

Program and Budget Committee

Twenty-Sixth Session
Geneva, July 10 to 14, 2017

PROPOSED AMENDMENTS TO WIPO'S FINANCIAL REGULATIONS AND RULES (FRR)

Document prepared by the Secretariat

INTRODUCTION

1. The present document contains proposals for amendments to WIPO's Financial Regulations and Rules (FRRs). The document presents the proposed amendments in two sections, with the first section focused on amendments to WIPO's procurement system, as reflected in the FRRs, and the second section focused on amendments to other Regulations and Rules. In accordance with the provisions of Regulation 10.1 "The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly". Accordingly, amendments to the Regulations are proposed for approval by the General Assembly.

2. In accordance with Financial Regulation 10.1, Rule 110.1, the "present Rules may be amended by the Director General in a manner consistent with the Financial Regulations". Therefore, the amendments will be made by the Director General to the Financial Rules as indicated in the attached annexes.

PROPOSED AMENDMENTS TO WIPO'S PROCUREMENT SYSTEMS

3. The Assemblies of the Member States approved¹ the recommendation of the Coordination Committee, made at its session in 2016, which, *inter alia*, requested "the Director, IOD to review the WIPO's Procurement Policies and Procedures after the review currently being undertaken by the

¹ A/56/13 (Proposal for the Inclusion of a Supplementary Agenda Item entitled "Review of the Office of Internal Oversight Services (OIOS) Report") and WO/GA/48/15 (Decisions taken by the WIPO Coordination Committee).

Director General, as recommended by the General Assembly and the Coordination Committee Chairs, to ensure clarity and transparency in WIPO's procurement process, so that the conclusions and/or recommendations will be submitted to the Program and Budget Committee (PBC) for consideration by Member States.”

4. A working group was created in the Secretariat to formulate proposals to address the recommendation, with the following objectives:

- (a) To identify and address potential gaps in the procurement process as mandated by the Coordination Committee, thereby
- (b) To strengthen controls consistent with the WIPO risk management framework;
- (c) To clarify roles and responsibilities in the procurement decision making process and, more particularly, review and reinforce the delegation framework in terms of authority, responsibility, and accountability;
- (d) To review and strengthen, as necessary, the Regulatory Framework with regards to exceptions to the competitive process and associated approval authority;
- (e) To review any opportunity to ensure that the regulatory framework enables a swift but compliant process of implementing the Expected Results set out in WIPO's results based management framework; and
- (f) To ensure that the above is done with a view to benchmarking WIPO procurement policies and practices against those of other international organizations.

5. As mandated by the Member States, the Working Group submitted its proposals for review by the Internal Oversight Division (IOD), which issued its comments to the Independent Advisory and Oversight Committee (IAOC), as well as to the Chairs of the General Assembly and the Coordination Committee. The IAOC reviewed and discussed with Management and the Director of IOD the proposed amendments to the FRRs, including IOD's comments thereon, and concluded that “these amendments would improve the general principles for procurement contained in the Financial Regulations and Rules by strengthening the procurement process.”²

6. All comments made by IOD and the IAOC have been accepted by the Secretariat and have been reflected in the proposed revised text as appropriate. As part of the comments received, the Secretariat also accepted those which will be reflected in lower level administrative issuances (Office Instruction, manual, etc.).

7. The proposed changes will

- (a) Strengthen the delegation model of the procurement authority from the DG to the High Level Official in charge of Procurement (HLOP) and further to the Procurement Director;
- (b) Establish, on the model of other UN organizations, the following three types of procurement processes;
 - (i) Standard with competition;

² WO/IAOC/44/2 Report adopted by the WIPO Independent Advisory and Oversight Committee in respect of its Forty-Fourth Session (Geneva, March 27 to 31, 2017)

- (ii) Cooperation with other International Organizations; and
 - (iii) Alternative procedures.
- (c) Require the mandatory involvement of the Contracts Review Committee in cases of application of alternative procedures above a defined threshold, together with the supplementary documentation required for such procedures;
- (d) Facilitate procurement cooperation with other intergovernmental organizations through a shorter approval process; and
- (e) Strengthen the confidentiality of the vendor selection process.
8. Annex I of the present document provides the detailed proposals for changes to the FRRs, with justification for each change indicated alongside. On this basis, the following decision paragraphs are proposed:
9. *The Program and Budget Committee recommended to the WIPO General Assembly to approve Regulation 5.11, as amended and indicated in Annex I of the present document WO/PBC/26/5.*
10. *The Program and Budget Committee took note of (i) the amendments to Financial Rules 105.12, 105.17, 105.18, 105.19, 105.26, and 105.27; (ii) the deletion of Financial Rules 105.13, 105.16, 105.21, 105.23; and (iii) the introduction of proposed new Rule 105.17bis, as indicated in Annex I of the present document WO/PBC/26/5.*

OTHER PROPOSED AMENDMENTS TO WIPO'S FINANCIAL REGULATIONS AND RULES

11. In keeping with the Secretariat's practice to maintain the FRRs under regular review, the most recent such review has identified a number of amendments to be proposed to Financial Regulations and as well as changes to Financial Rules.

12. In line with the above, the following changes are proposed to the FRRs, as detailed in Annex II of the present document:

- (a) Reporting:
 - (i) Over the recent years, it has become increasingly apparent that overlaps and duplications exist in the reporting provided to Member States on program and budgetary/financial performance of the biennium. In addressing this issue, however, it is of paramount importance to ensure that no information is lost through any changes, as also confirmed by Member States through a survey on this subject in 2014.
 - (ii) With this in mind, the following transformation is proposed, which ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced without any loss or reduction of information or disclosure. Biennial information, which is currently being provided under the

Financial Management Report (FMR) will be presented in the most appropriate and relevant report, taking the following into account:

- Information related to program and budgetary performance, presented on a modified accrual basis, is proposed to be provided in an enhanced version of the program performance report of the second year of the biennium, i.e. the biennial “Program and Financial Management Report” (PFMR); and
- Accounting information, presented on a full accrual basis in line with International Public Sector Accounting Standards, is proposed to be provided in the annual financial statements of the second year of the biennium.

(b) Amendments are also proposed to address the need to correct inaccuracies or provide clarification in formulation of Regulations or Rules which have become apparent as a result of the practical application of the FRRs; as well as to

(c) Ensure consistency in references to policies which have been approved directly by Member States where relevant, such as in the case of the policy on reserves.

13. Annex II of the present document provides the detailed proposals for changes to the FRRs, with justification for each change indicated alongside. On this basis, the following decision paragraphs are proposed.

