to the proposed budget of 6 million Swiss francs?

A1: The increase in the estimated resources for Program 16 compared to the 2014/15 Approved Budget amounts to 0.7 million Swiss francs and is primarily due to:

- increased efforts to improve the collection and provision of statistical information on the performance of the IP system worldwide notably the collection and report on statistical information in relation to GIs and copyright and the enhanced professionalization of key WIPO reports;

- increased economic research commitments on policy and performance in the creative industries.

The total 2016/17 proposed resources amount to 6.1 million and are inclusive of 0.6 million Swiss francs for the DA project ‘Intellectual Property and Socio-Economic Development (Phase II)’.

STRATEGIC GOAL VII: ADDRESSING IP IN RELATION TO GLOBAL POLICY ISSUES

Q1: Can you provide a more detailed overview of the work proposed in relation to IP and Global Challenges?

A1: A more detailed overview of the work proposed in relation to IP and Global Challenges will be provided by the Program during the PBC.

Q2: Under IP and Competition Policy, should UPOV be listed as an intergovernmental organization with which WIPO regularly cooperates in relation to IP&CP?

A2: UPOV does not deal with IP and competition policy-related issues.

STRATEGIC GOAL VIII: A RESPONSIVE COMMUNICATIONS INTERFACE BETWEEN WIPO, ITS MEMBERS AND ALL STAKEHOLDERS

Q1: Is there any budgetary provision for new External Offices?

A1: Should the Member States agree on the opening of new External Offices in 2016/17, these could be funded from the provision of 1 million Swiss francs under non-personnel resources in “Unallocated”.

Q2: What would happen to the provision of 1 million Swiss francs in Unallocated if no decision were to be taken concerning the opening of new External Offices?

A2: Should this provision remain unspent in the biennium 2016/17, it would increase the projected Operating Result of 20.8 million Swiss francs at the end of the biennium.

Q3: What is the justification for the proposed closure of the New York office?

A3 Main reasons for the proposed closure of the WIPO Coordination Office to the UN in New York and to establish an alternate and more cost effective operating model include the following:

- The main focus of WIPO's external relations activities is with those parts of the UN system and other IGOs where IP is of greatest relevance. Primarily, this is with the Geneva based IGOs such as the WTO, WHO, ITU, as well as other organizations not based in New York such as UNESCO (Paris), UNEP (Nairobi, Paris) and the UNFCCC (Bonn).

- WIPO's relationship with UN in New York work is mainly coordinated through the UN Chief Executive's Board (CEB) and its related Committees, the High Level Committee on Programmes (HLCP) and the High Level Committee on Management (HLCM). Given the high level nature of these bodies, our engagement and participation on programmatic issues (CEB/HLCP) is undertaken by the Director General and ADG/Chief of Staff and for the HLCM, ADG Administration and Management. External Relations Division in Geneva provides support and briefing for the CEB and HLCP. WIPO also participates in the various networks under, in particular the HLCM, such as the HR Network, the Finance and Budget Network, the IT Network, the Procurement Network, etc, through its line departments in Geneva.

- In recent years, the dominant area of work by the UN in New York is the political processes related to the post 2015 Development Agenda, including the Sustainable Development Goals and Financing for Development. While important, IP is only a small element of these broader processes. WIPO is an observer in these intergovernmental processes and in practice does not make statements. Our contribution and participation is through various inter-agency processes, which are primarily directed and coordinated by the External Relations Division in Geneva.

- With the anticipated conclusion later this year of the political processes at UN New York on the post 2015 Development Agenda, the international focus will shift to implementation. That necessitates a shift of effort from New York to action at the national level. As indicated in Program 9, WIPO's support for developing countries will be directed at contributing to their achievement of the post 2015 Development Agenda and the SDGs. While there will remain a reporting requirement in New York, through ECOSOC and the High Level Political Forum (HLPF) WIPO's input for this is coordinated by the External Relations Division in Geneva and is derived from inputs from relevant substantive sectors at WIPO.

- The decision was therefore taken to propose the closure of the WIPO New York Office from the end of 2016 and to put in place a more cost effective operating model that better matches the changing nature of the work in New York and expected results of the Organization.

- These modalities include:

  (i) Where appropriate use of webcast to follow certain UN New York meetings;

  (ii) Participate by video and audio conference in UN inter-agency meetings (already a practice employed by WIPO and other UN organizations);

  (iii) Continued engagement in the work of the CEB and its Committees;

(iv) HQ staff to undertake missions to New York for key meetings and where the opportunities exist to promote WIPO activities such as WIPO GREEN, WIPO Re:Search and the ABC Consortium, as well as to maintain network of contacts at UN in New York (the average cost of a mission to New York is 3,500 Swiss francs which is 0.6 per cent of the biennial costs of the New York Office rental alone (500,000 Swiss francs per biennium approx.)). Only a limited increase in the number of missions to New York, in addition to those missions already undertaken, is envisaged. The minimal increase in costs that this would represent is only a small fraction of the overall savings in office rental costs, not to mention savings in other non-personnel costs.

(v) Use of the External Relations Division extensive network of contacts at the UN in New York to stay informed and engaged.

Q4: Why is the planning framework for the External Offices overly aggregated?

A4: The Secretariat has engaged in a significant exercise for the preparation of the Program and Budget 2016/17 with the participation of representatives of WIPO External Offices to develop, coordinate and align the Results Framework for the Offices. This has resulted in a very comprehensive and detailed Results Framework for Program 20 with clear and measurable indicators and separate baselines and targets for each of the Offices.

Q5: What is the breakdown of the proposed budget for each of the External Offices?

A5: Please find below the breakdown of the proposed budget for each of the External Offices in the table below. The External Offices are part of Program 20. It should be noted that the total budget for Program 20 is higher than the total budget for the External Offices as Program 20 also includes External Relations and Partnerships as described in paragraphs 20.1-20.5.

Summary of the 2016/17 Budget
by External Office and WIPO Coordination Office to the UN in NY
(in thousands of Swiss francs)

External Offices	*Personnel*	*Non-personnel*	*Total*
WIPO Singapore Office (WSO)	1,785	478	2,263
WIPO Brazil Office (WBO)	1,511	503	2,014
WIPO Japan Office (WJO)	872	200	1,072
WIPO China Office (WCO)	1,076	300	1,376
WIPO Russia Office (WRO)	409	300	709
WIPO Coordination Office to the UN in New York	816	310	1,126
Total, External Offices	**6,469**	**2,092**	**8,561**

Q6: In the Results Framework for Program 19 (Communications), the baseline referring to 86% of Madrid and Hague customers satisfied or highly satisfied is not clear. Can you please clarify?

A6: The baseline language refers to 86% of Madrid and Hague customers being satisfied or highly satisfied *with the overall level of customer service orientation*, as per surveys carried out by Program 19 in 2013. Improving customer service orientation is one of the Expected Results to which Program 19 contributes; a survey of PCT users is underway in 2015 and the results of that survey will be factored into future baseline figures.

CROSS-CUTTING QUESTIONS

Q1. A number of baselines and targets are “tbd”, although to a lesser extent than in the 2014/15 Program and Budget. Since the use of “tbd” is not conducive to sound reporting, why are there still some baselines and targets which are undetermined?

A1: As part of its continuous improvement processes related to the implementation of results-based management at WIPO, the Secretariat has done a considerable effort in improving the measurement framework for the 2016/17 biennium for all Programs. As a result, the number of “tbd” baselines has been reduced by 82.5% in the Program and Budget 2016/17 compared to the Program and Budget 2014/15. There are now only 7 baselines “tbd” in comparison to 40 in the Program and Budget 2014/15. Regarding the targets, the same trend can be observed with only 6 targets “tbd” in the Program and Budget 2016/17, which represents a decrease of 62.5%.

Q2. Why are both the baseline and the target for the Performance Indicator in Program 6 regarding “Quality” under Expected Result II.7 (Improved productivity and service quality of Madrid & Lisbon operations) indicated as “tbd”?

