

INFORMAL WORKING PAPER ON  
A NEW MECHANISM TO FURTHER INVOLVE MEMBER STATES IN THE  
PREPARATION AND FOLLOW UP OF THE PROGRAM AND BUDGET

I. INTRODUCTION

1. At its ninth session, held in January 2006, the Program and Budget Committee (PBC) examined a document entitled “Proposals on a New Mechanism to Further Involve Member States in the Preparation and Follow Up of the Program and Budget” (see document WO/PBC/9/4). The document, which had been prepared by the Secretariat to follow up on a decision adopted by the Assemblies of WIPO Member States (the Assemblies) in September 2005, identified relevant issues for consideration and presented some preliminary proposals, and was welcomed by the Committee as a good basis for further discussion and elaboration.

2. At the conclusion of the session, the Committee requested the Secretariat to convene two rounds of informal consultations and a formal session of the Committee with a view to continuing discussion in such a way so as to enable the PBC to recommend a new mechanism to the Assemblies in September 2006. The Committee also requested the Secretariat to assist Member States in this process by providing additional information including on relevant best practices in the United Nations system. It also suggested that attention should first focus on the phase of program and budget preparation, and then on linkages between assessment of the financial and program performance in the preceding biennium and preparation of the financial and programmatic aspects for the new biennium.

3. The present informal working paper has been prepared by the Secretariat to assist Member States in the follow up on the decision made by the Committee at its ninth session as well as to structure the discussions in the informal consultations. The paper is structured as follows: Part II provides information on relevant best practices in the United Nations system; Part III illustrates the current WIPO mechanism for program and budget preparation as approved by the Assemblies in the year 2000; Part IV suggests possible ways to further involve Member States in the preparation of the Program and Budget; Part V puts forward possible ways to further reinforce linkages between the preparation of the Program and Budget and the assessment of financial and programmatic results of the preceding biennium; Part VI relates to the implementation of the new mechanism and also outlines the way forward from the current round of informal consultations to the September 2006 Assemblies.

II. RELEVANT BEST PRACTICES IN THE UNITED NATIONS SYSTEM

4. In 2003, the Chief Executives Board (CEB)<sup>1</sup> of the United Nations produced a document entitled “Budgeting in Organizations of the United Nations System” (CEB/2003/HLCM/21). Table 2 of the CEB document (entitled “Budget Preparation and Submission Procedures”) compares the practice in terms of budget preparation and approval

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<sup>1</sup> The CEB is the successor body to the Administrative Committee on Coordination (ACC). It furthers coordination and cooperation on a range of substantive and management issues facing UN system organizations. The CEB is composed of executive heads of the organizations of the United Nations system, and meets twice a year under the chairmanship of the Secretary General of the United Nations.

of the UN Secretariat and the following organizations: the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Civil Aviation Organization (ICAO), the World Health Organization (WHO), the Universal Postal Union (UPU), the International Telecommunications Union (ITU), the World Meteorological Organization (WMO), the International Maritime Organization (IMO), the World Intellectual Property Organization (WIPO), the United Nations Industrial Development Organization (UNIDO) and the International Atomic Energy Agency (IAEA). A copy of this table is provided in Annex I.

5. The information contained in Annex I shows that, due account being taken of the different constitutional and organizational aspects of the various UN organizations under review (many of which, unlike WIPO, have regional and national structures, and some of which do not have a biennial but a triennial or four-year budget cycle), the process of elaboration of the program and budget has the following common features.

6. First, all the organizations under review have a technical body in charge of budget and finance matters similar to the WIPO Program and Budget Committee and a supreme decision-making body similar to the WIPO Assembly. The first body is charged with the initial assessment of the draft Program and Budget prepared by the Secretariat, and the latter with its final assessment and approval.

7. Second, in all cases under review the process leading to the development of the Program and Budget of the organizations is initiated by the elaboration of a set of proposals by the concerned Secretariat. These initial proposals are prepared on the basis of an internal process of consultation and coordination with Program Managers as well as, according to each individual organization, on external inputs drawn from the respective Member States.

8. These external inputs are provided through a variety of formal and informal mechanisms and, where appropriate, regional consultations<sup>2</sup>.