14. *The Program and Budget Committee recommended to the WIPO General Assembly to approve (i) the proposed amendments to Regulations 2.14, 3.7, 3.13, 3.14, 4.6, 5.3, 5.4, 5.7, 6.3, 6.7, and 10.1; (ii) the deletion of Regulation 6.6; and (iii) the introduction of proposed new Regulation 2.14bis, as indicated in Annex II of the present document WO/PBC/26/5.*

15. *The Program and Budget Committee took note of (i) the amendments to Financial Rules 101.1, 101.3, 103.2, 104.4, 105.1, 105.6, 105.9, 105.33, 106.3, 106.7, 106.10, and 110.1; (ii) the deletion of Financial Rule 106.12; and (iii) the introduction of proposed new Rule 102.7 and 106.11bis, as indicated in Annex II of the present document WO/PBC/26/5.*

[Annexes follow]

ANNEX I - PROPOSED AMENDMENTS TO PROCUREMENT RELATED REGULATIONS AND RULES OF THE FRRS

Current Text	Proposed New Text	Reason for Change
CHAPTER 5: UTILIZATION OF FUNDS	CHAPTER 5: UTILIZATION OF FUNDS	
C. PROCUREMENT	C. PROCUREMENT	
<p>General principles</p> <p>Regulation 5.11</p> <p>(a) Procurement functions include all actions necessary for the acquisition, by purchase, lease, or any other appropriate means, of property, including products and real property, and for the acquisition of services, including building works. The following general principles shall be given due consideration:</p> <ul style="list-style-type: none"> (i) Best value for money. (ii) Effective and broad competition for the award of contracts. (iii) Fairness, integrity and transparency of the procurement process. (iv) The best interests of the Organization. (v) Prudent procurement practices. <p>(b) The acquisition of goods and/or services shall be made on the basis of contract award procedures. Methods of solicitation may be formal and/or informal. Solicitations shall be invited by advertisement unless otherwise prescribed. Contract award procedures and methods of solicitation shall be defined in an Office Instruction issued by the Director General.</p>	<p>General principles <u>and Procurement Process</u></p> <p>Regulation 5.11</p> <p>(a) Procurement functions include all actions necessary for the acquisition, by purchase, lease, or any other appropriate means, of property, including products and real property, and for the acquisition of services, including building works. The following general principles shall be given due consideration:</p> <ul style="list-style-type: none"> (i) Best value for money. (ii) Effective and broad competition for the award of contracts. (iii) Fairness, integrity and transparency of the procurement process. (iv) The best interests of the Organization. (v) Prudent procurement practices. <p>(b) The acquisition of goods and/or services shall be made on the basis of contract award procedures. Methods of solicitation may be formal and/or informal. Solicitations shall be invited by advertisement unless otherwise prescribed. Contract award procedures and methods of solicitation shall be defined in an Office Instruction issued by the Director General. <u>Any procurement action shall result from:</u></p> <ul style="list-style-type: none"> <u>(i) a competitive process; or</u> <u>(ii) a cooperation with other intergovernmental organizations; or</u> <u>(iii) an alternative procedure in accordance with Rule 105.18.</u> 	<p>To provide a comprehensive, transparent and clear overview of all procurement actions.</p> <p>The sentence under paragraph (b) is proposed to be deleted as it now appears largely redundant with the (revised) Rule 105.17.</p> <p>The new sentence under paragraph (b) aims at describing generally the three types of procurement actions which may lead to the award of a contract. It is proposed to be introduced for the sake of clarity.</p>

Current Text	Proposed New Text	Reason for Change
<p>Authority and Responsibility Rule 105.12</p> <p>(a) The Director General shall designate a High Level Official (hereinafter referred to as “the High Level Official in charge of Procurement” (“HLOP”)) responsible for the procurement functions of the Organization, subject to the provisions of Rules 105.6, 105.8, 105.9 and 105.10 concerning the incurrence of financial obligations.</p> <p>(b) The Director General shall establish the composition and terms of reference of a Contracts Review Committee (hereinafter referred to as the “CRC”). The CRC shall render written advice to the HLOP on the procurement actions leading to the award, modification or renewal of procurement contracts. The terms of reference of the CRC shall include the definition of the types and monetary values of the procurement actions that shall be subject to its review.</p> <p>(c) Where the advice of the CRC is required, no final action leading to the award, modification or renewal of a procurement contract may be taken before such advice is received. In cases where the HLOP decides not to accept the advice of the CRC, he or she shall record in writing the reasons for this decision.</p> <p>(d) The Director General may, in exceptional cases, and when special guarantees and/or external expertise are required, establish an external and independent ad hoc Committee. The Director General shall establish the composition and terms of reference of such ad hoc Committee and decide whether it may adopt recommendations and/or decisions. Where the recommendation and/or decision of such an ad hoc Committee is required, no final action leading to the award, modification or renewal of a procurement contract may be taken before such recommendation/decision is received by the competent authority within the Organization.</p>	<p>Authority and Responsibility Rule 105.12</p> <p>(a) The Director General shall designate a High Level Official (hereinafter referred to as “the High Level Official in charge of Procurement” (“HLOP”)), <u>to whom he or she hereby delegates authority and assigns responsibility for the implementation of the regulatory framework governing</u> responsible for the procurement functions of the Organization, subject to the provisions of Rules 105.6, 105.8, 105.9 and 105.10 concerning the incurrence of financial obligations.</p> <p>(b) <u>The HLOP may in turn delegate aspects of his/her authority to the Director in charge of procurement (Authorized Officer), unless the Director General indicates otherwise.</u></p> <p>(bc) The Director General <u>HLOP</u> shall establish the composition and terms of reference of a Contracts Review Committee (hereinafter referred to as the “CRC”). The CRC shall render written advice to the HLOP on the procurement actions leading to the award, modification or renewal of procurement contracts. The terms of reference of the CRC shall include the definition of the types and monetary values of the procurement actions that shall be subject to its review.</p> <p>(ed) Where the advice of the CRC is required, no final action leading to the award, modification or renewal of a procurement contract may be taken before such advice is received. In cases where the HLOP decides not to accept the advice of the CRC, he or she shall record in writing the reasons for <u>the HLOP this</u> decision.</p> <p>(de) The Director General <u>HLOP</u> may, in exceptional cases, and when special guarantees and/or external expertise are required, establish an external and independent ad hoc Committee. The Director General <u>HLOP</u> shall establish the composition and terms of reference of such ad hoc Committee and decide whether it may adopt recommendations and/or decisions. Where the recommendation and/or decision of such an ad hoc Committee is required, no final action leading to the award, modification or renewal of a procurement contract may be taken before such</p>	<p>Revision of paragraph (a) : this Rule establishes a formal delegation of authority from the Director General to the HLOP, which is modelled on the delegation of authority which currently exists for the Controller, as referred to in Rule 101.1. – The purpose is to clarify the governance structure applied to the implementation of procurement activities, thereby further clarifying roles and responsibilities in the procurement decision-making process, and the related authority and accountability.</p> <p>Revision of paragraph (b) Considering the broad range of responsibilities assigned to the HLOP in the FRR, it appears appropriate to provide for the HLOP the possibility of sub-delegating part of his/her assignments. This mechanism is also modelled on the delegation process existing for the Controller, as referred to in Rule 101.1.</p> <p>The proposed amendments of paragraph (c) & (e) results from the delegation of authority conferred on the HLOP, as provided for in proposed Rule 105.12(a).</p>