A2: The Performance Indicator regarding “Quality” under Expected Result II.7 is a composite indicator. The underlying elements used to determine the composite data are expected to be refined during the remainder of 2015. The baseline and target will subsequently be defined during the baseline update exercise.

Q3: The total budgeted expenditure under Premises & Maintenance amounts to 34.3 million Swiss francs. What type of expenditure is included under this object of expenditure? Can you provide a breakdown of this expenditure by Program? Does it include premises and maintenance related to External Offices?

A3: The Premises and Maintenance category includes expenditure pertaining to the acquisition, rental, improvement and maintenance of office space as well as the rental and maintenance of equipment and furniture. For a complete definition of this object of expenditure please refer to Appendix B “Definition of Cost Categories”.

The total resources budgeted under Premises and Maintenance amount to 34.3 million Swiss francs and is notably allocated under Programs 24 – General Support Services (20.2 million Swiss francs), Program 28 – Information Assurance, Safety and Security (8.0 million, Program 25 (3.6 million Swiss francs), Program 27 – Conference and Language Services (1.0 million Swiss francs) and under Program 20 - External Relations, Partnerships and External Offices (0.7 million Swiss francs). The remaining 0.8 million Swiss francs are budgeted under Programs 5, 3, 11, 22, 7 and 4 and pertain mostly to the rental and maintenance of furniture and equipment.

The Premises and Maintenance expenditure for External Offices are included under Program 20 and amount to 0.7 million Swiss francs and pertains to the rental of office space.

Q4: Will the Annual HR report be presented to the PBC?

A4: The Annual HR Report will be presented to the 24th Session of the PBC in September 2015.

Q5: What would be the implications of the non-approval of the Program and Budget for the 2016/17 Biennium?

A5: The applicable regulatory framework is enshrined in the WIPO Convention, Article 11.4(e) and Regulation 2.8 in the Financial Rules and Regulations (FFR):

WIPO Convention Article 11.4(e)
"If the budget is not adopted before the beginning of a new financial period, the budget shall be at the same level as the budget of the previous year, in accordance with the financial regulations."

Financial Rules and Regulations (FFR) Regulation 2.8
"The Assemblies of the Member States and of the Unions, each as far as it is concerned, shall adopt the program and budget for the following financial period after consideration of the proposed program and budget and the recommendations of the Program and Budget Committee thereon. If the program and budget is not adopted before the beginning of the following financial period, the authorization to the Director General to incur obligations and make payments would remain at the level of appropriations of the previous financial period"

Overall organizational impact

The overall budgetary envelope would remain at the level of the 2014/15 Approved Program and Budget, i.e. 673,993 million Swiss francs.

Statutory and mandatory increases in personnel costs (same headcount as in 2014/15), i.e. 9.6 million Swiss francs or 2.1% compared to the 2014/15 Program and Budget, would have to be absorbed from the overall non-personnel resources envelope of 226,993 million Swiss francs. This would mean a reduction in non-personnel resources of 4% for the Organization overall in 2016/17 which would have to be distributed across the board to all Programs (except the international registration systems).

In terms of substance, the Organization would not have an approved results framework for 2016/17. Due to the squeeze in non-personnel resources, the delivery of organizational results would be adversely impacted as the level of activities in many Programs would be less than in 2014/15. This would include development-oriented Programs such as Programs 9 (Regional Bureaus and LDCs), 10 (Transition and Developed Countries), 11 (The WIPO Academy), 30 (SMEs and Entrepreneurial Support), 14 (Services for Access to Information and Knowledge) and 15 (Business Solutions for IP Offices). In addition, the level of legislative advice and capacity building offered under Programs 1 (Patent Law), 2 (Trademarks, Industrial Designs and Geographical Indications), 3 (Copyright and Related Rights) and 4 (TK, TCEs and GRs) would be adversely affected. Promotion of WIPO treaties, including the Marrakesh and the Beijing Treaties, would also be slowed down.

New initiatives would not be possible to undertake and would have to be postponed, such as for example critical ICT and information security investments significantly increasing operational risks for the Organization. The operation and support for the expanded ERP system would also be impacted.

Overall impact on planning, implementation and monitoring and performance assessment

Considerable regression as regards results-based management with a risk of seriously impeding further efforts to embed RBM practices and approaches in the Organization:

- Planning guidance for Programs would be outdated as it would not take into account progress made in the biennium 2014/15;

- Unclear performance measurement frameworks with no performance targets against which to measure program performance. Performance reporting would become a challenge or even be impossible (back to activity level reporting). The information on program performance to support the PBC's performance monitoring and decision-making processes would be adversely affected.

- Advancements made to improving measurement metrics in the proposed Program and Budget 2016/17 would be lost.

ANNEXES AND APPENDICES

Q1: Does the proposed Program and Budget 2016/17 anticipate that all Member States will pay their entire contribution?

A1: Member States' contribution is part of the projected income for 2016/17. For planning purposes it is assumed that contributions for 2016/17 will be received as planned.

For assessed contributions which relate to prior periods, an allowance (provision) is made in the accounts to offset the amounts due. The allowance covers amounts due from Member States that have lost the right to vote and contributions from least developed countries which have been frozen by action of the Assemblies. The allowance is reviewed at the end of each year.

REVISED POLICY ON INVESTMENTS AND PROPOSAL FOR ADDITIONAL REVISIONS TO POLICY ON INVESTMENTS

Q1. How do the anticipated costs related to the new proposed investment policy (document WO/PBC/23/7) compare to the anticipated returns and losses avoided as a result of the implementation of the new policy?

A1: Document WO/PBC/23/7 proposes two investment policies. The policy which will cover operating and core cash aims to obtain a positive return on core cash by working with external fund managers and will also endeavor to minimize the impact of negative interest rates on operating cash by the use of exemption thresholds and by seeking out opportunities in the market (such as foreign currency investments) where possible. The Organization intends to ask fund managers to aim for a positive return, net of management fees. The same request will be made with regard to those managers who will invest the strategic cash according to the second (ASHI) investment policy . An additional member of staff will be required to manage the Organization's investments (this is also true in connection with document WO/PBC/23/6) and this person is anticipated to be at the level of P4/P5.

Q2. If the 23nd Session of the PBC were to adopt both proposals on a revised investment policy, would this allow the Secretariat to start the required recruitment processes for a portfolio manager immediately after the PBC, thus accelerate the implementation of the new investment policy and thereby diminish the period during which WIPO might run the risk of having to pay negative interests?

A2: If Member States adopt the decisions outlined in both documents, WO/PBC/23/6 and WO/PBC/23/7, the decisions taken in respect of the latter document supersede those in the former document and the policy explained in document WO/PBC/23/6 will not be required.

If the decisions contained within WO/PBC/23/7 are taken during the July session, the Secretariat will prepare two investment policies: one for operating and core cash and one for strategic cash. These will be submitted to PBC 24 for decision and then to the Assemblies for approval. Preparatory work could also begin, following PBC 23, with regard to identifying fund managers and on recruitment of internal expertise. This would ultimately reduce the time spent on such work after the Assemblies. In this way, the period during which WIPO would be at risk of paying negative interest could be reduced.

Q3. Could you please explain the differences between the two proposed modified investment policies (WO/PBC/23/6 and WO/PBC/23/7) in terms of their implications on

timing of hiring staff and contracting external portfolio managers as well as estimated payments of negative interest rates?

A3: For both proposals, the Secretariat will begin looking for staff resources following PBC 23. (The person who joins will also work on the hedging strategy proposed for PCT). WO/PBC/23/6 does not involve the use of external portfolio managers as such use continues not to be permitted within the proposed amended investment policy. With respect to WO/PBC/23/7, preparatory work will begin on identifying external fund managers during the summer (see answer above).

Q4. Paragraph 10 of WO/PBC/23/7 mentions the possibility of hedging exchange rate risks, and a proposal in this respect has been approved by the PCT Working Group. Is hedging envisaged through forwards only, or also by recurring to options? Will hedging be done internally or contracted out?

