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**WORLD INTELLECTUAL PROPERTY ORGANIZATION**  
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## **ASSEMBLIES OF THE MEMBER STATES OF WIPO**

### **Thirty-Ninth Series of Meetings Geneva, September 22 to October 1, 2003**

#### **REPORT OF THE SEVENTH SESSION OF THE PROGRAM AND BUDGET COMMITTEE**

##### *Memorandum of the Director General*

1. The Program and Budget Committee, at its seventh session held from September 8 to 10, 2003, discussed a revised proposal for the Program and Budget 2004-2005 (WO/PBC/7/2), and a document prepared by the Secretariat on the comparison between the initial and the revised proposals for Program and Budget 2004-2005 (WO/PBC/7/3). Matters concerning the new construction were also considered by the Committee (WO/PBC/7/4).

2. The views of the Member States represented at the Committee on these proposals are contained in its report (WO/PBC/7/5), which is annexed to this document.

*3. The Assemblies of the Member States of WIPO and the Unions administered by WIPO, each as far as it is concerned, are invited to take note of the contents of this document and its Annex.*

[Annex follows]

ANNEX

1. The seventh session of the WIPO Program and Budget Committee, hereinafter referred to as “the Committee,” was held at the headquarters of WIPO from September 8 to 10, 2003.
2. The Program and Budget Committee is composed of the following Member States: Algeria, Argentina, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Ecuador, Egypt, France, Germany, Hungary, India, Japan, Mexico, Morocco, Netherlands, Nigeria, Oman, Pakistan, Philippines, Republic of Korea, Russian Federation, Senegal, Serbia and Montenegro, Slovenia, South Africa, Spain, Sri Lanka, Switzerland (*ex officio*), Ukraine, United Kingdom, United States of America and Venezuela (35). The members of the Program and Budget Committee which were represented at this session were the following: Algeria, Brazil, Bulgaria, China, Czech Republic, Egypt, France, Germany, Hungary, Japan, Mexico, Netherlands, Philippines, Republic of Korea, Russian Federation, Senegal, Serbia and Montenegro, Spain, Sri Lanka, Switzerland (*ex officio*), Ukraine, United Kingdom and United States of America (23). In addition, the following States members of WIPO but not members of the Program and Budget Committee were represented as observers: Bangladesh, Cuba, Denmark, El Salvador, Ethiopia, Greece, Guatemala, Iran (Islamic Republic of), Ireland, Italy, Kazakhstan, Lithuania, Malaysia, Peru, Portugal, Slovakia, Sudan, Thailand and Turkey (19). The list of participants is annexed to the present document.
3. Discussions were based on documents WO/PBC/7/2 (“Revised Proposal for Program and Budget 2004-2005”), WO/PBC/7/3 (“Comparison Between Revised Proposal for Program and Budget 2004-2005 (WO/PBC/7/2) and Initial Proposal for Program and Budget 2004-2005 (WO/PBC/6/2)”) and WO/PBC/7/4 (“Matters Concerning the New Construction”).
4. The session was opened by Mr. Philippe Petit, Deputy Director General, who welcomed the participants on behalf of the Director General.
5. The Committee unanimously elected Mr. Jae-Hyun Ahn (Republic of Korea) as Chair and Mrs. Mara Mechtild Wesseler (Germany) and Mr. Nor-Eddine Benfreha (Algeria) as Vice-Chairs of the Committee.
6. The agenda was adopted as proposed.
7. The Chair opened discussion on agenda item 4, entitled “Revised Proposal for Program and Budget 2004-2005” and 5, entitled “Comparison Between Revised Proposal for Program and Budget 2004-2005 and Initial Proposal for Program and Budget 2004-2005,” and invited the Secretariat to give an introduction on the two items.
8. The Secretariat informed the Committee that the Revised Program and Budget for the 2004-2005 biennium, in which it had invested a great deal of effort, had been revised following the previous session of the Committee taking the fullest possible account of the observations, comments and wishes expressed by delegations. The actual structure of the budget had for instance been revised, the projections reviewed to take the most recent possible elements into account, and updates made on the various projects, such as the building project in particular.