Current Text	Proposed New Text	Reason for Change
	<p>recommendation/decision is received by the competent authority within the Organization as defined in their respective mandate.</p>	
<p>Cooperation Rule 105.13</p> <p>The Organization may cooperate with inter-governmental organizations with similar procurement procedures to meet its procurement requirements by entering into agreements for such purposes as appropriate. Such cooperation may include the carrying out of common procurement actions, or the Organization entering into a contract relying on a procurement decision of another inter-governmental organization, or WIPO requesting another inter-governmental organization to carry out procurement activities on its behalf.</p>	<p>Cooperation Rule 105.13 deleted</p> <p>The Organization may cooperate with inter-governmental organizations with similar procurement procedures to meet its procurement requirements by entering into agreements for such purposes as appropriate. Such cooperation may include the carrying out of common procurement actions, or the Organization entering into a contract relying on a procurement decision of another inter-governmental organization, or WIPO requesting another inter-governmental organization to carry out procurement activities on its behalf.</p>	<p>To provide a comprehensive, transparent and clear overview of all procurement actions, cooperation with inter-governmental organizations is presented as one of three different types of actions which are the source of procurement actions, which may take the form of a competitive process; or cooperation with other intergovernmental organizations, or an alternative procedure (see amended Regulation 5.11(b)) and the new Rule 105.17bis.</p>
<p>Procurement process</p>	<p>Procurement Competitive process</p>	
<p>Rule 105.16</p> <p>(a) An obligation can result from a single requisition, or a series of related requisitions received and processed during the contract term or the calendar year, and includes all contracts and/or purchase orders for the acquisition of goods or services. The HLOP, or the officers to whom he or she will delegate the related authority, shall identify whether requisitions are related and shall take the appropriate procurement action.</p> <p>(b) For contracts without a fixed term or subject to renewal, the value of the obligation shall be determined on the basis of an assumed contract duration of one year, measured from the date performance is to begin.</p>	<p>Rule 105.16 deleted</p> <p>(a) An obligation can result from a single requisition, or a series of related requisitions received and processed during the contract term or the calendar year, and includes all contracts and/or purchase orders for the acquisition of goods or services. The HLOP, or the officers to whom he or she will delegate the related authority, shall identify whether requisitions are related and shall take the appropriate procurement action.</p> <p>(b) For contracts without a fixed term or subject to renewal, the value of the obligation shall be determined on the basis of an assumed contract duration of one year, measured from the date performance is to begin.</p>	<p>To ensure clarity and strengthen controls by addressing the different aspects of the policy and procedures at the appropriate level of the regulatory framework. Procedural details are to be addressed in Office Instructions and Manual.</p>

Current Text	Proposed New Text	Reason for Change
<p>Rule 105.17</p> <p>The Director General shall establish, through an Office Instruction, the thresholds for (i) direct purchase; (ii) the informal RFQ procedure; (iii) limited tenders; and (iv) open international tenders. He or she shall also establish the threshold above which the advice of the CRC must be sought.</p>	<p>Rule 105.17</p> <p>The Director General <u>HLOP</u> shall establish, through an Office Instruction, <u>procurement general principles and basic rules, including</u> the thresholds for (i) direct purchase; (ii) the informal RFQ procedure; (iii) limited tenders; and (iv) open international tenders. He or she shall also establish the threshold above which the advice of the CRC must be sought.</p> <p>Cooperation <u>with other inter-governmental organizations</u></p> <p>Rule 105.17bis</p> <p><u>The Organization may cooperate with inter-governmental organizations with similar procurement procedures:</u></p> <p><u>(a) to carry out common procurement actions, or</u></p> <p><u>(b) in order to optimize the overall resources spent on procurement processes, and under the conditions that procurement processes, goods and services, as well as prospective vendors are of similar nature, to enter into a contract relying on a procurement decision of another inter-governmental organization, or</u></p> <p><u>(c) to request another inter-governmental organization, which has particular expertise in the procurement of specific goods or services or the necessary procurement capacity in a given location, to carry out procurement activities on its behalf, or</u></p> <p><u>(d) to procure from another inter-governmental organization which has particular expertise in the procurement of specific goods or services or has obtained favorable conditions in the procurement of certain goods and services.</u></p>	<p>The new reference to the HLOP follows from the delegation of authority provided for in proposed Rule 105.12(a).</p> <p>The last sentence is proposed to be deleted, as its substance is covered by Rule 105.12(c) which already provides that the HLOP shall establish the composition and terms of reference of the Contracts Review Committee.</p> <p>The revision of this Rule aims at describing exhaustively and more precisely the four possibilities by which a contract may be awarded through cooperation with an inter-governmental organization (IGO), namely: (i) through common procurement actions (typically CPAG activities); (ii) piggy-backing; (iii) cooperation with an IGO which has particular expertise in the procurement of specific goods and services (this could be for example the case of UNICC); and (iv) direct procurement from another IGO which has obtained favorable conditions in the procurement of goods and services.</p> <p>These different types of cooperation with IGOs would enable swift and streamlined mechanisms for the procurement of goods and services adapted to the needs of the Organization.</p>