A4: The hedging mentioned in paragraph 10 of WO/PBC/23/7 is not to be confused with the hedging proposal recently approved by the PCT Working Group. The PCT hedging proposal is designed to reduce the foreign currency exposure associated with receiving patent application fees in non-Swiss francs whilst the hedging mentioned in paragraph 10 refers to the need to protect investment income earned in non-Swiss francs against fluctuations in exchange rates.

The hedging carried out in respect of investments will be undertaken largely by external fund managers and it will be for the fund manager to determine which hedging instrument is the most appropriate one to use, depending on the circumstances. If hedging is undertaken in-house in respect of investments, this would probably involve the use of forward contracts.

Q5: WO/PBC/23/7 proposes a long term risk rating for corporate bonds of BBB-/Baa3. WO/PBC/23/6 proposes a long term risk rating for corporate bonds of BBB/Baa2. In addition, the latter does not include any short term risk ratings for treasury bonds nor corporate bonds while the former does contain such proposals. Could you please explain the rationale for these proposed elements?

A5: Document WO/PBC/23/6 contains the minimum number of changes required to the current policy in order to have an investment policy with which the Organization will be able to work from December 2015 when all of WIPO's investments will be withdrawn from the Swiss authorities. The document has taken the current investment policy as a basis and proposes a small number of changes to this policy.

Document WO/PBC/23/7 proposes more extensive changes and if all the decisions are adopted, will lead to the creation of two completely new investment policies. The distinction between short and long term investments and the need to accept more risk (hence, investing in corporate bonds at BBB/Baa2) are subjects discussed in this document only. Such elements are not required for the policy proposed in document WO/PBC/23/6.

Q6: WO/PBC/23/7 contains in paragraph 10 a list of proposed asset categories for Core Cash. Paragraph 5 mentions that some of these categories would also be used for Operating Cash. Could you explain which of the categories contained in paragraph 10 are considered sufficiently liquid and thus would be used for Operating Cash?

A6: Most of the asset classes listed in paragraph 10 could be used for operating cash as all of these assets can be held over a range of time periods. The principal exceptions are private placements and Real Estate Investment Trusts. However, it is worth noting that in the current environment of negative interest rates, the asset classes which would be used for operating cash are currently giving negative rates over maturities which would be considered as liquid (periods up to 12 months).

Q7. Could you elaborate on how diversification of banking partners, asset categories and the proposed risk ratings play together to achieve a balance between liquidity requirements and expected returns?

A7: Diversifying investments between banking partners and asset classes enables the Organization to reduce risks whilst aiming to achieve a positive return. The proposed risk ratings fall within the “”investment” category of ratings issued by the ratings agencies. By adhering to these ratings as a minimum, WIPO is also endeavoring to minimize risk. These ratings would be applied to the choices of investments made within the asset classes.

Q8. What are the implications and significance of the proposed rewording of paragraph 2 (Objectives) of the Policy on Investments, and particularly the caveat whereby preservation of capital will be “to the extent possible if prevailing interest rates are negative”?

A8: Under the current investment policy, the most important of the objectives of the Organization’s investment management is to preserve capital. In an environment of negative interest rates, the ability to do this is obviously reduced as the negative rates reduce capital balances. In order to avoid this happening, it is necessary to invest the capital in assets which give a positive rate of return. Such assets carry more risk than an asset such as a bank deposit, for example, which would currently attract a negative interest rate.

Q9. The Policy on Investments in paragraph 7 (and this part remains unaffected by the current proposed revision) does contemplate investments in currencies other than the Swiss franc, making provision for the use of hedging instruments to minimize the related risks. In light of this flexibility, what types of concrete situations may lead to capital erosion being unavoidable due to negative interest rates even, therefore, in view of the opportunity to invest in currencies other than the Swiss franc afforded by the Policy on Investments, and what amounts these would represent?

A9: Positive interest rates currently do exist in various countries although this is sometimes only the case for medium-term investments (5-10 years) which may not be a suitable investment horizon for the Organization. If the Secretariat became aware of an investment to be held in a foreign currency, which would give a positive return once hedged back into Swiss francs (which is frequently not the case) and if the maturity of the underlying investment satisfied WIPO’s requirements, such an investment would obviously be of interest. However, the need to minimize risk requires diversification so it would not be possible to put all of WIPO’s investments in one such investment product or, indeed, in one particular currency.

Q10. This very likely relates to the Proposal for Additional Revisions to Policy on Investments [sic] (WO/PBC/23/7) and particularly to the pending new policy on investment regarding operating cash, and one issue we would want to look at is indeed challenges posed by negative interest rates for investments of operating cash, requiring high liquidity; in other words, is it that the caveat in question is meant to indicate that operating cash – because of the high liquidity requirement – may not lend itself to being invested in currencies other than the Swiss franc? This would still entail capital erosion, however.

A10: It is possible for operating cash to be invested in foreign currency investment products which are of short duration. For example, WIPO could invest in a USD deposit for one month and hedge back into Swiss francs at the end of that month. The money would therefore only be “tied up” for a month and could therefore be regarded as relatively liquid and as meeting the criteria for operating cash. However, in practice, given the effect of the hedge into Swiss francs, such an investment would yield either a zero or negative return

Q11. In addition, whether this new caveat on capital preservation is meant to refer to the Swiss situation, or rather to act as a blanket statement to indicate that interest rates may be negative for any given investment, including abroad; the latter would be less concerning because it would act as a disclaimer of sorts, while the former would be more concerning because it entails that WIPO may not be able to "escape" negative interest rates in Switzerland through investments not affected by that policy.

A11: It is very possible that positive returns obtained on investments held in foreign currencies would become negative or, at best, be at zero once the investment is hedged back into Swiss francs. (please see answers above).

PROPOSAL ON A REVISED WIPO POLICY RELATED TO RESERVES

Q1: Before, the reserves were set at 18.5% of biennial expenditure. Now there is a recommendation to shift to 22%. What is the rationale behind this proposal?

A1: The increase in the target level of the Reserves will serve to strengthen financial risk management by increasing from 4 to 5 months the period during which the Organization's operation could be funded by drawing exclusively on the Reserve funds. Furthermore, the proposed increase is in accordance with Member States' preference that the increase in the target Reserves be gradually implemented. The increased Reserves level of 22 per cent is also more aligned to the Swiss External Auditor's recommendation of 2006 which recommended that the Reserves target be set at 25 per cent of Projected Biennial Expenditure i.e. the equivalent of six months of biennial expenditure (please refer to paragraphs 8-13 of the document WO/PBC/23/8).

Q2: The revised Policy related to Reserves would seemingly no longer prevent the use of the Reserves "for recurring, operational activities of the Organization", as is the case in the existing Policy. Why should the Reserves finance any "recurring, operational activities of the Organization" and what would those activities be?

A2: There is no intention to use the Reserves for 'recurring, operational activities'; the contrary is the case. Where a project financed by the Reserves generates recurring expenses once completed (such as an ICT project which leads to recurring maintenance costs, for example), the recurring costs will be included within the consecutive Program and Budgets (i.e. will be financed from the regular budget).

Q3: Principle 3 of the revised Policy makes provision for "a long-term capital master plan", which appears to contradict the provision whereby Reserves are for "extra-ordinary [sic], one-time capital projects and expenditures". How would these two provisions be reconciled?

A3: Principle 3 (reproduced below) makes reference to the fact that "capital projects would typically be identified in a long-term capital master plan". In accordance with good practice, any Organization should draw up a long-term plan for major capital projects related to construction/refurbishment of premises and ICT. Many such capital projects would be "extra-ordinary, one time" investments (i.e. for example renovation of a building) but could be planned to be initiated only in five years time. There is hence no contradiction between the notions of long term planning and the extra-ordinary nature of capital investments.