9. In the UN Secretariat, a system has been in place since 1988 whereby in off-budget years the Secretary General presents to Member States a draft outline containing preliminary

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<sup>2</sup> For example, the UNESCO Program and Budget preparation begins with the distribution of a questionnaire to UNESCO stakeholders inviting their priorities for the Program and Budget. This is followed by a process of regional consultations of National UNESCO Commissions. The results of both these processes are then contained in a report submitted to the UNESCO Executive Board in the fall of the off-budget year together with the Director General's preliminary Program and Budget proposals. Based upon this, the Secretariat then prepares a draft Program and Budget for submission in the spring of the budget year to the Executive Board and for its recommendations to the General Conference in the fall of budget year for the adoption of the Program and Budget. At the ILO, a report on the implementation of the previous biennium's Program and Budget is presented to Member States in the spring of the off-budget year. Member States' comments on this report provide the basis for the preparation of the next Program and Budget. Following further consultations with Member States a proposed Program and Budget is then completed by the end of the off-budget year. This is then submitted to the Governing Bodies in the spring of the budget year and to the International Labour Conference for adoption in the summer of the budget year. Similar models exist in other UN organizations, such as WHO and FAO, with minor variations to accommodate regional or other organization specific requirements.

budget estimates; an indication of general sectoral priorities; a comparison of budget growth, as compared with the previous budget; and the proposed size of the contingency fund expressed as a percentage of the overall level of resources<sup>3</sup>. (This use of an outline document is one of the suggestions for further involvement of Member States, which the WIPO Secretariat has already put forward at the January 2006 session of the PBC (document WO/PBC/9/4, Annex, paragraph 3)).

10. Third, several organizations have, like WIPO, a mechanism linking the biennial Program and Budget with medium-term strategic priorities and goals as established by Member States and elaborated by Secretariats in medium-term plans or strategy documents (cascade effect). (Thus, the WIPO Program and Budget for 2006/07 is based on the Medium-Term Plan (document A/39/5) submitted to the WIPO Assemblies in September 2003 and covering the four-year period from 2006 to 2009).

11. The calendar of these various stages of preparation varies from one organization to the other depending on the requirements of the applicable Financial Rules and Regulations as well as on the date in which the supreme body meets in regular session (the WIPO Assemblies traditionally meet the last week of September). However, in general, a period of 15 to 21 months is required in all organizations from the start of the first internal preparations of the new Program and Budget proposals to the date of the meeting of the body in charge of approving the Program and Budget proposals.

12. These timelines should be taken into account in the elaboration of a new mechanism.

### III. CURRENT WIPO MECHANISM FOR PROGRAM AND BUDGET PREPARATION

13. The current mechanism for the preparation of the WIPO Program and Budget was approved by Member States at the WIPO General Assemblies in October 2000 (see document A/35/15, paragraph 151(a)). The existing mechanism is set out in document A/35/6.

14. The diagram in Annex II illustrates the current WIPO mechanism for the preparation of the Program and Budget of the Organization. As Annex II shows, this mechanism includes informal consultations with Member States in off-budget years (this means even-numbered years or the first year of a given biennium) and the convening of one or, if required, two sessions of the Program and Budget Committee in budget years (this means uneven-numbered years or the second year of a given biennium).

### IV. POSSIBLE WAYS TO FURTHER INVOLVE MEMBER STATES IN THE PREPARATION OF THE PROGRAM AND BUDGET

15. In essence, the current WIPO mechanism illustrated in Annex II is in line with the practice of relevant organizations of the UN system. Nevertheless, there may be ways to

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<sup>3</sup> This outline is reviewed by the Fifth Committee, the Committee for Programme and Coordination and the Advisory Committee on Administration and Budgetary Questions (ACABQ) and is then subject to approval by the General Assembly. It then forms the basis for the elaboration of the Secretary General's proposed Programme and Budget which is presented in the following (budget) year.

reinforce the dialogue between the Secretariat and Member States in the phase of elaboration of the Program and Budget through a number of tools, or a combination thereof. These options are elaborated below.

A. Circular Letters

16. A first option is a circular letter to be transmitted by WIPO in the summer of off-budget years to all Member States inviting them to submit their priorities for the next Program and Budget. The outcome of these consultations would be reflected in the draft Program and Budget submitted to Member States. This is illustrated in Annex III, under Option 1.