<p>Rule 105.18</p> <p>The HLOP may determine, with the advice of the CRC, when he or she finds such advice necessary, that using formal or informal methods of solicitation is not in the best interests of the Organization for a particular procurement action when:</p> <p>(a) There is no competitive marketplace for the requirement, such as where a monopoly exists; prices are fixed by legislation or government principle; or the requirement involves a proprietary product or service.</p> <p>(b) The supplier or the product/service needs to be standardized.</p> <p>(c) The proposed procurement contract arises from a cooperation with other inter-governmental organizations that have similar procurement procedures.</p> <p>(d) Offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered are considered to remain competitive.</p> <p>(e) Within a reasonable prior period, a formal solicitation for identical products and services has not produced satisfactory results.</p> <p>(f) The proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition.</p> <p>(g) There is an emergency which necessitates immediate action (a lack of time resulting from a failure to plan in advance shall not constitute an emergency).</p> <p>(h) The proposed procurement contract relates to obtaining services that cannot be evaluated objectively.</p> <p>(i) The HLOP otherwise determines that a formal or informal solicitation will not give satisfactory results.</p>	<p><u>Alternative Procedures</u></p> <p>Rule 105.18</p> <p><u>(a) The CRC shall render written advice to the HLOP, or to the Authorized Officer as per Rule 105.12(b), on alternative procedures proposed to be made under paragraph (b) of the present Rule, whenever the procurement action is within the scope of its terms of reference.</u></p> <p>(b) The HLOP may determine, with the advice of the CRC, when he or she finds such advice necessary, that using formal or informal methods of solicitation a standard competitive process is not in the best interests of the Organization <u>shall not be used</u> for a particular procurement action when:</p> <p>(i) There is no competitive marketplace for the requirement, such as where a monopoly exists; prices are fixed by legislation or government principle; or the requirement involves a proprietary product or service.</p> <p>(ii) The supplier or the product/service needs to be standardized.</p> <p>(c) The proposed procurement contract arises from a cooperation with other inter-governmental organizations that have similar procurement procedures.</p> <p>(iii) Offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered are considered to remain competitive.</p> <p>(iv) Within a reasonable prior period, a formal solicitation for identical products and services has not produced satisfactory results.</p> <p>(v) The proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition.</p> <p>(vi) There is an emergency which necessitates immediate action (a lack of time resulting from a failure to plan in advance shall not constitute an emergency).</p> <p>(vii) The proposed procurement contract relates to obtaining services that cannot be evaluated objectively.</p> <p><u>(viii) The proposed procurement action arises from an</u></p>	<p>Amendments to these alternative procedures improve the clarity and transparency of the same, enabling timely and compliant implementation of WIPO's workplans and customer requests.</p> <p>Under this new provision, the prior advice of the CRC would become compulsory for the implementation of any alternative procedure, whenever the procurement action would fall within the scope of its terms of reference (i.e., with respect to any such alternative procedures involving a financial transaction of more than 150'000 CHF per year). This aims at strengthening the procurement process associated with exceptions to competition or "alternative procedures".</p> <p>The proposed amendments to paragraph (b) are only of an editorial nature.</p> <p>Cooperation with other intergovernmental organizations should no longer give rise to the implementation of alternative procedures, as this issue is now dealt with specifically and autonomously by Rule 105.17bis.</p> <p>When a financial transaction arises from an Agreement entered into with a governmental entity or non-profit organization, this would be more appropriately handled through recourse to an alternative procedure (rather than a competitive process), considering the nature of the partnering entity. In such cases, detailed justifications aimed at establishing compliance with a standard of reasonable use of funds will be provided in the OI referred to in 105.17.</p> <p>The notion of "best interest" is already contained in the current version of Rule 105.18 (in its introductory part). It has</p>
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	<p><u>Agreement with a Governmental entity or non-profit organization (Partnering Entity) establishing a wider cooperation framework with WIPO. Inter-governmental organizations, as referred to in Rule 105.17bis, are expressly excluded from the scope of the present sub-paragraph (viii).</u></p> <p>(ix) The HLOP otherwise determines that a formal or informal solicitation will not give satisfactory results <u>is not in the best interest of the Organization.</u></p>	<p>been moved as a standalone provision for the sake of consistency and comprehensiveness.</p>
<p>Rule 105.19</p> <p>When a determination is made pursuant to Rule 105.18 above, the HLOP shall record the reasons in writing and may then award a procurement contract, on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms with the requirement at an acceptable price.</p>	<p>Rule 105.19</p> <p>When a determination is made pursuant to Rule 105.18(b) above, the HLOP shall record <u>in writing</u> the reasons <u>and the applicable process to be used for the</u> in writing and may then award a of the procurement contract, on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms with the requirement at an acceptable price.</p>	<p>Revisions improve clarity and transparency of decision-making.</p> <p>The HLOP would not only record in writing the reasons justifying the alternative procedure, but would also be required to specify the applicable process to be used for the award of the procurement contract.</p>
<p>Rule 105.21</p> <p>The Director General shall establish, through an Office Instruction, principles and detailed procedures for the award of procurement contracts and/or purchase orders in respect of each form of tender procedure. For the open international tender procedure, the HLOP shall establish an Evaluation Team.</p>	<p>Rule 105.21 <u>deleted</u></p> <p>The Director General shall establish, through an Office Instruction, principles and detailed procedures for the award of procurement contracts and/or purchase orders in respect of each form of tender procedure. For the open international tender procedure, the HLOP shall establish an Evaluation Team.</p>	<p>These matters are considered to be mainly details of implementation which would be better placed in the OI concerning procurement general principles and basic rules (as referred to In Rule 105.17).</p>
<p>Rule 105.23</p> <p>The requirement for the written form of procurement contracts, when applicable, shall not be interpreted to restrict the use of electronic means by parties to meet their respective contractual obligations. Before any electronic means is used by either party, the HLOP shall ensure that the electronic means to be used meet recognized industry standards, in particular in terms of authentication, safety and confidentiality.</p>	<p>Rule 105.23 <u>deleted</u></p> <p>The requirement for the written form of procurement contracts, when applicable, shall not be interpreted to restrict the use of electronic means by parties to meet their respective contractual obligations. Before any electronic means is used by either party, the HLOP shall ensure that the electronic means to be used meet recognized industry standards, in particular in terms of authentication, safety and confidentiality.</p>	<p>These matters are considered to be mainly details of implementation which would be better placed in the OI concerning procurement general principles and basic rules (as referred to In Rule 105.17).</p>

<p>Rule 105.26</p> <p>Throughout the tender process and until the results of that process are announced, no information about offers or the evaluation process may be divulged to any individual other than those directly involved in the evaluation process, such as responsible members of the Organization's staff and employees or authorized external consultants.</p>	<p>Rule 105.26</p> <p>Throughout the <u>duration of the supplier selection</u> tender process and until the results of that process are <u>officially</u> announced <u>by the relevant officers in charge of procurement</u>, no information about offers or the evaluation process may be divulged <u>by any individual involved in the selection process</u> to any <u>other</u> individual other than those directly involved in the evaluation process, such as responsible members of the Organization's staff and employees or authorized external consultants <u>within or outside the organization, not involved in the evaluation or selection process.</u></p>	<p>To strengthen requirement for confidentiality and thereby reinforce accountability for the same.</p>
<p>Rule 105.27</p> <p>Officers of the Organization involved in a procurement action shall disclose, in advance, any possible conflict of interest that may arise in the course of carrying out their duties. Failure to do so may result in appropriate disciplinary action or other appropriate civil and/or criminal action.</p>	<p>Rule 105.27</p> <p>Officers of the Organization involved in a procurement action <u>process</u> shall disclose, in advance, any possible conflict of interest that may arise in the course of carrying out their duties. Failure to do so may result in appropriate disciplinary action or other appropriate civil and/or criminal action.</p>	

[Annex II follows]

ANNEX II - OTHER PROPOSED AMENDMENTS TO THE FRRS

Current Text	Proposed New Text	Reason for Change
CHAPTER 1: GENERAL PROVISIONS	CHAPTER 1: GENERAL PROVISIONS	
<p>Applicability and authority Rule 101.1</p> <p>The Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. The Program and Budget Committee is informed of any modification of the Financial Rules. They shall govern all the financial management activities of the Organization except as may otherwise explicitly be provided by the General Assembly or unless specifically exempted therefrom by the Director General. The Director General hereby delegates authority and assigns responsibility for the implementation of the Financial Regulations and Rules to the Controller. The Controller may in turn delegate aspects of his/her authority to other officers unless the Director General indicates otherwise. In the application of the Financial Regulations and Rules, officers shall be guided by the principles of effective and efficient financial management and the exercise of economy.</p>	<p>Applicability and authority Rule 101.1</p> <p>The Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. The Program and Budget Committee is informed of any modification of the Financial Rules. They shall govern all the financial management activities of the Organization except as may otherwise explicitly be provided by the General Assembly or unless specifically exempted therefrom by the Director General. The Director General hereby delegates authority and assigns responsibility for the implementation of the Financial Regulations and Rules to the Controller, together with the authority to issue Office Instructions for such purpose. The Controller may in turn delegate aspects of his/her authority to other officers unless the Director General indicates otherwise. In the application of the Financial Regulations and Rules, officers shall be guided by the principles of effective and efficient financial management and the exercise of economy.</p>	<p>In line with the delegation of authority, the amendment to the Rule authorizes the Controller to issue appropriate Office Instructions regarding the implementation of the FRRs.</p>
<p>Definitions Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>(a) “Assemblies of the Unions” mean the Assemblies of each Union constituted by a treaty administered by WIPO;</p> <p>(b) “Coordination Committee” is the Committee referred to in Article 8 of the Convention Establishing the World Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;</p> <p>(c) “General Assembly” is the body of Member States referred to in Article 6 of the Convention Establishing the</p>	<p>Definitions Rule 101.3</p> <p>For the purpose of these Rules:</p> <p>(a) “Assemblies of the Unions” mean the Assemblies of each Union constituted by a treaty administered by WIPO;</p> <p>(b) “Coordination Committee” is the Committee referred to in Article 8 of the Convention Establishing the World Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;</p> <p>(c) “General Assembly” is the body of Member States referred to in Article 6 of the Convention Establishing the World</p>	