> ***PRINCIPLE 3: Proposals for the use of the Reserves should be for extra-ordinary, one-time capital projects and expenditures, and, under exceptional circumstances, for strategic initiatives as decided upon by the Assemblies of the Unions of WIPO. Capital projects would typically be identified in a long-term capital master plan and may be defined as projects related to construction/refurbishment and Information***

and Communication Technology that are needed to keep an Organization's facilities and systems fit-for-purpose through significant expansion or additions.

Q4: What was the reserve expenditure in 2014? And what is the forecast for the use of reserves in 2016/17?

A4: Please refer to document WO/PBC/23/INF.1 on the Financial Situation as of End 2014: Preliminary Results for more details. Specifically, Table 1 provides the Reserve expenditure both before IPSAS adjustments and after IPSAS adjustments. Reserve expenditure before IPSAS adjustments (expenditure on a budgetary basis) in 2014 amounted to 35.2 million Swiss francs. 2014 Reserve Expenditure after IPSAS adjustments of 29.1 million Swiss francs amounted to 6.1 million Swiss francs. A balance of 27.2 million Swiss francs at the end of 2014 represents the amounts still to be used for projects already approved for financing under the reserves (see document WO/PBC/23/8 Table 1).

FINANCIAL SITUATION AS OF END 2014: PRELIMINARY RESULTS

Q1: What are the main reasons for actual income in 2014 being higher than the estimated budget and why is the income estimate for 2015 lower than the 2014 actuals?

A1: The higher actual income in 2014 (on a budgetary basis) compared to the budgeted income is primarily attributable to higher than projected registration activities, including as a result of the new America Invents Act. in the United States of America, and receipt in 2014 of delayed income related to prior periods. The estimate for 2015 is lower than the actual income in 2014 primarily because of the one-off nature of the increase in US applications in relation to the introduction of the new Act and exchange rate losses following the unpegging of the Swiss francs from the Euro at the beginning of 2015.

FINANCIAL MANAGEMENT REPORT 2012/13

Q1: Are PCT and Madrid fees part of the income for the Lisbon Union (table below refers)?

A1: The only international registration system-related fee income attributable to the Lisbon Union is the Lisbon System fee income. PCT and Madrid fees are not attributable to the Lisbon Union.

TABLE 1 RESERVE AND WORKING CAPITAL FUNDS BY UNION AT END 2013

(in thousands of Swiss francs)

	CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	Total
RWCF*, Opening 2012 (IPSAS basis)	21,539	103,983	50,136	(843)	(615)	174,200
2012/13 Income (budgetary basis)	37,275	521,225	112,499	8,034	1,698	680,731
2012/13 Expenditure (budgetary basis)	35,821	455,306	106,635	12,509	1,540	611,811
Difference (budgetary basis)	***1,454***	***65,919***	***5,864***	***(4,475)***	***158***	***68,920***
Reserve Income 2012/13	475	2,693	627	4	4	3,803
Reserve Expenditure 2012/13	4,672	31,161	11,584	1,688	43	49,148
IPSAS Adjustments 2012/13	3,169	6,237	1,970	(325)	(7)	11,044
Surplus/Deficit (IPSAS basis)	***426***	***43,688***	***(3,123)***	***(6,484)***	***112***	***34,619***
SUBTOTAL RWCF End 2013 (IPSAS Basis)	**21,965**	**147,671**	**47,013**	**(7,327)**	**(503)**	**208,819**
LOAN from Madrid to Hague			**(3,000)**	**3,000**		**-**
TOTAL RWCF End 2013 (IPSAS Basis)	**21,965**	**147,671**	**44,013**	**(4,327)**	**(503)**	**208,819**
Appropriations already approved, not yet spent**	1,545	17,491	4,931	966	27	24,960
2012/13 RWCF Target	18,234	73,128	27,355	1,875	-	120,591

**Reserve and Working Capital Funds (RWCF)*
***Do not include New Construction/New Conference Hall projects*

Q2: What is the Lisbon Union's income in 2012/13 of 1,698,000 Swiss francs composed of?

A2: Actual income is allocated to the Unions based on the methodology on the allocation of income by Unions described in Annex III in the draft proposed Program and Budget 2016/17. In accordance with the methodology, the Lisbon Union income in 2012/13 was composed of:

- Lisbon fee income = 12,000 Swiss francs
- Share of income from the Arbitration and Mediation Center = 6,000 Swiss francs
- Share of "other income" 1,680,000 Swiss francs. "Other income" included credit notes, exchange rate differences and rental income – all of which are divided equally to each Union except for the rental income on the Meyrin building which is entirely attributed to the Madrid Union.

Q3: What is "reserve expenditure"?

A3: The reserve expenditure is attributed to each of the Unions based on initial percentages by Unions for reserve funded projects at the time they are approved. For example, the cost of the Project to Upgrade the Safety and Security Standards for the Existing WIPO Buildings and the ERP Portfolio of Projects, both financed from the reserves, are attributed to the Lisbon Union with 0.1% and 0.2%, respectively.

Q4: Why does the Lisbon Union have a RWCF if no one contributes to it?

A4: Reserves are made up of accumulated surpluses/losses. The balance on reserves at the end of one year becomes the opening balance for reserves at the beginning of the next year and the next year's results, as per the methodology on the allocation of income and expenditure by Unions described in Annex III in the draft proposed Program and Budget 2016/17, are added/deducted from the opening balance to produce the closing balance. The Lisbon Union has no working capital funds and so the RWCF for Lisbon is made up of reserves only.

Q5: If the Lisbon System fee income was 0%, why is there a 20% difference between the 2012/13 budget and the 2012/13 actual income as indicated in the below table?

Table 6 Income 2012/13 (in millions of Swiss francs)

	2004/05	2006/07	2008/09	2010/11	2012/13	2012/13	Difference	
	Actual				Budget	Actual	Amount	%
Contributions	34.4	34.7	34.8	34.8	34.9	35.1	0.2	0.7%
Fees								
PCT System	400.6	451.1	443.6	434.8	480.6	514.9	34.3	7.1%
Madrid System	60.8	90.3	94.8	99.6	104.4	108.0	3.6	3.4%
Hague System	5.0	5.0	5.4	5.9	11.2	6.3	(4.9)	-43.6%
Lisbon System	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0%
Sub-total, Fees	*466.5*	*546.5*	*543.8*	*540.3*	*596.2*	*629.2*	*33.0*	*5.5%*
Arbitration	2.5	3.2	3.3	3.3	2.7	3.3	0.5	19.6%
Publications	4.4	2.7	1.1	1.1	1.0	1.0	0.0	1.5%
Miscellaneous*								
Interest	8.9	15.8	17.8	9.4	8.1	3.4	(4.6)	-57.8%
Other	6.0	6.4	6.5	3.9	4.6	8.7	4.1	90.6%
Sub-total, Miscellaneous	*14.9*	*22.2*	*24.3*	*13.3*	*12.6*	*12.1*	(0.5)	*-4.0%*
TOTAL	**522.7**	**609.3**	**607.4**	**592.8**	**647.4**	**680.7**	**33.3**	**5.1%**

**In line with the financial statements, Other income is shown without the amount of 3.8 million Swiss francs related to reversal of accruals, booked as Miscellaneous revenue in relation to projects financed from the Reserves.*

A5: The Lisbon System fee income is so small that it gets rounded to zero in the table (being in millions of Swiss francs). In the proposed Program and Budget for 2016/17, a footnote has been added to Table 3 giving the actual amounts for the 2014/15 and 2016/17 budgeted fee income for the Lisbon System.

Q6: If PCT fee income is 514.9 million Swiss francs, Madrid 108 million Swiss francs and the Hague 6.3 million Swiss francs, and the expenditures for both PCT and Madrid are less than their fee income, then why are PCT and Madrid funded by anything other than their own fee income?

A6: All income needs to be accounted for. Since the Arbitration and Meditation Center (AMC) is not a Union, the actual income from the AMC is allocated to the Unions based on the methodology on the allocation of income by Unions described in Annex III in the draft proposed Program and Budget 2016/17. Madrid and the PCT therefore also receive a share of income from the AMC and a share of the interest income which is based on a calculation involving revenue, reserves and cash balances. The Lisbon Union has negative reserves and does therefore not receive any share of the interest income.

