

## APPENDIX 1 BUDGET POLICY AND PRESENTATION

428. The description of the budget policy and presentation provides for the codification and clarification of recent budget practice. This is linked to the new and expanded presentation of budgetary information to enhance transparency and support the budget review and approval process by Member States. The following issues are addressed below: A. Single document for budget presentation; B. Calculation of budget stages 2000-2001 and 2002-2003; C. Resource plan 2000-2001 and 2002-2003; D. New arrangement for determining budget allocation by Union; and E. Additional modification of budget presentation.

### ***A. Single document for budget presentation***

429. As outlined in paragraphs 76 and 77 of document WO/PBC/3/5, the Program and Budget Committee agreed at its third session that the budget proposals should be presented in a single document, reflecting the structure of the programs and subprograms and distribution of expenditures by Unions and programs proposed in document WO/PBC/3/2 and WO/PBC/3/3, including information technology and premises projects. Agreement was reached following a discussion of the issue and taking into account the explanations provided by the Secretariat on the implications of the change in presentation as recorded in document WO/PBC/3/5. Essentially, the presentation of a single document integrates the project activities previously submitted off-budget into the biennial, results-based budget presentation utilized for the regular budget of WIPO. The single biennial presentation is supplemented and supported by presenting the long-term implications of major budget proposals. This is done in annex 1 (Major information technology activities) and Annex 2 (WIPO premises plan up to 2007).

430. The budget methodology is elaborated in detail in Section B below which describes the calculation of budget stages for 2000-2001 and 2002-2003. Specific reference is made to the integration of project activities previously submitted off-budget in accordance to following steps:

- ◆ Section B, item (ii) *Project integration 2000-2001*: describes integration of approved projects;
- ◆ Section B, item (v) *Revised budget 2000-2001/Revised budget in accordance with program structure 2002-2003*: describes introduction of new sub-programs for project activities;
- ◆ Section B, item (vi) *Project variation 2002-2003*: describes changes in budget allocation of approved projects;
- ◆ Section B, item (vii) *Resource variation 2002-2003*: describes new activities, including those previously submitted as new information technology projects.

431. The presentation of a single budget document is implemented by introducing a number of additional adjustments. This includes the discontinuation of surplus accounts and the presentation of an integrated initial income 2000-2001. These issues are elaborated below. Finally, a summary comparison of key indicators is presented between the previous (separate budget) presentation and the new (single budget) presentation.

#### **(i) Discontinuation of surplus accounts**

432. As outlined in paragraphs 60 to 71 of document WO/PBC/2/2, a mechanism has been developed by which surplus is linked with the biennial budget process for each Union. Total biennial resource requirements are funded through estimated biennial income and, if applicable, resources available in the reserves and working capital funds (RWC funds) of the Unions. The changes in the RWC fund are indicated as a percentage of estimated biennial expenditure (PBE factor) which allows for an assessment of the reserve and working capital fund situation.

433. The new policy had been reflected in the proposed program and budget contained in document WO/PBC/3/2. Uncommitted resources contained in the Special Reserve Fund as well as the estimated surplus funds for 2000-2001 and 2002-2003 were allocated to the RWC funds of the Unions. Excess resources in the RWC funds of the Unions were available for the funding of the regular budget, together with the biennial income, and for the funding of new project activities proposed off-budget. Resources already earmarked for approved off-budget projects were retained in the surplus account and expected to be drawn down with the implementation of those projects.

434. The decision of the Program and Budget Committee to consolidate the regular budget and off-budget project activities into a single document allows for the full implementation of the new policy on surplus and reserves. Specifically, the earmarked resources contained in the surplus account are now redistributed to the RWC funds of the Unions as elaborated below in Section C (Resource plan 2000-2001 and 2002-2003). The total budget, including project activities previously approved and proposed off-budget, is funded from the biennial income and the RWC funds. The long-term implications of this funding and budget arrangement are elaborated in the context of a financial plan presented in Appendix 2.