Current Text	Proposed New Text	Reason for Change
<p>World Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;</p> <p>(d) “Program and Budget Committee” means the Committee constituted by the General Assembly to deal with program, budget, personnel resources, premises, and finance;</p> <p>(e) “Appropriations” shall mean the budgetary expenditure authorizations approved by the General Assembly for the financial period against which expenditures may be incurred for purposes specified by the General Assembly;</p> <p>(f) “Disbursement” shall mean the actual amount paid;</p> <p>(g) “Employee” is a person engaged by the Organization, under any type of contract, to perform duties;</p> <p>(h) “Expenditure” shall mean the sum of disbursements and expense accruals;</p> <p>(i) “Headquarters” shall mean the offices of the Organization located in Geneva;</p> <p>(j) “Obligations” are amounts of orders placed, contracts awarded, and other transactions for which goods have been received or services rendered during the current financial period and which will require payment during the same or a future period;</p> <p>(k) “Officer” is a staff member of the Organization, that is, an individual employed under a fixed-term, continuing, permanent, or temporary appointment;</p> <p>(l) “Pre-encumbrance” (“Commitment” or “Purchase Requisition”) shall mean an engagement involving an earmarking of funds against resources of the Organization;</p> <p>(m) “Program Manager” is a senior officer designated by the Director General to be in charge of one or more programs in the Program and Budget;</p> <p>(n) “Reserve funds” shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from</p>	<p>Intellectual Property Organization, Stockholm, July 14, 1967, and as amended;</p> <p>(d) “Program and Budget Committee” means the Committee constituted by the General Assembly to deal with program, budget, personnel resources, premises, and finance;</p> <p>(e) “Appropriations” shall mean the budgetary expenditure authorizations <u>in accordance with the Program and Budget</u> approved by the General Assembly for the financial period against which expenditures may be incurred for purposes specified by the General Assembly;</p> <p>(f) “Disbursement” shall mean the actual amount paid;</p> <p>(g) “Employee” is a person engaged by the Organization, under any type of contract, to perform duties;</p> <p>(h) “Expenditure” shall mean the sum of disbursements <u>(excluding amounts prepaid at the end of each year of the financial period)</u> and expense accruals;</p> <p>(i) “Headquarters” shall mean the offices of the Organization located in Geneva;</p> <p>(j) “Obligations” <u>(“contractual commitments”)</u> are amounts of orders placed, contracts awarded, and other transactions for which goods have been received or services rendered during the current financial period and which will require payment during the same or a future period;</p> <p>(k) “Officer” is a staff member of the Organization, that is, an individual employed under a fixed-term, continuing, permanent, or temporary appointment;</p> <p>(l) “Pre-encumbrance” (“Commitment” or “Purchase Requisition”) shall mean an engagement involving an earmarking of funds against resources of the Organization;</p> <p>(m) “Program Manager” is a senior officer designated by the Director General to be in charge of one or more programs in the Program and Budget;</p> <p>(n) “Reserve funds” shall mean funds established by the Assemblies of the Member States and of the Unions, each as far as it is concerned, in which surplus income from fees that</p>	<p>The amendment simplifies the definition of appropriations, ensuring clarity and transparency with the explicit reference to the approved Program and Budget.</p> <p>The amendment rectifies an error in the definition of expenditures, as the amounts prepaid at the end of each year of the financial period need to be excluded from total disbursements.</p> <p>The amendment rectifies an error in the definition that, as previously formulated, referred only to a sub-set of obligations.</p> <p>The definition is proposed to be simplified and aligned with the presentation in the</p>

Current Text	Proposed New Text	Reason for Change
<p>fees that exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned;</p> <p>(o) “Special Account” shall mean an account for monies not being part of the appropriations but administered by the Organization on behalf of voluntary contributors for specific activities which must be consistent with the aims and policies of the Organization;</p> <p>(p) “Trust funds” shall mean funds held by the Organization on behalf of other entities;</p> <p>(q) “Working capital funds” shall mean funds established for providing advance financing of appropriations should there be a temporary liquidity shortfall and for such other purposes as the Assemblies of Member States and of the Unions, each as far as it is concerned, shall decide.</p>	<p>exceed the amounts required to finance the program and budget appropriations should be deposited. Reserve funds shall be used in a manner decided by the Assemblies of the Member States and of the Unions, each as far as it is concerned<u>are the net assets of the Organization, and include accumulated surpluses, special projects reserve, revaluation reserve and working capital funds;</u></p> <p>(o) “Special Account” shall mean an account for monies not being part of the appropriations but administered by the Organization on behalf of voluntary contributors for specific activities which must be consistent with the aims and policies of the Organization;</p> <p>(p) “Trust funds” shall mean funds held by the Organization on behalf of other entities;</p> <p>(q) “Working capital funds” shall mean funds established for providing advance financing of appropriations should there be a temporary liquidity shortfall and for such other purposes as the Assemblies of Member States and of the Unions, each as far as it is concerned, shall decide.</p>	<p>financial statements. Reference to the use of the reserves has been removed as Regulation 4.6 refers to the use of reserves.</p>
<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>	<p>CHAPTER 2: THE PROGRAM AND BUDGET</p>	
<p>Program and budget performance and evaluation Regulation 2.14</p> <p>The Director General shall prepare a report on program performance, based on the program structure, results frameworks, benchmarks and indicators of achievement contained in the program and budget, in accordance with the mechanism adopted by the Member States in respect of their involvement in the preparation and follow up of the program and budget of the Organization.</p>	<p>Program and budget <u>financial</u> performance and evaluation <u>reporting</u> Regulation 2.14</p> <p>The Director General shall prepare a report on program <u>and budgetary</u> performance, based on the program structure, results frameworks, benchmarks and indicators of achievement contained in the program and budget, in accordance with the mechanism adopted by the Member States in respect of their involvement in the preparation and follow up of the program and budget of the Organization. <u>The program and financial management report of (i) the first year of the biennium shall provide a progress report on program and budgetary performance; and of (ii) the second year of the biennium shall provide a report on the achievements of the biennium, together with financial management information as required under these Financial Regulations and Rules.</u></p>	<p>Changes are proposed to ensure that information provided to Member States with respect to program performance is reflected in an enhanced version of the program performance report. The new report will be entitled Program and Financial Management Report (PFMR), which will include information on program and budgetary performance, incorporating relevant elements from the previously issued Financial Management Report, as detailed in the proposed new Regulation 2.14<i>b/s</i> below.</p>