Q7: What are "other fees" in the below table? Lisbon seems like the only income source in this category? If so, why not list it?

STATEMENT II STATEMENT OF FINANCIAL PERFORMANCE for the biennium ended December 31, 2013 (in thousands of Swiss francs)

	2013	2012 (restated)	Total 2012/13
REVENUE			
Assessed contributions	17,714	17,591	35,305
Voluntary contributions	7,550	7,737	15,287
Publications revenue	405	630	1,035
Investment revenue	2,080	1,804	3,884
PCT system fees	257,462	251,954	509,416
Madrid system fees	55,401	51,598	106,999
Hague system fees	3,202	3,036	6,238
Other fees	8	4	12
Sub-total fees	316,073	306,592	622,665
Arbitration and Mediation	1,629	1,643	3,272
Other/miscellaneous revenue	6,160	4,997	11,157
TOTAL REVENUE	**351,611**	**340,994**	**692,605**
EXPENSES			
Personnel expenditure	214,457	212,824	427,281
Travel and fellowships	20,500	17,586	38,086
Contractual services	65,017	54,975	119,992
Operating expenses	24,488	24,789	49,277
Supplies and materials	3,265	2,652	5,917
Furniture and equipment	859	577	1,436
Depreciation, amortization and impairment	7,893	8,104	15,997
TOTAL EXPENSES	**336,479**	**321,507**	**657,986**
SURPLUS/(DEFICIT) FOR THE YEAR	**15,132**	**19,487**	**34,619**

A7: Yes, it is just Lisbon. It's very small being the reason why it is not specifically mentioned. If we ever generated any other fees, we would have to re-open this category and possibly show, as a result, two very small fee lines on the statements.

Q8: The below table lists the Madrid Final Budget after Transfers (Revenues) – which appears to be the same as the Original Budget 2012/13 (Revenues). The Budget and Expenditure Report by Program – 2012/13 Biennium (in thousands of Swiss francs) lists a transfer out of Program 6 of 939,000 Swiss francs. Why this discrepancy?

STATEMENT V STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS – REVENUE for the biennium ended December 31, 2013(in thousands of Swiss francs)

	Original Budget 2012/13 (1)	Final Budget after Transfers 2012/13 (2)	Actual Revenue on comparable basis 2012/13	Difference 2012/13 (3)
Contributions	34,868	34,868	35,100	232
Fees				
PCT system	480,630	480,630	514,947	34,317
Madrid system	104,400	104,400	107,956	3,556
Hague system	11,157	11,157	6,298	-4,859
Other fees	10	10	12	2
Sub-total fees	596,197	596,197	629,213	33,016
Arbitration and Mediation	2,735	2,735	3,272	537
Publications	1,000	1,000	1,035	35
Interest	8,050	8,050	3,401	-4,649
Other/miscellaneous	4,580	4,580	8,710	4,130
TOTAL	**647,430**	**647,430**	**680,731**	**33,301**

A8: There are no transfers of revenue at WIPO and therefore the Final Budget After Transfers 2012/13 (revenues) is equal to the Original Budget 2012/13 (revenues). Table 4 refers to Budget After Transfers 2012/13 (expenditure) which reports on budget transfers in the biennium in accordance with Regulation 5.5 in the FRR.

Q9: What are reserves and how are they financed (below table refers)?

Net Assets by Segment	UNIONS						
	Contribution Financed	PCT	Madrid	Hague	Lisbon	Special Accounts	Total
	(in thousands of Swiss francs)						
Restated reserves and working capital funds at December 31, 2011	**21,539**	**103,983**	**50,136**	**-843**	**-615**	**-**	**174,200**
2012/13 budget result	1,454	65,919	5,864	-4,475	158	-	**68,920**
2012/13 projects financed from reserves result	-4,197	-28,468	-10,957	-1,684	-39	-	**-45,345**
2012/13 special account result	-	-	-	-	-	3,705	**3,705**
2012/13 IPSAS adjustments to result (restated)	3,169	6,237	1,970	-325	-7	-3,705	**7,339**
Reserves and working capital funds at December 31, 2013	**21,965**	**147,671**	**47,013**	**-7,327**	**-503**	**-**	**208,819**

A9: The reserves refer to the net assets by Union (Segment). Negative reserves are not covered as such. At the end of a financial period, some Unions are in surplus and some in deficit resulting in a net financial position for the Organization as a whole.

Q10: Did Lisbon carry over a 615,000 Swiss deficit from 2011? How is the Lisbon Working Capital Fund or the Lisbon Reserves getting funds?

A10: A surplus or deficit in any given year gets reflected in the position of net assets at the end of year. The net assets are therefore an indication of the accumulated financial position of a Union at a given point in time based on the application of the methodology on the allocation of income and expenditure by Union as described in Annex III in the draft proposed Program and Budget 2016/17. The Lisbon Union has no working capital funds and so the RWCF for Lisbon is made up of reserves only.

Q11: If interest income is allocated among the Unions based upon total cash reserves—meaning Lisbon doesn't get any because they don't have any cash reserves—why is rental income not allocated the same way?

A11: The allocation of income to Unions is done in accordance with the methodology on the allocation of income and expenditure by Union as described Annex III in the Proposed Program and Budget 2016/17. The methodology has remained unchanged over many biennia.

Q12: Why did the Lisbon Union receive 1,680,000 Swiss francs in "other income" in 2012/13 which appear to be mostly rental income when the Union does not have any reserves (table below refers)?

A12: Please refer to Q2 and A2 above for the breakdown of "other income" and related explanation as attribution to the Unions.

Program	Program Title	Contribution Financed	PCT	Madrid	Hague	Lisbon	Special Accounts	Total
Financial Performance by Segment 2012/13				UNIONS				
				(in thousands of Swiss francs)				
	REVENUE							
	Contributions	35,100	-	-	-	-	19,083	54,183
	Fees	-	514,947	107,956	6,298	12	-	629,213
	Interest	220	1,740	1,438	3	-	14	3,415
	Publications	105	782	136	12	-	-	1,035
	Other Income+UPOV	1,680	1,681	1,988	1,681	1,680	3	8,713
	Arbitration	170	2,075	981	40	6	-	3,272
	Sub-total revenue on budgetary basis	**37,275**	**521,225**	**112,499**	**8,034**	**1,698**	**19,100**	**699,831**
	Miscellaneous revenue projects financed from reserves	475	2,693	627	4	4	-	3,803
	IPSAS Adjustments to revenue	158	-5,777	-120	-65	-4	-5,221	-11,029
	Total Revenue	**37,908**	**518,141**	**113,006**	**7,973**	**1,698**	**13,879**	**692,605**
	EXPENSES							
01	Patent Law	341	4,312	167	-	-	-	4,820
02	Trademarks, Industrial Design & Geographic Indications	982	405	3,197	728	-	-	5,312
03	Copyright and Related Rights	14,376	3,588	377	-	-	-	18,341
04	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	6,342	-	-	-	-	-	6,342
05	The PCT System	-	174,155	-	-	-	-	174,155
06	Madrid and Lisbon Systems	-	-	48,475	45	932	-	49,452
07	Arbitration, Mediation and Domain Names	510	6,223	2,944	118	20	-	9,815
08	Development Agenda Coordination	72	2,959	310	-	-	-	3,341
09	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	688	28,756	3,028	-	-	-	32,472
10	Cooperation with Certain Countries in Europe and Asia	131	5,473	576	-	-	-	6,180
11	The WIPO Academy	247	10,219	1,074	-	-	-	11,540
12	International Classifications and Standards	368	6,583	184	61	-	-	7,196
13	Global Databases	-	3,764	418	-	-	-	4,182
14	Services for Access to Information and Knowledge	121	6,189	1,343	97	6	-	7,756
15	Business Solutions for IP Offices	171	7,122	749	-	-	-	8,042
16	Economics and Statistics	105	4,419	466	-	-	-	4,990
17	Building Respect for IP	59	2,482	262	-	-	-	2,803
18	IP and Global Challenges	151	6,275	660	-	-	-	7,086
19	Communications	343	14,265	1,501	-	-	-	16,109
20	External Relations, Partnerships and External Offices	203	8,552	902	-	-	-	9,657
21	Executive Management	925	13,556	3,335	390	52	-	18,258
22	Program and Resource Management	979	14,339	3,529	413	54	-	19,314
23	Human Resource Management and Development	1,084	15,878	3,908	457	60	-	21,387
24	General Support Services	1,957	28,708	7,065	826	109	-	38,665
25	Information and Communication Technology	2,473	36,265	10,557	1,147	138	-	50,580
26	Internal Oversight	238	3,480	856	100	13	-	4,687
27	Conference and Language Services	1,883	27,527	6,773	791	105	-	37,079
28	Safety and Security	559	8,185	2,015	236	31	-	11,026
29	Construction Projects	360	5,259	1,294	151	20	-	7,084
30	Small and Medium Size Enterprises and Innovation	153	6,368	670	-	-	-	7,191
31	The Hague System	-	-	-	6,949	-	-	6,949
	Sub-total expenses on budgetary basis	**35,821**	**455,306**	**106,635**	**12,509**	**1,540**	**-**	**611,811**
	Financed from Reserves	4,672	31,161	11,584	1,688	43	-	49,148
	Special Accounts	-	-	-	-	-	15,395	15,395
	IPSAS Adjustments to expense	-3,011	-12,014	-2,090	260	3	-1,516	-18,368
	Total expense	**37,482**	**474,453**	**116,129**	**14,457**	**1,586**	**13,879**	**657,986**
	Surplus/(Deficit)	**426**	**43,688**	**-3,123**	**-6,484**	**112**	**-**	**34,619**