435. The discontinuation of the surplus account and the resulting adjustment of the funding arrangement are fully compatible with the financial presentation previously provided in documents WO/PBC/3/2 and WO/PBC/3/3. The amount of total resources of Sfr236,863,000 of surplus resources indicated in Table 3, line 13 and 14 and redistributed to the reserve funds of the Unions is equivalent to the sum of reserve funds indicated in document WO/PBC/3/2, Table 3, in line 13/14, column E (Sfr62,185,000) and line 15, column G (Sfr174,678,000).

#### **(ii) Integrated initial income 2000-2001**

436. With the presentation of a single budget, including the previous regular budget and off-budget projects activities; the financial information on income needs to be adjusted to

complement the budget consolidation. This is introduced through the presentation of an integrated initial income 2000-2001, in parallel to the integrated initial budget 2000-2001 as described below in item (iii) of Section B. The income adjustment is limited to the treatment of interest generated under surplus resources. Previously, interest income of Sfr18,700,000 from surplus resources for 2000-2001 was credited to the revised income for the regular budget as outlined in Part D of document WO/PBC/3/2. In addition, the funding of project activities continued to be maintained off-budget. With a single income and budget presentation at the initial stage for 2000-2001, the anticipated interest income from surplus resources is integrated with the anticipated regular income at the initial budget stage. As a result, the integrated initial income 2000-2001 amounts to Sfr428,584,000, an increase of Sfr18,700,000 as compared to the initial income for the regular budget presented in document WO/PBC/3/2. This increase is fully offset by a corresponding decrease in the income variation 2000-2001, amounting to Sfr97,461,000 as compared to Sfr116,161,000 indicated in document WO/PBC/3/2. This adjustment does not impact on the total level of revised income 2000-2001; however, the failure to introduce the adjustment would overstate income variations between initial and revised income 2000-2001.

**(iii) Comparison between and previous (separate budget) and new (single budget) presentation**

437. Table 24 presents a comparison of key indicators between the previous (separate budget), including regular budget and off-budget project activities, and new (single budget) presentation. When comparing the previous with the new presentation, the regular budget corresponds with the Prior Regular Programs, the information technology projects with new sub-programs 15.3 to 15.7 and the premises projects with new sub-programs 18.3 and 18.4. The corresponding calculations are elaborated below in Section B.

438. For the initial estimates 2000-2001, some changes are indicated in Table 24. For the previous (separate budget) presentation, the initial project budget estimates total Sfr80,000,000, including Sfr50,102,000 for information technology and Sfr29,898,000 for premises projects. This represents expenditure estimated prior to the approval of the regular budget 2000-2001. This amount was updated in the context of the revised budget 2000-2001 totalling Sfr115,500,000, including Sfr65,428,000 for information technology projects and Sfr50,072,000 for premises projects. The increase reflected additional expenditure anticipated as a result of the WIPOnet reappropriation of Sfr15,326,000 and the increase in the ex-WMO renovation of Sfr28,600,000 approved in September 2000. Under the new (single budget) presentation, the integrated initial budget 2000-2001 reflects all project expenditure approved prior to submission of the proposed budget 2002-2003, described under item (ii), Section B below. As a result, budget allocation for new sub-programs 15.3 to 15.7, 18.3 and 18.4 total of Sfr115,500,000 and not Sfr80,000,000 as indicated for the previous (separate budget) presentation. Moreover, the new (single budget) presentation reflects an income of Sfr428,584,000, which exceeds the income estimates for the previous (separate budget) presentation by Sfr18,700,000. As outlined above under item (ii), this reflects the integration of interest income from surplus resources.