Current Text	Proposed New Text	Reason for Change
	<p><u>Regulation 2.14bis</u></p> <p><u>The program and financial management report of the second year of the biennium shall include the following financial information:</u></p> <p>(a) <u>A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</u></p> <p>(b) <u>The status of appropriations, including:</u></p> <p>(i) <u>the original budget appropriation;</u></p> <p>(ii) <u>the appropriation as modified by transfers made by the Director General under Regulation 5.5;</u></p> <p>(iii) <u>increases or decreases arising from the flexibility adjustments under Regulation 5.6;</u></p> <p><u>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</u></p>	<p>The information previously provided under the Financial Management Report (FMR) is proposed to be provided, depending on the nature of the information concerned, under (i) the Program and Financial Management Report of the second year of the biennium; or (ii) the annual financial statements of the second year of the biennium, or (iii) where appropriate, in a separate report (i.e. report on the status of contributions).</p> <p>The proposed approach ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced <u>without any loss or reduction of information or disclosure.</u></p> <p>This is ensured through the following combination of proposed changes:</p> <ul style="list-style-type: none"> - amendment to Regulation 2.14; - introduction of new Regulation 2.14bis; - introduction of new Rule 102.7; - amendment to Regulation 3.7; - amendment to Regulation 3.14; - amendment to Rule 106.3; - amendment to Regulation 6.3; - amendment to Rule 106.7; - amendment to 106.10 (c); - new Rule 106.11bis; - deletion of Regulation 6.6; - deletion of Rule 106.12; and - amendment to Regulation 6.7.
	<p><u>Rule 102.7</u></p> <p><u>The Controller shall prepare the program and financial management report in accordance with Regulation 2.14 and 2.14bis.</u></p>	<p>To reflect that the Controller is responsible for preparing the program and financial management reports.</p>

Current Text	Proposed New Text	Reason for Change
CHAPTER 3: FUNDS	CHAPTER 3: FUNDS	
A. ASSESSED CONTRIBUTIONS	A. ASSESSED CONTRIBUTIONS	
<p>Status of payment of assessed contributions Regulation 3.7</p> <p>The Director General shall submit to the General Assembly at each ordinary session a report on the payment of contributions.</p>	<p>Status of payment of assessed contributions Regulation 3.7</p> <p>The Director General shall submit an annual as well as a biennial statement on the status of contributions of the Member States to the General Assembly at each ordinary session a report on the payment of contributions.</p>	<p>To ensure that the biennial requirement (previously set out under the FMR) is complied with.</p>
D. MISCELLANEOUS INCOME	D. MISCELLANEOUS INCOME	
<p>Regulation 3.13</p> <p>All income except:</p> <ul style="list-style-type: none"> (a) Assessed contributions by Member States, (b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, (c) Direct refunds of expenditures made during the financial period, (d) Advances or deposits to funds, (e) Interest_or investment revenue, (f) Income from the Arbitration and Mediation Center, (g) Income from the sale of publications, <p>shall be classed as miscellaneous income.</p>	<p>Regulation 3.13</p> <p>All income except:</p> <ul style="list-style-type: none"> (a) Assessed contributions by Member States, (b) Fees derived for services provided by the Organization under the PCT, Madrid, Hague and Lisbon systems, (c) Direct refunds of expenditures made during each year of the financial period, (d) Advances or deposits to funds, (e) Interest_or investment revenue, (f) Income from the Arbitration and Mediation Center, (g) Income from the sale of publications, <p>shall be classed as miscellaneous income.</p>	<p>The change clarifies that refunds can only be made against expenditures of the same year of the biennium. Refunds received in year two of the biennium, which relate to expenditures in year one, will be treated as miscellaneous income.</p>

Current Text	Proposed New Text	Reason for Change
<p>Regulation 3.14</p> <p>Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported in the financial management report of the financial period.</p>	<p>Regulation 3.14</p> <p>Monies accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported in the annual financial management report statements of the financial period year to which they relate.</p>	<p>Clarification highlighting current practice, which is fully aligned with the requirements of IPSAS - while the financial period is the biennium, the Organization reports on miscellaneous income annually in the annual financial statements.</p>
<p>Reimbursements of expenditures</p> <p>Rule 103.2</p> <p>(a) Within the same financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior financial periods shall be credited as miscellaneous income.</p> <p>(b) Adjustments that arise subsequent to the closing of a special account shall be debited or credited against miscellaneous income in the regular budget</p>	<p>Reimbursements of expenditures</p> <p>Rule 103.2</p> <p>(a) Within the same year of the financial period, reimbursements of actual expenditures incurred may be credited to the accounts against which they were originally charged; reimbursements of actual expenditures incurred in prior financial periodsyears shall be credited as miscellaneous income.</p> <p>(b) Adjustments that arise subsequent to the closing of a special account shall be debited or credited against miscellaneous income in the regular budget</p>	<p>Clarification to highlight that reimbursements can only be applied to expenditures of the same year.</p>
<p>CHAPTER 4: CUSTODY OF FUNDS</p>	<p>CHAPTER 4: CUSTODY OF FUNDS</p>	
<p>A. INTERNAL ACCOUNTS</p>	<p>A. INTERNAL ACCOUNTS</p>	
<p>Surpluses and deficits; Reserve Funds</p> <p>Regulation 4.6</p> <p>The use, other than for the covering of any deficits, of any of the reserve funds is a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.</p>	<p>Surpluses and deficits; Reserve Funds</p> <p>Regulation 4.6</p> <p>The use, other than for the covering of any deficits, of any of the reserve funds shall be approved in accordance with WIPO's policy on reservesis a matter for the decision of the General Assembly of WIPO or the Assembly of the Union concerned, as the case may be.</p>	<p>Member States have approved WIPO's policy on reserves separately. The FRRs accordingly cross reference the approved policy.</p> <p>This is aligned with the way other policies/decision are cross-referenced in the FRRs, including:</p> <ul style="list-style-type: none"> - reference to the "involvement of Member States in the preparation of the proposed program and budget for the next financial period [...] in accordance with the mechanism that they adopted in that respect" in