Q13: Why do PCT and Madrid receive rental income when their fee revenue alone is enough to cover the expenses of their Systems?

A13: please refer to Q6 and A6 above.

Q14: Does the 932,000 Swiss francs in Lisbon Union expenses represent the total expenditures of the Lisbon System (above table refers)? If there was no fee income, would it be correct to say that 932 thousand Swiss francs is the deficit for the Lisbon System?

A14: The total expenditure attributed to the Lisbon Union amounted to 1,540 thousand Swiss francs in 2012/13 whereas the attributed income amounted to 1698 thousand Swiss francs. The surplus for the Lisbon Union, after IPSAS adjustments amounted to 112 thousand Swiss francs in 2012/13.

Q15: Why does the Lisbon Union receive six thousand Swiss francs in income from the Arbitration and Mediation Center (table above refers)? Are these arbitration fees paid for appellation of origin disputes? If they are not specific to AO disputes, why is this money allocated to Lisbon? How is the allocation calculated across each Union?

A15: All income must be accounted for. The income from the Arbitration and Mediation Center is allocated to the Unions in accordance with the methodology for the allocation of income and expenditure by Union as described in Annex III in the draft proposed Program and Budget 2016/17.

Q16: Why or how has Lisbon incurred 20,000 Swiss francs in arbitration expenses (table above refers)?

A16: All expenditure must be accounted for. The expenses of Program 7 - WIPO Arbitration and Mediation Center are allocated to each of the Unions in accordance with the methodology for the allocation of income and expenditure by Union as described in Annex III in the draft proposed Program and Budget 2016/17.

Q17: Why is the Lisbon Union not listed in the below table?

Total of outstanding contributions
(with the exception of arrears of contributions for the least developed countries (LDCs) having a special (frozen) account)

	Amount of arrears (in Swiss francs)
Paris Union	1 637 062
Berne Union	463 174
Nice Union	11 879
Locarno Union	2 247
WIPO Convention	4 452
Unitary contribution	2 265 946
Total	4 384 760

A17: The above table provides an overview of the outstanding contributions in respect of the contribution-financed unions.

ANNEX I[6]

PROGRAM 6 MADRID SYSTEM

PLANNING CONTEXT

6.1. The Madrid System is anticipated to face the following challenges in the biennium 2016/17: (i) accurately forecasting the number of Madrid filings due to the continuing fragility of the global economy; (ii) ensuring the ability to effectively absorb the likely increase in the number of accessions by new countries; (iii) enhancement of the Madrid System as a whole so that it may operate more effectively for both private sector users and Offices alike, including those in new member countries; (iv), improvement in the consistency, predictability and overall quality of the work of the International Bureau (IB) in as cost-effective a manner as possible; and (v) adequately identifying, harnessing and mastering opportunities offered by increased levels of automation in all aspects of the international procedure.

IMPLEMENTATION STRATEGIES

6.2. The IB will actively engage with potential new members at the early stages of the accession process to provide guidance on the requisite preparatory work, such as change management leadership, legislation, organizational and institutional considerations, procedural and operational issues, IT automation and community changes. The IB will also provide operational support and guidance to new members in the stages immediately following the entry into effect of the Madrid Protocol. Given the extent of work likely to be involved and the need to bring various perspectives to the matter, the IB will use the WIPO External Offices, national and regional Offices and other key stakeholders to bring these efforts to a successful conclusion.

6.3. The series of initiatives launched in early 2014 to improve performance in the handling of Madrid international applications and the management of the International Register will also be sustained. Foundational progress already made in the areas of workload/resource planning, customer services and staff training will be strengthened with a view to yielding tangible benefits for private sector users and Offices. As these aspects of the work continue to mature, the focus will shift increasingly to quality, including more consistent and predictable examination results through enhanced examination documentation and process control. In conjunction therewith, special efforts will be made to make the IB's classification process more effective through advancement of the development of a seamless platform for the Nice listed goods and services and the Madrid Goods and Services Manager (MSG) database in order to make the classification practices in all concerned Offices more transparent.

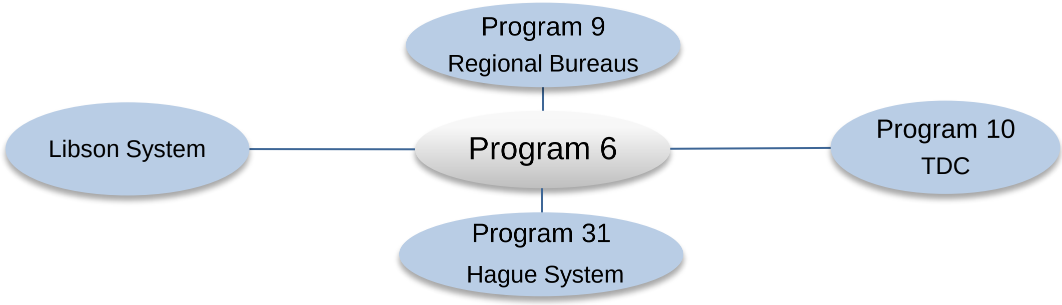
6.4. In the area of promotion, greater emphasis will be placed on market research and marketing/outreach plans tailored to the specific needs and profiles of potential local users. Additional and improved quality information regarding the Madrid System, including examination practices both within the IB and at designated Contracting Parties, will be made available on the IB's web site, catering to the needs of both new and more experienced users. The existing online tools for managing Madrid trademark portfolios by trademark owners will be streamlined into an integrated electronic environment, permitting users to seamlessly search, file, monitor and manage their trademarks online. In addition, the existing online tools permitting Offices to manage Madrid applications, notifications of designations and other official notifications will be similarly streamlined into an integrated electronic environment.

6.5. With the rapid expansion of its geographical scope, the Madrid System will need to serve the interests of all stakeholders equally to deliver its full potential in the new environment. The Working Group on the Legal Development of the Madrid System will consider how the System's legal framework needs to evolve to cater to the changing needs.