**Table 24. Comparison Between Previous (Separate Budget Presentation) and New (Single Budget Presentation) 2000-2001, 2002-2003 and 2004-2005**  
(in thousands of Swiss francs)

<i>Previous: Separate Budget Presentation</i>	<i>Initial 2000-2001</i>	<i>Revised 2000-2001</i>	<i>Proposed 2002-2003</i>	<i>Indicated 2004-2005</i>
<b>A. Budget Allocation</b>				
1. Regular budget	409,705	450,358	512,600	536,500
2. Information technology projects				
Approved	50,102	65,428	16,647	--
Proposed	--	--	82,900	--
<i>Total, A.2</i>	<u>50,102</u>	<u>65,428</u>	<u>99,547</u>	<u>--</u>
3. Premises projects				
Approved	29,898	50,072	66,253	20,204
<b>Total, A</b>	<b>489,705</b>	<b>565,858</b>	<b>678,400</b>	<b>556,704</b>
<b>B. Posts</b>				
1. Regular budget	815	929	998	n/a
2. Information technology projects	3	3	34	n/a
3. Premises projects	--	--	--	n/a
<b>Total, B</b>	<u>818</u>	<u>932</u>	<u>1,032</u>	<u>n/a</u>
<b>C. Income</b>	409,884	526,045	531,782	539,500
<b>D. Reserves <sup>b</sup></b>				
Unions	127,512	76,194	95,376	98,375
Surplus	94,678	186,004	20,204	--
<b>Total, D</b>	<u>222,190</u>	<u>262,198</u>	<u>115,580</u>	<u>98,375</u>

<sup>b</sup> End 1999: Unions: Sfr 127,333,000, Surplus: Sfr 174,678,000, Total: Sfr 302,011,000

<i>New: Single Budget Presentation</i>	<i>Integrated Initial 2000-2001</i>	<i>Revised 2000-2001</i>	<i>Proposed 2002-2003</i>	<i>Indicated 2004-2005</i>
<b>A. Budget Allocation</b>				
Prior regular budget programs	409,705	450,358	512,600	536,500
New sub-programs 15.3 to 15.7	65,428	65,428	99,547	39,600
New sub-programs 18.3 and 18.4	50,072	50,072	66,253	20,204
<b>Total, A</b>	<u>525,205</u>	<u>565,858</u>	<u>678,400</u>	<u>596,304</u>
<b>B. Posts</b>				
Prior regular budget programs	815	929	998	n/a
New sub-programs 15.3 to 15.7	3	3	34	n/a
New sub-programs 18.3 and 18.4	--	--	--	n/a
<b>Total, B</b>	<u>818</u>	<u>932</u>	<u>1,032</u>	<u>n/a</u>
<b>C. Income</b>	428,584	526,045	531,782	539,500
<b>D. Reserves <sup>a</sup></b>	205,390	262,198	115,580	110,576

<sup>a</sup> End 1999: Sfr 302,011,000

439. For the revised estimates 2000-2001 and the proposed estimates 2002-2003, the comparison reflects no changes between the main key indicators.

440. For the indicated estimates 2004-2005, the new (single budget) presentation reflects a budget allocation of Sfr39,600,000 under new sub-programs 15.3 to 15.7. This represents the operating costs for information technology activities previously indicated in Annex I of document WO/PBC/3/3. In addition, the income projects for the new (single budget) presentation has been increased by Sfr51,800,000 to Sfr591,300,000. The detailed estimates are elaborated in detail in Section D above. As a result of these adjustments, the level of reserve is estimated at Sfr110,576,000 at the end of 2005, as compared to Sfr98,375,000 under the previous (separate budget) presentation.

## ***B. Calculation of budget stages 2000-2001 and 2002-2003***

441. The budget formulation process is developed through a number of stages starting with the approved initial budget 2000-2001 and concluding with the proposed budget 2002-2003. The process includes the following steps which are elaborated below in details: (i) initial budget 2000-2001, (ii) project integration 2000-2001, (iii) integrated initial budget 2000-2001, (iv) budget variation 2000-2001, (v) revised budget 2000-2001, (vi) project variation 2002-2003, (vii) resource variation 2002-2003, (viii) budget variation 2002-2003, and (ix) proposed budget 2002-2003.