B. Informal Consultations

17. A second option is informal consultations with Member States to be held in the summer of off-budget years. The outcome of these consultations would be reflected in the draft Program and Budget submitted to Member States. This is illustrated in Annex III, under Option 2.

C. Outline report in off-budget years

18. A third option is a brief outline document to be submitted by WIPO to all Member States in the summer of off-budget years. This outline would provide preliminary proposals on program priorities and strategy, and indicative budget figures. As illustrated in Annex III, under Option 3, this outline would be discussed in a formal session of the PBC also to be held in the fall of off-budget years. This session may also examine the revised budget for the current biennium; however, in such a case, Member States should be ready to accept that the revised budget for the current biennium would have to be provisionally approved by the PBC, without waiting for the formal approval of the Assemblies. (Under the current system, the revised budget for the biennium under implementation is reviewed by the PBC in the budget year, in the context of examining the proposed Program and Budget for the subsequent biennium).

19. In conclusion it should be emphasized that while the current mechanism envisages one formal session of the PBC in budget years, with the option of a second session in the same year, all three above options provide for at least two mandatory sessions of the PBC, and Option 3 provides for two formal and one informal sessions of the PBC, of which one formal session in off-budget years.

V. POSSIBLE WAYS TO FURTHER REINFORCE LINKAGES BETWEEN THE PREPARATION OF THE PROGRAM AND BUDGET AND THE ASSESSMENT OF THE FINANCIAL AND PROGRAM RESULTS OF THE PRECEDING BIENNIUM

20. As outlined in document WO/PBC/9/4, there are a number of tools currently available to help evaluate the program and financial performance in previous biennia, namely: Program

Performance Reports (PPRs), Program Implementation Overviews (PIOs)<sup>4</sup>, Biennial Accounts, Financial Management Reports (FMRs), Audit Reports, and Interim Financial Statements (IFSs). These tools may be used to help reinforce the link between the preparation of Program and Budgets and evaluation of past program and financial performance.

#### Revised Format and Periodicity of Statutory Financial Reports

21. In January 2006, Member States welcomed the suggestion from the Secretariat to improve the content of the Interim Financial Statements (IFSs) and to anticipate the review of the statutory financial reports of WIPO (Financial Management Report (FMR), External Audit Report, Report on the Biennial Accounts) to the session of the Assemblies in the year after the closing of a given biennium. Before recommending to institutionalize this suggestion, Member States should, however, be made aware that such a new schedule would not necessarily permit such financial statutory reports to be examined first, as it is currently the practice, by a session of the Program and Budget Committee.

#### Program Performance Reports (PPRs)

22. Member States have expressed an interest in making greater use of evaluation of performance in the previous biennium in preparing for the next Program and Budget. At present, the main tool for evaluating program performance is represented by Program Performance Reports (PPRs)<sup>5</sup>. The Program and Budget Committee may wish to utilize these documents in the context of preparing for the next Program and Budget.

### VI. IMPLEMENTATION OF THE NEW MECHANISM

23. In presenting the options illustrated in Annex III the Secretariat wishes to draw the attention of Member States to the fact that by the time the new mechanism will have been adopted (September 2006 Assemblies), we will already be in the last quarter of the off-budget year. This means that if the new mechanism provides for certain new activities in the first part of the off-budget year, it may not be possible to implement them all as of 2006, or else, it may be possible to implement them on a provisional basis only.

24. Finally, depending on the progress made in the current (first) round of informal consultations, it may be necessary to convene a second round. This could take place in May, at a date to be decided. A formal session of the Program and Budget Committee would then be convened from July 11 to 13, 2006.

[Annexes follow]

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<sup>4</sup> PIO's have been used to provide a short report on activities in the first six months of a year for presentation to the Assemblies in that same year. Experience has shown that these reports require considerable work and offer only limited value to Member States in helping them assess the performance of the Organization. For this reason, the Secretariat is proposing the discontinuation of these documents allowing more effort to be focused on the more meaningful PPRs.

<sup>5</sup> PPRs are submitted to the meetings of the Assemblies (in off-budget years, PPRs cover the previous biennium, and in budget years, the previous calendar year).