6.6. As opportunities for increased and improved application of information and communication technologies present themselves, the IB will follow a number of guiding implementation policies aimed at accommodating the expectations of the various Madrid System stakeholders, including Offices, applicants, rightsholders or IP professionals, as part of efforts towards moving to a fully electronic environment. Such implementation policies will ensure that stakeholders can safely and progressively interact with the international register online and synchronously, in a real-time, self-service mode. Great

[6] For the purposes of the visualization of the split of the Madrid and Lisbon systems, Expected Results II.6 and II.7 have remained merged. These could be split into separate results for each System should the Member States so decide.

attention will be paid to delivering improved online services that offer identical services and performance to all stakeholders, irrespective of geographic location.



MAJOR RISKS AND MITIGATION STRATEGIES

Risk	Mitigation
Madrid System is considered less attractive than the national route in respect of certain Designated Contracting Parties.	Enhance the effectiveness of the Madrid System through legal and practical adjustments which facilitate the securing of trademark protection in all designated Contracting Parties Promote new accessions in key regions and countries
Quality of the International Bureau's services does not meet customer expectations	Improve staff profile alignment; improve consistency of operational practices and their compliance with the legal framework; continue to strengthen quality control procedures; and provide training support.
Prolonged unavailability of operations at the International Bureau.	Further develop the Business Continuity Plan of the International Bureau.

RESULTS FRAMEWORK

Expected Results	Performance Indicators	Baselines	Targets
II.6 Wider and more effective use of the Madrid & Lisbon systems, including by developing countries and LDCs	Total Membership of the Madrid System	95 members (as at April 15, 2015)	103
	Market share (i.e., national route versus Madrid route) (Madrid)	63.4% market share (as of Dec 31, 2012)	Increase of market share
	Filing rate (Madrid)	47,885 applications 2.3% filing rate (as of Dec 31, 2014)	2016: + 4.6% Filing rate 2017: + 2.3% Filing rate
	Registrations (Madrid)	42,430 (2014)	47,387 (2016) 48,652 (2017)
	Renewals (Madrid)	25,729 (2014)	29,850 (2016) 31,020 (2017)
	Total no. of registrations (Madrid)	594,477 registrations (as of Dec 31, 2014)	2016: 630,000 registrations 2017: 650,000 registrations
	Total no. of designations (Madrid)	5.61 million designations (as of Dec 31, 2014)	2016: 5.68 million designations 2017: 5.7 million designations
	Irregularity rate (Article 12 and 13) (Madrid)	36% Irregularity rate (as of Dec 31,2014)	Decrease
		Acceptable terms in Madrid Goods and Services Database (MGS) (In English) 67,050 (May 2015)	80,000

Expected Results	Performance Indicators	Baselines	Targets
	Functional improvements to the Madrid System	Common Regulations and Administrative Instructions in force at December 31, 2014	Amendments to the Common Regulations and Administrative Instructions
II.7 Improved productivity and service quality of Madrid & Lisbon operations	Client satisfaction (Madrid)	Service Orientation Index in 2014 (39)	Improvement in Index
	Unit cost (Madrid)	Registration/renewal Cost: 837 CHF Inscription Unit Cost: 320 CHF	Reduction in both unit cost categories
	Timeliness of transactions (days) (Madrid)	Applications: 70 Renewals: 63 Subsequent Designations: 56 Decisions:12 Modifications:79 Corrections 232 (as at December 31,2014)	Improvement across all transactions
	Quality (Madrid)	tbd	tbd
	Improved operation of the Madrid Registry, including electronic processes and procedures (Madrid)	70% of documents received electronically 220,000 email notifications 1800 MPM Clients 17 Offices sending XML 1 Intelligent web form 690,000 documents inbound 1,750,000 documents outbound	75% of documents received electronically 250,000 email notifications 2000 MPM Clients 20 Offices sending XML 6 Intelligent web forms 750,000 documents inbound 2,000,000 documents outbound
	Stable provision of evolving Madrid back office IT services	No service interruption (no. of ICT incidents) Enhancements delivered and deployed on time	No service interruption (no. of ICT incidents) Enhancements delivered and deployed on time
	3 deployed versions of M-IRIS and 3 deployed versions of Madrid eFiling (IRPI)	M-IRIS deployed Madrid eFiling deployed	3 new versions of M-IRIS/D-IRIS 3 new versions of Madrid eFiling

RESOURCES FOR PROGRAM 6

Program 6: Resources by Result
(in thousands of Swiss francs)

	Expected Result No. and Description	*2014/15 Approved Budget*	*2014/15 Budget after transfers*	*2016/17 Proposed Budget*
II.6	Wider and more effective use of the Madrid & Lisbon systems, including by developing countries and LDCs	14,313	16,053	10,450
II.7	Improved productivity and service quality of Madrid & Lisbon operations	40,932	39,221	47,657
	Total	**55,245**	**55,274**	**58,106**

Program 6: Resources by Object of Expenditure

(in thousands of Swiss francs)

	2014/15 Approved Budget	2014/15 Budget after transfers	2016/17 Proposed Budget	Difference from 2014/15 Budget after transfers	
				Amount	%
A. Personnel Resources					
Posts	39,914	39,944	41,506	1,562	3.9%
Temporary Staff	3,451	3,076	2,441	-635	-20.6%
Other Staff Costs	-	-	-	-	n/a
Total, A	**43,365**	**43,020**	**43,948**	**928**	**2.2%**
B. Non-personnel Resources					
Internships and WIPO Fellowships					
Internships	-	-	-	-	n/a
WIPO Fellowships	1,200	1,027	1,500	473	46.1%
Sub-total	*1,200*	*1,027*	*1,500*	*473*	*46.1%*
Travel, Training and Grants					
Staff Missions	581	886	764	-121	-13.7%
Third-party Travel	1,517	1,377	1,573	196	14.3%
Training and Related Travel Grants	-	-	-	-	n/a
Sub-total	*2,098*	*2,262*	*2,337*	*75*	*3.3%*
Contractual Services					
Conferences	410	805	124	-681	-84.6%
Publishing	-	-	-	-	n/a
Individual Contractual Services	1,525	1,463	2,230	767	52.5%
Other Contractual Services	4,477	4,313	5,767	1,454	33.7%
Sub-total	*6,412*	*6,581*	*8,121*	*1,540*	*23.4%*
Finance Costs	-	90	-	-90	-100.0%
Sub-total	-	90	-	-90	-100.0%
Operating Expenses					
Premises & Maintenance	90	208	-	-208	-100.0%
Communication	2,050	1,995	2,190	195	9.8%
Representation & Other Operating Expenses	30	10	10	-0	-0.9%
UN Joint Services	-	-	-	-	n/a
Sub-total	*2,170*	*2,214*	*2,200*	*-14*	*-0.6%*
Equipment and Supplies					
Furniture & Equipment	-	52	-	-52	-100.0%
Supplies & Materials	-	28	-	-28	-100.0%
Sub-total	-	*80*	-	*-80*	*-100.0%*
Total, B	**11,880**	**12,254**	**14,159**	**1,905**	**15.5%**
TOTAL	**55,245**	**55,274**	**58,106**	**2,832**	**5.1%**
POSTS	**113**	**120**	**119**	**-1**	

LISBON SYSTEM

PLANNING CONTEXT

1. The main focus as regards the Lisbon System will be the effective administration of the International Registry for Appellations of Origin and preparations for the possible entry into force of the Geneva Act of the Lisbon Agreement on Appellations of Origin and Geographical Indications ("Geneva Act").