### **(i) Initial budget 2000-2001**

442. The starting point is the budget 2000-2001 as approved by Member States and presented in document A/34/2 in 1999.

### **(ii) Project integration 2000-2001**

443. The single budget document for 2002-2003 presents all activities implemented by WIPO, including those previously classified as regular program budget and off-budget project activities. In order to provide for a realistic comparison between 2002-2003 and 2000-2001, the initial budget 2000-2001 is adjusted by integrating the project activities already approved for and under implementation during the biennium. The total amount is fully compatible with the budget estimates previously presented for the regular budget in document WO/PBC/3/2 and for project activities in document WO/PBC/3/3.

444. Project integration 2000-2001 amounts to Sfr115,500,000 as illustrated in Table 12 by program, object of expenditure and Union and in Table 13 by posts. This includes an amount of Sfr65,428,000 for information technology projects presented under Main Program 12 (Information Technology and Intellectual Property Information Services) and Sfr50,072,000 for premises projects presented under Main Program 17 (Premises). The amount of Sfr65,428,000 for information technology projects includes Sfr43,546,000 for WIPONET and

Sfr21,882,000 for IMPACT. The total amount of Sfr50,072,000 for premises projects includes Sfr40,166,000 for the renovation of the ex-WMO building and Sfr9,299,000 for the New Construction and Sfr607,000 for the conversion of the WIPO mezzanine. Of the amount of Sfr115,500,000 for project integration, biennial allocations of Sfr80,000,000 were approved prior to 2000 and Sfr35,500,000 in September 2000, the latter including Sfr15,326,000 for the reappropriation of the unspent balance 1998-1999 under Main Program 12 (Information Technology) and a part of the Sfr28,600,000 budget increase for the ex-WMO building.

445. The details provided for project integration are fully compatible with the financial presentation previously provided in documents WO/PBC/3/2 and WO/PBC/3/3. The total project integration of Sfr115,500,000 is equivalent to the information provided in document WO/PBC/3/2, line 9, column G of Table 3 as well as column B of Table 10 and details shown for line expenditure/surplus and columns 2000 and 2001 in Table 23. The amount of Sfr65,428,000 for information technology is equivalent to the information provided in document WO/PBC/3/3, Table B, column 2000-2001.

#### **(iii) Integrated initial budget 2000-2001**

446. The integrated initial budget 2000-2001 is the sum of initial budget 2000-2001 and project integration 2000-2001. This provides the reference for the comparison with budget variation and revised budget 2000-2001.

#### **(iv) Budget variation 2000-2001**

447. As outlined in document WO/PBC/3/2, a revised budget for the ongoing 2000-2001 is presented for the first time. Changes between the revised budget and the integrated initial budget 2000-2001 are identified as budget variation 2000-2001, amounting to Sfr40,653,000.

448. The presentation of budget variations to the integrated initial budget 2000-2001 is not considered a change from previous budget practice, but as an enhancement of budget transparency and addressing shortcomings of previous budget methodology. In the past, the budget allocation was also revised in accordance with budget flexibility formulas, which are described in Appendix 3. The presentation of those revisions was limited to indicating changes in the number of posts only. The budget implications were presented later, following the conclusion of the budget period, in the context of the Financial Management Report. Moreover, in the following biennium, the previous budget revision was introduced and recognized as a new budget variation. This represented a delayed recognition of resource implications and is seen to create a distortion in the budget presentation. Recognizing the full budget implications of a revision already during the biennium in question establishes an accurate basis for comparison: the new budget 2002-2003 is compared with the up-to-date budget 2000-2001 prevailing at the time of budget presentation.

449. The total budget variation of Sfr40,653,000 is fully compatible with the financial presentation previously provided and equivalent to the amount indicated in Tables 12 and 13 of document WO/PBC/3/2.

**(v) Revised budget 2000-2001**

450. *Revised budget in accordance with program structure 2000-2001:* The revised budget 2000-2001 is the sum of integrated initial budget 2000-2001 and budget variations 2000-2001. The revised budget is presented in Tables 12 and 13 in accordance with the program structure 2000-2001.