Current Text	Proposed New Text	Reason for Change
		<p>Regulation 2.2.;</p> <ul style="list-style-type: none"> - reference to adjustments to be made “in accordance with the methodology and formula(e) approved by the respective assemblies of the PCT, Madrid and Hague Unions, and presented in the proposed program and budget for the relevant financial period” in Regulation 5.6; as well as - references to the “Organization’s investment policy, as approved by Member States” in Regulation 4.10 and 4.11).
B. BANKING	B. BANKING	
<p>Exchange of currencies Rule 104.4</p> <p>Officers responsible for the operation of WIPO bank accounts shall proceed to exchange all payments received in currencies other than the Swiss franc into Swiss francs except when the other currencies are necessary for the transaction of official business of the Organization in the foreseeable future. Policies and procedures for exchange of currencies shall be established in detail through appropriate Office Instructions.</p>	<p>Exchange of currencies Rule 104.4</p> <p>Officers responsible for the operation of WIPO bank accounts shall proceed to exchange all payments received in currencies other than the Swiss franc into Swiss francs except when the other currencies are necessary for the transaction of official business of the Organization in the foreseeable future. Policies and procedures for exchange of currencies shall be established in detail through appropriate Office Instructions.</p>	<p>Rule 104.10(b) already provides the guidance needed, therefore no further policies or Office Instructions are envisaged to be needed for this. A handbook is under preparation summarizing the procedures to be followed, which will be fully in line with the relevant Regulations, Rules and applicable policies.</p>
CHAPTER 5: UTILIZATION OF FUNDS	CHAPTER 5: UTILIZATION OF FUNDS	
A. APPROPRIATIONS	A. APPROPRIATIONS	
<p>Regulation 5.3</p> <p>Expense accruals shall remain available for twelve months following the end of the financial period to which they relate, to the extent that they are required to cover payments in respect of goods supplied and services rendered in the financial period.</p>	<p>Regulation 5.3</p> <p>Expense accruals shall remain available for twelve months following the end of <u>each year of</u> the financial period to which they relate, to the extent that they are required to cover payments in respect of goods supplied and services rendered in the financial period.</p>	<p>Clarification to highlight that accruals are kept available for one year following the closure of the year in question.</p>

Current Text	Proposed New Text	Reason for Change
<p>Regulation 5.4</p> <p>At the end of the twelve-month period provided for in Regulation 5.3 above, any expense accruals of the financial period in question shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.</p>	<p>Regulation 5.4</p> <p>At the end of the twelve-month period provided for in Regulation 5.3 above, any expense accruals of the year <u>financial period</u> in question shall be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.</p>	<p>As above.</p>
<p>Commitments against appropriations for future financial periods</p> <p>Regulation 5.7</p> <p>The Director General may enter into commitments for future financial periods, provided that such commitments:</p> <p>(a) are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or</p> <p>(b) are authorized by specific decisions of the General Assembly.</p> <p>Rule 105.1</p> <p>In accordance with Regulation 5.7 above, the authority to approve commitments against future financial periods is delegated to the Controller. The Controller shall maintain a record in the accounting records of all such commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.</p>	<p><u>Contractual</u> Commitments against appropriations for future financial periods</p> <p>Regulation 5.7</p> <p>The Director General may enter into <u>contractual</u> commitments for future financial periods, provided that such commitments <u>these</u>:</p> <p>(a) are for activities which have been approved by the General Assembly and are expected to continue beyond the end of the current financial period; or</p> <p>(b) are authorized by specific decisions of the General Assembly.</p> <p>Rule 105.1</p> <p>In accordance with Regulation 5.7 above, the authority to approve <u>contractual</u> commitments against future financial periods is delegated to the Controller. The Controller shall maintain a record in the accounting records of all such <u>contractual</u> commitments (Rule 106.7), which shall constitute the first charges against relevant appropriations once they are approved by the General Assembly.</p>	<p>Correction to ensure accurate reference to obligations (contractual commitments), which is what this regulation intends, rather than commitments (pre-encumbrances).</p>
<p>B. COMMITMENTS, OBLIGATIONS AND EXPENDITURES</p>	<p>B. COMMITMENTS, OBLIGATIONS AND EXPENDITURES</p>	
<p>Certifying officers</p> <p>Rule 105.6</p> <p>(a) Certifying officers are responsible for ensuring that the utilization of resources proposed by Program Managers, including posts, is in compliance with the</p>	<p>Certifying officers</p> <p>Rule 105.6</p> <p>(a) Certifying officers are responsible for ensuring that the utilization of resources proposed by Program Managers, including posts, is in compliance with the Financial Regulations</p>	<p>The proposed change is intended to reflect the delegated authority to the Controller and the HLOP under the FRRs to issue OIs.</p>

Current Text	Proposed New Text	Reason for Change
<p>Financial Regulations and Rules, the Staff Regulations and Rules of the Organization and the Office Instructions issued by the Director General.</p> <p>(b) Certifying officers are designated by the Controller. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 105.7.</p>	<p>and Rules, the Staff Regulations and Rules of the Organization and the Office Instructions issued by the Director General <u>or other authorized officers</u>.</p> <p>(b) Certifying officers are designated by the Controller. Certifying authority and responsibility is assigned on a personal basis and cannot be delegated. A certifying officer cannot exercise the approving functions assigned in accordance with Rule 105.7.</p>	
<p>Review, re-obligation and cancellation of obligations Rule 105.9</p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the accounting records accordingly.</p> <p>(b) When any obligation previously recorded in the accounting records is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounting records.</p>	<p>Review, re-obligation and cancellation of obligations Rule 105.9</p> <p>(a) Outstanding obligations must be reviewed periodically by the responsible Program Manager. If an obligation is determined to be valid but cannot be liquidated during the period set forth in Regulation 5.3, the provisions of Regulation 5.4 shall, as appropriate, be applied. Obligations that are no longer valid shall be reduced or cancelled from the accounting records accordingly.</p> <p>(b) When any obligation previously recorded in the accounting records is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounting records.</p>	<p>This is covered under point (b) and therefore redundant.</p>
<p>D. PROPERTY MANAGEMENT</p>	<p>D. PROPERTY MANAGEMENT</p>	
<p>Physical verification of property Rule 105.33</p> <p>Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of non-expendable equipment for the purposes of ensuring that the accounting records of fixed assets are accurate.</p>	<p>Physical verification of property Rule 105.33</p> <p>Officers responsible for the management of the property of the Organization shall perform periodic physical inventories of non-expendable equipments <u>such property</u> for the purposes of ensuring that the accounting records of fixed assets are accurate.</p>	<p>For clarification, to remove confusion generated by the previously used terminology.</p>

Current Text	Proposed New Text	Reason for Change
CHAPTER 6: ACCOUNTING	CHAPTER 6: ACCOUNTING	
<p>Accounting bases and standards Rule 106.3</p> <p>The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System. Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all other financial reporting shall be prepared on a full accrual basis.</p>	<p>Accounting bases and standards Rule 106.3</p> <p>The accounting records shall be maintained to support the preparation of financial reports on different accounting bases as required by the Organization. The program and budget and related reporting in the <u>program and</u> financial management report are prepared on a modified accrual basis. The annual financial statements are prepared on a full accrual basis in compliance with the accounting standards applicable to the United Nations System. Unless otherwise directed by the Controller or by the particular terms governing the operation of a trust fund or special account, all other financial reporting shall be prepared on a full accrual basis.</p>	<p>To reflect the fact that program and budget related reporting, prepared on a modified accrual basis, will be provided in the Program and Financial Management Report.</p>
<p>Currency of accounting records Regulation 6.3</p> <p>The annual financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p>Currency of accounting records Regulation 6.3</p> <p>The annual financial statements and the financial management report of the Organization shall be presented in Swiss francs. Accounting records may, however, be kept in such currency or currencies as the Director General may deem necessary.</p>	<p>The Organization presents all its financial information in Swiss francs.</p> <p>The Program and Budget is presented in Swiss francs, in accordance with Regulation 2.1, and income and expenditures are presented on the same basis, in Swiss francs, in the Program Performance Report and the Program and Financial Management Report in accordance with proposed new Regulation 2.14<i>bis</i>.</p> <p>Reporting in the annual financial statements is presented in Swiss francs.</p>