IMPLEMENTATION STRATEGIES

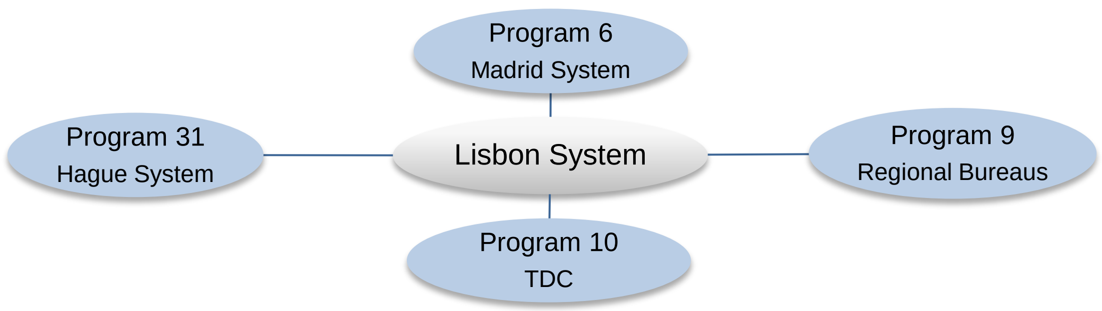
2. The Geneva Act is expected to pave the way for a significant increase in the membership of the Lisbon Union. Although the accession rate is difficult to predict, entry into force of the Geneva Act may already occur in the course of the biennium or soon thereafter. Consequently, as the Geneva Act will coexist with the current Lisbon Agreement for as long as not all Member States of the current Lisbon Agreement have acceded to the Geneva Act, preparations need to be made for the adoption of Common Regulations under the two instruments.

3. The preparation of future Common Regulations will also provide an opportunity for critically reviewing current administration procedures and further developing electronic notification and publication tools to maximize efficiency.

4. In addition, technical assistance will be provided to Member States and relevant regional organizations, in particular to developing countries and LDCs, interested in adhering to the Lisbon System. Also in this context, outreach and additional training activities will be undertaken to further promote the use of the System.

5. The average number of international applications and other requests for recording in the International Register under the Lisbon System since 1967 has amounted to approximately 25 such transactions per year, with large variations, however, between years (for example, seven requests for the recording of transactions were received in 2009 and 596 requests in 2007). The number of transactions was considerably higher in 2014 (121) and in 2015 is also expected to be higher than the average. In view of the possible entry into force of the Geneva Act and further accessions, it is estimated that such an increased level of registration activity will continue in the years to come.

6. The Lisbon System collaborates primarily with other Programs as illustrated below:



RESULTS FRAMEWORK

Expected Results	Performance Indicators	Baselines	Targets
II.6 Wider and more effective use of the Madrid & Lisbon systems, including by developing countries and LDCs	Expansion of the geographical coverage of the Lisbon System	No. of Contracting Parties to the Geneva Act at the end of 2015	Up to 5 Contracting parties to the Geneva Act by the end of 2017
	% of participants in Lisbon System events satisfied and reporting enhanced awareness post an event	84% of participants satisfied (2014) in 5 events	85% of participants satisfied
	No. of international applications and other transactions (Lisbon)	121 transactions in 2014: - 80 international applications - 26 statements of grant protection - 15 refusal declarations	100 transactions in 2016/17 - 20 new international applications - 60 statements of grant protection - 20 refusal declarations
	No. of international registrations from developing countries and LDCs in force under the Lisbon System (in relation to the total no.)	78 (out of 896) (March 2015)	90 (out of 950)
II.7 Improved productivity and service quality of Madrid & Lisbon operations	Adoption of provisions streamlining the Lisbon System legal framework	Current legal framework and legal framework of the Geneva Act of May 2015	Adoption of Common Regulations under Lisbon Agreement and Geneva Act
	Unit cost (Lisbon)	tbd	tbd
	Timeliness of transactions (Lisbon)	tbd	tbd
	Quality (Lisbon)	tbd	tbd
	Increased use of electronic means for filing and processing international applications and other transactions (Lisbon)	Current data entry tool Current Bulletin and database	Improved data entry tool Integration of the Bulletin into the Lisbon Express database
	Improved electronic services for the Lisbon Registry and Article 6*ter*	Simple implementation of an electronic register	Electronic filing web forms

RESOURCES FOR LISBON SYSTEM

Lisbon System: Resources by Result
(in thousands of Swiss francs)

	Expected Result No. and Description	*2014/15 Approved Budget*	*2014/15 Budget after transfers*	*2016/17 Proposed Budget*
II.6	Wider and more effective use of the Madrid & Lisbon systems, including by developing countries and LDCs	-	-	785
II.7	Improved productivity and service quality of Madrid & Lisbon operations	-	-	550
	Total	**-**	**-**	**1,335**

Lisbon System: Resources by Object of Expenditure
(in thousands of Swiss francs)

	2014/15 Approved Budget	2014/15 Budget after transfers	2016/17 Proposed Budget	Difference from 2014/15 Budget after transfers	
				Amount	%
A. Personnel Resources					
Posts	-	-	904	904	n/a
Temporary Staff	-	-	220	220	n/a
Other Staff Costs	-	-	-	-	n/a
Total, A	**-**	**-**	**1,124**	**1,124**	**n/a**
B. Non-personnel Resources					
Internships and WIPO Fellowships					
Internships	-	-	-	-	n/a
WIPO Fellowships	-	-	-	-	n/a
Sub-total	-	-	-	-	*n/a*
Travel, Training and Grants					
Staff Missions	-	-	45	45	n/a
Third-party Travel	-	-	15	15	n/a
Training and Related Travel Grants	-	-	-	-	n/a
Sub-total	-	-	*60*	*60*	n/a
Contractual Services					
Conferences	-	-	151	151	n/a
Publishing	-	-	-	-	n/a
Individual Contractual Services	-	-	-	-	n/a
Other Contractual Services	-	-	-	-	n/a
Sub-total	-	-	*151*	*151*	*n/a*
Finance Costs	-	-	-	-	n/a
Sub-total	-	-	-	-	n/a
Operating Expenses					
Premises & Maintenance	-	-	-	-	n/a
Communication	-	-	-	-	n/a
Representation & Other Operating Expenses	-	-	-	-	n/a
UN Joint Services	-	-	-	-	n/a
Sub-total	-	-	-	-	*n/a*
Equipment and Supplies					
Furniture & Equipment	-	-	-	-	n/a
Supplies & Materials	-	-	-	-	n/a
Sub-total	-	-	-	-	*n/a*
Total, B	**-**	**-**	**211**	**211**	**n/a**
TOTAL	**-**	**-**	**1,335**	**1,335**	**n/a**
POSTS	**-**	**-**	**2**	**2**	

Annex II

2014 Rental Income - Buildings Space, 3rd Party Parking, Madrid Union Bulidning

Lessee	Lease Description	WIPO Building	Date Building Acquired/Leased/Brought into Use	2014 Rental Income (in thousands of CHF)	2014 Allocation of Rental Income to Unions (in thousands of CHF)					Reserves and Working Capital Funds of Union in Year Building Acquired/Leased/Brought into Use (in thousands of CHF)						
					Contribution Financed	PCT	Madrid	Hague	Lisbon	Contribution Financed	PCT	Madrid	Hague	Lisbon	Other*	TOTAL RESERVES
Swisscom	Rooftop antenna	PCT	2003	17.5	3.5	3.5	3.5	3.5	3.5	20,258.7	73,558.8	18,599.9	2,204.0	90.2	747.9	**115,459.5**
Orange	Rooftop antenna	AB	1978	32.5	6.5	6.5	6.5	6.5	6.5	1,769.4	(6.9)	3,608.5	148.8	(23.2)	(44.5)	**5,452.1**
UBS	ATM space	GBI	1960	9.3	1.9	1.9	1.9	1.9	1.9	-	-	1,982.4	(156.7)	-	3,614.8	**5,440.5**
AMFIE	Office and parking	CAM	1991 (lease)	9.5	1.9	1.9	1.9	1.9	1.9	10,542.6	19,019.5	26,203.6	1,379.0	(24.7)	33,365.6	**90,485.6**
UNICC	Data centre	NB	2011	124.8	25.0	25.0	25.0	25.0	25.0	21,538.5	92,312.2	50,135.6	(842.7)	(614.9)	-	**162,528.7**
Various tenants	Apartments	Madrid	1974	377.0	0.0	0.0	377.0	0.0	0.0	470.3	-	4,859.2	94.8	(21.0)	55.8	**5,459.1**
2014 TOTALS				**570.6**	**38.7**	**38.7**	**415.7**	**38.7**	**38.7**							

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