451. *Revised budget in accordance with program structure 2002-2003:* The proposed program structure 2002-2003 differs from 2000-2001. In order to provide for a realistic comparison between both biennia, the revised budget 2000-2001 is realigned in accordance with the program and subprogram structure proposed for the new biennium. This is done in Chapter C and illustrated in Tables 14 and 15. Realignment ensures that new program and resource proposals are compared with the corresponding program budget approved by Member States for the previous biennium. A failure to realign the budget would distort this comparison. The new program structure for 2002-2003 was presented in document WO/PBC/3/2. This new structure is adjusted at the subprogram level for the integration of project activities previously presented off-budget. Specifically, the information technology projects previously presented in document WO/PBC/3/3 are integrated within Main Program 15 (Information technology) as new sub-programs 15.3 (WIPONET), 15.4 (IMPACT), 15.5 (PCT Electronic-filing), 15.6 (CLAIMS), and 15.7 (AIMS). With regard to premises project previously approved off-budget, activities are integrated within Main Program 18 (Premises) as new sub-programs 18.3 (Ex-WMO building) and 18.4 (New Construction).

**(vi) Project variation 2002-2003**

452. As described above, the integrated initial budget 2000-2001 reflects project allocations of Sfr115,500,000 previously approved off-budget. This amount decreases to Sfr82,900,000 for 2002-2003, the difference being indicated as negative project variation of Sfr32,600,000. The project variation of Sfr32,600,000 reflects a decrease in approved allocation for information technology projects from Sfr65,428,000 in 2000-2001 to Sfr16,647,000 in 2002-2003, partly offset by an increase in approved allocation for premises projects from Sfr50,072,000 in 2000-2001 to Sfr66,253,000 in 2002-2003. This amount is indicated separately from the resource variation described under item (vii) below, which represent the budgetary implications of new program proposals and changes in the cost structure. Separating project and resource variations does not impact on the total level of budget growth. A failure to identify project variation, however, would result in an understatement of the increase in resource variation for 2002-2003.

453. The details provided for project variation are fully compatible with the financial presentation previously provided in document WO/PBC/3/2. The approved budget allocation 2002-2003 for information technology projects (Sfr16,647,000) and premises projects (Sfr66,253,000), together with newly proposed information technology projects (Sfr82,900,000) is equivalent with the total project expenditure of Sfr165,800,000 provided in document WO/PBC/3/2, line 9, column G, table 3, the total of column B of Table 10 and the total of line expenditure/surplus, column 2002 and 2003 of Table 23.

**(vii) Resource variation 2002-2003**

454. Resource variation 2002-2003, includes program and cost variations. Program variation 2002-2003 represents the budgetary implications of new program proposals. Cost variations 2002-2003 indicate the budgetary implications of changes in the cost structure, including, for example, adjustments for inflation or salary costs.

455. Total resource variation amount to Sfr145,142,000 for 2002-2003. This amount is fully compatible with the financial presentation previously provided in document WO/PBC/3/2 and WO/PBC/3/3. The resource variation of Sfr145,142,000 include the budget increase of Sfr62,242,000 proposed for the regular budget in document WO/PBC/3/2 and the new budget allocation of Sfr82,900,000 for information technology projects equivalent to the information provided in document WO/PBC/3/2, total of column C, Table A. Details on program and cost variations are elaborated below.

456. *Program variation 2002-2003:* Program variations in 2002-2003 represent the budgetary implications of new program proposals. This includes program modifications as compared with the regular budget 2000-2001 and the integration of project activities previously presented off-budget. Program modifications cover the introduction of new activities and the strengthening, scaling down or termination of existing activities. Program modifications already introduced in 2000-2001 within the budget flexibility of the Director General are fully reflected as program variations for 2002-2003. This includes, for example, the redeployment of posts between programs, involving new assignments to the position in question, or reclassifications of posts between the General Service and the Professional categories.