Current Text	Proposed New Text	Reason for Change
<p>Accounting for commitments against future financial periods</p> <p>Rule 106.7</p> <p>Commitments established prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the financial management report. For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.</p>	<p>Accounting for <u>contractual</u> commitments against future financial periods</p> <p>Rule 106.7</p> <p><u>Contractual</u> commitments established <u>against future financial periods</u>prior to the financial period to which they pertain, pursuant to Regulation 5.7 and Rule 105.1, shall be disclosed in the <u>notes to the financial statements</u>management report. For the purposes of the annual financial statements, contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements which fall due in future calendar years shall be disclosed in the notes to the financial statements.</p>	<p>To clarify and simplify the rule and fully align it with Regulation 5.7 and related Rule 105.1. All contractual commitments, including those previously separately listed (contractual capital commitments for the acquisition of fixed assets and contractual commitments under lease arrangements falling due in future calendar years) are disclosed fully and transparently in the notes to the annual financial statements.</p>
<p>Direct and indirect expenses</p> <p>Rule 106.10</p> <p>(a) Any expenditure which is incurred in the exclusive interest of a given Union shall be considered as a “direct expense” of that Union.</p> <p>(b) Any other expenditure which is incurred to implement the program and budget approved by the Assemblies of the Member States shall be considered as an “indirect expense.”</p> <p>(c) The financial management report of the Organization shall provide a clear distinction between direct and indirect expenses.</p>	<p>Direct and indirect expenses</p> <p>Rule 106.10</p> <p>(a) Any expenditure which is incurred in the exclusive interest of a given Union shall be considered as a “direct expense” of that Union.</p> <p>(b) Any other expenditure which is incurred to implement the program and budget approved by the Assemblies of the Member States shall be considered as an “indirect expense.”</p> <p>(c) The <u>program and</u> financial management report of the Organization shall provide a clear distinction between direct and indirect expenses.</p>	<p>To reflect the fact that expenditures incurred will be presented as “direct” or “indirect” expenses in the Program and Financial Management Report.</p>
	<p><u>Rule 106.11 bis</u></p> <p><u>The annual financial statements of the second year of the biennium shall provide the following:</u></p> <p><u>(a) The income and expenditures of all funds;</u></p> <p><u>(b) Credits, if any, other than the appropriations approved for the biennium, together with amounts charged against these, in the form of a comprehensive table;</u></p>	<p>To reflect the elements previously included in the FMR, which will form part of the annual financial statements of the second year of the biennium.</p>

Current Text	Proposed New Text	Reason for Change
	<p>(c) Within the discussion and analysis accompanying such statements, financial information for the financial period drawn from the primary financial statements prepared for each calendar year;</p> <p>(d) A report on investments, as part of the notes to the financial statements.</p>	
<p>Regulation 6.6</p> <p>Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the following information:</p> <p>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</p> <p>(b) The income and expenditures of all funds;</p> <p>(c) The status of appropriations, including:</p> <p>(i) the original budget appropriation;</p> <p>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</p> <p>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</p> <p>(iv) credits, if any, other than the appropriations approved by the General Assembly;</p> <p>(v) the amounts charged against those appropriations and/or other credits;</p> <p>(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;</p> <p>(e) A report on investments;</p> <p>(f) A statement on the status of contributions of the Member States.</p>	<p>Regulation 6.6 (deleted)</p> <p>Within five months after the end of each financial period, the Director General shall prepare the financial management report for that financial period. That report shall include the following information:</p> <p>(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;</p> <p>(b) The income and expenditures of all funds;</p> <p>(c) The status of appropriations, including:</p> <p>(i) the original budget appropriation;</p> <p>(ii) the appropriation as modified by any transfers made by the Director General under Regulation 5.5;</p> <p>(iii) increases or decreases arising from the flexibility adjustments under Regulation 5.6;</p> <p>(iv) credits, if any, other than the appropriations approved by the General Assembly;</p> <p>(v) the amounts charged against those appropriations and/or other credits;</p> <p>(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;</p> <p>(e) A report on investments;</p> <p>(f) A statement on the status of contributions of the Member States.</p>	<p>The information previously provided under the Financial Management Report (FMR) is proposed to be provided, depending on the nature of the information concerned, under (i) the Program and Financial Management Report of the second year of the biennium; or (ii) the annual financial statements of the second year of the biennium, or (iii) where appropriate, in a separate report (i.e. report on the status of contributions).</p> <p>The proposed approach ensures that duplication and overlaps in reporting are minimized, and coherence, clarity and transparency of reporting are enhanced <u>without any loss or reduction of information or disclosure.</u></p> <p>This is ensured through the following combination of proposed changes:</p> <ul style="list-style-type: none"> - amendment to Regulation 2.14; - introduction of new Regulation 2.14bis; - introduction of new Rule 102.7; - amendment to Regulation 3.7; - amendment to Regulation 3.14; - amendment to Rule 106.3; - amendment to Regulation 6.3; - amendment to Rule 106.7; - amendment to 106.10 (c); - new Rule 106.11bis; - deletion of Regulation 6.6;

Current Text	Proposed New Text	Reason for Change
<p>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</p> <p>Rule 106.12</p> <p>The Controller shall prepare the financial management report in accordance with Regulation 6.6.</p>	<p>The Director General shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</p> <p>Rule 106.12 (deleted and moved to new Rule 102.7)</p> <p>The Controller shall prepare the financial management report in accordance with Regulation 6.6.</p>	<ul style="list-style-type: none"> - deletion of Rule 106.12; and - amendment to Regulation 6.7.
<p>Regulation 6.7</p> <p>After the annual audit, the annual financial statements and the report of the External Auditor shall be transmitted to all the interested States. Every two years following the end of the biennium, the financial management report shall also be transmitted to all interested States.</p>	<p>Regulation 6.7</p> <p>After the annual audit, the annual financial statements and the report of the External Auditor shall be transmitted to all the interested States. Every two years following the end of the biennium, the financial management report shall also be transmitted to all interested States.</p>	<p>The program and financial management reporting frequency is addressed under Regulation 2.14.</p>
<p>CHAPTER 10: FINAL PROVISIONS</p>	<p>CHAPTER 10: FINAL PROVISIONS</p>	
<p>Amendment</p> <p>Regulation 10.1</p> <p>The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly.</p>	<p>Amendment</p> <p>Regulation 10.1</p> <p>The Director General may propose amendments to these Regulations. Any such amendment to these Regulations must be approved by the General Assembly. <u>Such amendments shall become effective on the date of approval by the General Assembly, unless specified otherwise.</u></p>	<p>To clarify the timing of entry into force of amendments.</p>
<p>Rule 110.1</p> <p>The present Rules may be amended by the Director General in a manner consistent with the Financial Regulations.</p>	<p>Rule 110.1</p> <p>The present Rules may be amended by the Director General in a manner consistent with the Financial Regulations. <u>Such amendments shall become effective on the date determined by the Director General.</u></p>	<p>To clarify the timing of entry into force of amendments.</p>

[End of Annex II and of document]