457. *Cost variation 2002-2003:* Cost variations in 2002-2003 represent the budgetary implications of changes in the cost structure as compared to 2000-2001. Cost variations are calculated for non-staff and staff costs. For non-staff costs, the recosting reflects an adjustment for anticipated inflation of 1.8 per cent annually. For staff costs, three adjustments can be distinguished. First, the recosting includes changes approved or anticipated to be approved by the General Assembly of the United Nations with regard to post adjustment index and multiplier for professional and higher categories, salary levels of the General Service categories, contributions to the United Nations Joint Staff Pension Fund and other common staff costs, such as language allowances to General Service category and education grant. Second, the recosting includes changes in the staff costs associated with changes in the level of post within each post category. Such changes may result from the reclassification of the post or, for example, by the promotion of a staff. For 2000-2001, the average staff level within each post category was estimated for D category (Grade 1 and 2) at 1.2, for P category (Grade 2 to 5) at 3.8 and for General Service category (Grade 4 to 7) at 5.2. For 2002-2003, the average staff level within each post category is estimated for D category (Grade 1 and 2) at 1.2, for P category (Grade 2 to 5) at 3.7 and for General Service category (Grade 4 to 7) at 5.4. Third, the recosting includes the delayed impact arising from the continuation of posts established during the second year of the biennium 2000-2001 only and continuing for the full duration of 2002-2003. This includes 12.0 posts approved in the context of the initial budget 2000-2001 and 56.5 posts introduced based on the flexibility in the context of the revised budget 2000-2001.



**(viii) Budget variation 2002-2003**

458. The budget variation of Sfr112,542,000 represents the sum of project variations and resource variation.

**(ix) Proposed budget 2002-2003**

459. The proposed budget of Sfr678,400,000 represents the sum of revised budget 2000-2001 and budget variation 2002-2003.

460. This amount of Sfr678,400,000 is fully compatible with the financial presentation previously provided in document WO/PBC/3/2 and WO/PBC/3/3. The amount includes Sfr512,600,000 proposed for the regular budget in document WO/PBC/3/2 and Sfr165,800,000 for surplus projects indicated in line 12, column G, Table 3 of document WO/PBC/3/2. The amount of Sfr165,800,000 includes Sfr99,547,000 for information technology activities as previously presented in document WO/PBC/3/3 and Sfr66,253,000 for premises activities. In the current presentation, the total of Sfr99,547,000 for information technology activities are presented in sub-program 15.3 (WIPONET) with Sfr29,300,000, sub-program 15.4 (IMPACT) with Sfr38,847,000, subprogram 15.5 (Electronic filing) with Sfr18,300,000, sub-program 15.6 (CLAIMS) with Sfr3,200,000 and sub-program 15.7 (AIMS) with Sfr9,900,000. Finally, in the current presentation, the total of Sfr66,253,000 for premises activities are presented in sub-program 18.3 (Ex-WMO building) of Sfr13,915,000 and sub-program 18.4 (New construction) of Sfr52,338,000.

***C. Resource plan 2000-2001 and 2002-2003, including project integration***

461. A resource plan is presented in Table 3 for the first time covering 2000-2001 and 2002-2003. The resource plan provides an integrated financial overview, including budget estimates and resource availability by Union, trust funds and movements of reserves. Also illustrated is the application of the new surplus policy as approved by the Assembly in September 2000. In the following, the resource plan is elaborated by referring to the details provided in Table 3.

462. The revised budget 2000-2001 of Sfr565,858,000 (line 1) is elaborated in Chapter C of the current document. The resource availability 2000-2001 of Sfr565,858,000 (line 4) include the revised income estimate of Sfr526,045,000 (line 2) as elaborated in Chapter D of the current document and the transfer of Sfr39,813,000 from the reserve and working capital (RWC) funds of the respective Union (lines 3 and 12).

463. For 2002-2003, the initial budget estimate which amounts to Sfr678,400,000 (line 5) is elaborated in Chapter B of the current document. The resource availability 2002-2003 of Sfr678,400,000 (line 8) includes the initial income of Sfr531,782,000 (line 6) as elaborated in

Chapter D of the current document and the transfer of Sfr146,618,000 from the RWC funds (lines 7 and 14).

464. The implications of resource utilization and availability for the movement in the fund balances are indicated in line 9 to 15. As part of a new financial policy, the level of RWC funds is expressed as a percentage of estimated biennial expenditures (PBE factor). Approved were PBE factors (line 16) for the contribution-financed Unions (50 per cent), PCT Union (15 per cent), Madrid Union (25 per cent) and Hague Union (15 per cent).

465. The level of the reserve funds as of December 31, 1999, by Union amounts to Sfr302,011,000 (line 9). This includes working capital funds of Sfr8,342,000 as shown in Table 13 of the Financial Management Report 1998-1999, the reserve funds of the Unions of Sfr56,806,000 and the Special Reserve Fund of Sfr236,863,000 as shown in Table 16. Of the Sfr236,863,000 for the Special Reserve Fund, an amount of Sfr174,678,000 is earmarked for approved projects. In accordance with the new surplus policy, the Special Reserve Fund is abolished and the resources are redistributed to the RWC funds of each Union in accordance with its initial share of funding (line 10). Following this redistribution, the adjusted level of RWC funds as of December 31, 1999, is indicated (line 11). As a result of transfers (lines 12 and 14) to fund the budget 2000-2001 and 2002-2003, the level of RWC funds is expected to decrease from Sfr302,011,000 (line 11) in December 31, 1999 to Sfr262,196,000 by December 31, 2001 (line 13) and Sfr115,580,000 by December 31, 2003 (line 15). In particular, this reflects a marked decrease in the PBE factor for the PCT Union from 73 to 14 per cent as compared to the approved target of 15 per cent. It is anticipated that the reserve funds of all Unions will reach Sfr98,400,000 by end of 2004-2005 as indicated in Table 25 and reach the target levels as indicated in line 16.

466. The financial situation of trust funds is illustrated in column G of Table 3. For 2000-2001, expenditure are estimated to reach Sfr21,000,000 (line 1) and income Sfr17,500,000 (line 2). For 2002-2003, expenditure is estimated at Sfr20,500,000 (line 5) and income at Sfr18,500,000 (line 6). As a result, the fund balance of trust fund resources is expected to decrease from Sfr8,569,000 (line 11) by December 31, 1999, to Sfr5,069,000 (line 13) by December 31, 2001, followed by a subsequent decrease to Sfr3,069,000 (line 15) by December 31, 2003.

#### ***D. New arrangement for determining budget allocation by Union***

467. A new arrangement is presented for determining the budget allocation by Union. Previously, the program budget was divided into percentage shares, each of which was allocated to the various Unions as indicated in Annex 6 of document WO/PBC/1/2 for 2000-2001. The basis on which these percentages were calculated was outlined in Annex 12 of the same document and included the following: (a) amount of work carried out for each Union concerned, (b) size of the budget of the different main programs, (c) financial responsibility of each Union. The budget of each Union corresponded to the total of all program budget shares allocated to the Union. Whereas this arrangement was based on comprehensive calculations, it did not provide for a detailed presentation of the key decisions involved.

468. The new arrangement for 2002-2003 elicits the key decisions, which determine the size of the Union budget and the funding of the program budget by Union. Towards this end, a presentation is provided in Table 8 according to which the budget of each Union is allocated as a percentage share to the various program budgets. The key decisions are elaborated in explanation of the various percentages applied, falling within the following three categories.

**Category A: Overhead and support activities**

469. Category A identifies programs, which are considered overhead or support activities, shared equally between the Unions in accordance with the size of the respective Union budget. This includes programs contained in Part I (Policy, Direction and Management) shared at a rate of 3.8 per cent as indicated in Table 8. This also includes programs contained in Part IV (Administration). The uniform charges previously indicated in document WO/PBC/3/2 have been adjusted, however, to account for the integration of project activities into the biennial budget process. This has been done in accordance with the financial information outlined in Table 3 of document WO/PBC/3/2 and Table C of document WO/PBC/3/3. Specifically, the allocation for the PCT Union increased by Sfr152,133,000, for the Madrid Union by Sfr11,345,000 and for the Hague Union by Sfr2,322,000.

**Category B: Union specific activities**

470. Category B identifies programs which cover activities fully or mainly attributed to a specific Union. This includes Main Program 06 (Patent Cooperation Treaty System) under the PCT Union, Main Program 07 (Madrid, Hague and Lisbon System) which is covered under the Madrid and Hague Unions, Main Program 08 (Development of Copyright and Related Rights) under the Contribution-financed Unions and Main Program 11 (Arbitration and Mediation Center) under Arbitration and Others. Half of the cost of Main Program 05 (Development of Industrial Property Law) and Main Program 10 (Global Intellectual Property Issues) is covered by the Contribution-financed Unions.

**Category C: Cross-cutting activities**

471. Category C identifies programs, which cover cross-cutting issues and are shared between all Unions. This include Main Program 09 (Global Communications) and Part III (Cooperation for Development) and the balance of Main Programs 05 and 10 not covered under Category B. The budget allocation for Category C activities under each Union is determined by taking into account the total resources available. This is done after providing for the funding of Categories A and B activities as well as reserve requirements for each Union. Following this balancing exercise, the total amount determined under each Union is subsequently allocated to the various Category C programs in accordance with size of the program. The allocation of Union budgets by program is therefore an integral part of the decision which determines the overall financial scenario, including decision effecting budget, resource availability and reserves as illustrated in Table 3 (Resource plan 2000-2001 and 2002-2003).

### ***E. Additional modifications of budget presentation***

472. *Detailed discussion and presentation of income estimates:* Chapter D provides a detailed presentation of income estimates for 2000-2001 and 2002-2003 in order to facilitate the review of budget proposals. Limited information was previously provided as part of the proposed program and budget.

473. *Flexibility formulas:* Appendix 3 provides a description of the flexibility formulas for PCT, Madrid and Hague and recommends a number of adjustments. Also proposed is the introduction of a flexibility formula for the WIPO Internet domain name dispute resolution process. The Director General is authorized to adjust the biennial budget of global protection systems in case of unforeseen changes in workload. The presentation codifies the existing arrangement, provides additional transparency and facilitates the review of its application.

474. *Financial indicators 1996 to 2005:* Appendix 2 presents the financial scenario for a 10-year period from 1996 to 2005 to support the review of biennial budget proposals. This includes a four-year financial plan for demonstrating the longer-term implications of biennial budget proposals. The introduction of such a plan has already been indicated in paragraph 65 of document WO/PBC/2/6 (Adjustment of Budget Process, Policy on Reserve and Work Capital Funds and Policy on Budget Surplus).

475. *Trust funds:* Table 3 (Resource plan 2000-2001 and 2002-2003) and Table 10 (Resource utilization 2002-2003: Regular budget and trust fund activities by program) provides information on the use of trust fund resources. Such information is included for the first time in the program and budget document to enhance budgetary transparency.

476. *Enhanced financial presentation:* A number of adjustments have been introduced to enhance budget transparency. With regard to the budget presentation by Unions, the Arbitration and Mediation Center previously covered under the Unions is now shown separately under a new category entitled Arbitration and Others. This category also includes the budget and funding of the administrative services provided by WIPO to UPOV. The budgetary information shown in Table 11 for each program has been expanded, now indicating non-staff as well as staff resources by sub-program. The budget allocation for miscellaneous and unforeseen is identified in Tables 6, 9 and 12 as an unallocated provision in accordance with previous budget practice. For 2000-2001, this allocation was subsumed under operating expenses.

[Appendix 2 follows]