9. The Secretariat stated that three major program changes were made in the Revised Proposal for Program and Budget 2004-2005 (WO/PBC/7/2). Firstly, the previous Main Program 12 (Development of IP Culture and Respect for IP) has been integrated with other Main Programs. The discontinuation of the previous Main Program 12 responded to the concern raised by many delegations over the misleading relation between activities undertaken under this particular Main Program and the strategic goal of Part III (Intellectual Property for Economic, Social and Cultural Development). As a result of this review, for example, activities concerning public outreach contained in former sub-program 12.1 have now been placed under new sub-program 11.4 of Main Program 11 (Intellectual Property for Development and Prosperity: Creation of IP Culture). Intellectual Property Enforcement Issues and Special Projects of former sub-program 12.2 have been transferred to new sub-program 07.3 of Main Program 07 (Selected Issues of Intellectual Property). The Secretariat emphasized that Main Program 11 was of particular importance for achieving the vision and strategy explained in the introduction of document WO/PBC/7/2. It was a key to enable and encourage all stakeholders to play their respective roles within the strategic plan of using intellectual property as a significant tool for economic, social and cultural development. Secondly, a revised program structure clarified the role of the industry and the Industry Advisory Commission by transferring the related activities from former sub-program 11.3 (Industry, NGOs and Private Sector Partnership) to new sub-program 02.2 (Policy Advice, Advisory Commission, Internal Oversight and External Relations). In addition, the approach to enhance cooperation with the private sector had been revised reflecting concerns and suggestions made by Member States at the last meeting. Draft guidelines for the new cooperation with the private sector would be prepared in consultation with Member States after the approval of the Program and Budget. Thirdly, in response to the request from several delegations, Main Program 13 (Information Technology) now contained more information on IT projects and more information on the future direction. Outstanding IT projects, like IMPACT and WIPONET, are being deployed during this biennium and the latest updates of those projects have also been included in the description of Main Program 13. It should be noted that the overall program strategy as presented was indicated in the acceptance speech made by the Director General at the last meeting of the Assemblies in May.

10. The Secretariat recalled that as a result of the review of the Initial Proposal for the Program and Budget 2004-2005, at the Committee's last meeting, a number of recommendations and observations were made by Member States. This had provided a good basis to revise the Initial Proposal in a comprehensive manner, covering the program structure, workload estimates, the fee structure, income and budget estimates as well as the budget format. All related changes were integrated in the Revised Proposal. The main budget and income adjustments were summarized: First, a new fee structure was proposed taking into account the outcome of the Working Group on Reform of the PCT held in May 2003. The average fee was maintained. Second, PCT workload projections were updated. On the basis of actual figures up to early 2003, estimates for increases in applications were reduced by 2,000 applications in 2003 and 9,200 applications in 2004-2005. Third, in accordance with reduced PCT workload projections, estimates for income increases were reduced by 3.3 million Swiss francs in 2003 and by 15.4 million Swiss francs in 2004-2005. Fourth, budget estimates for 2002-2003 were further reduced by 3.4 million Swiss francs to 9.6 million Swiss francs. This included an additional reduction of 5 posts, totaling 28 posts. Fifth, in accordance with reduced income estimates, budget estimates for 2004-2005 were further reduced by 16.6 million Swiss francs to 30 million Swiss francs. Instead of an increase of 52 posts shown in the Initial Proposal, the Revised Proposal indicated no additional requests for posts. Sixth, sub-program activities and associated resources were reallocated in accordance with the new program structure. Seventh, the Revised Proposal

included a new presentation on IT activities and new financial indicators on infrastructure investments. The Secretariat noted that whereas the recommendation of Member States and up-to-date information had been reflected in the budget revision, the main principles of the budget policy initially proposed remain unchanged. In summary, these principles were to budget for anticipated growth in global protection services under the PCT and Madrid systems, to budget program activities, including programs in the framework of cooperation for development according to priority, to budget for the final phase of infrastructure investments with the new construction project, to ensure that the budget envelope complies with the financial plan up to 2009 and to exercise maximum budgetary restraint.

11. The Secretariat further elaborated the Revised Proposal of the Director General for the 2004-2005 budget, amounting to 638.8 million Swiss francs. This represented a decrease of 30 million Swiss francs or 4.5 per cent as compared to the 2002-2003 biennium including an additional reduction of 16.6 million Swiss francs introduced in the context of the Revised Proposal. Within the overall reduction of 30 million Swiss francs, a number of decreases and increases were accommodated. This included a budget reduction of 60.2 million Swiss francs for Main Program 13 (Information Technology) made possible with the progress in the IMPACT development effort and the deployment of WIPONET in 2003. Increases of 26.6 million Swiss francs for Main Program 12 (Resources Management) reflected two major adjustments: First, an increase of budget provisions for the new construction by 43.5 million Swiss francs to 81 million Swiss francs, in accordance with the progress in project implementation; second, a budget reduction of 23.4 million Swiss francs following the completion of the ex-WMO building in 2003. Moreover, with the availability of the ex-WMO building, efficiency gains due to savings in rental costs reduced the requirements for building services by a further 14.2 million Swiss francs. Budget increases were indicated with 1.2 million Swiss francs for Main Program 08 (Cooperation with Developing Countries), 1 million Swiss francs for Main Program 05 (Copyright and Related Rights), 0.9 million Swiss francs for Main Program 04 (Trademarks, Industrial Designs and Geographical Indications) and 0.8 million Swiss francs for Main Program 07 (Selected Issues of Intellectual Property). Reductions included a decrease of 1.5 million Swiss francs for Main Program 03 (Patents and the PCT System) despite higher workload which is made partly possible due to efficiency gains from the IMPACT Project. A further reduction of 0.8 million Swiss francs for Main Program 06 (WIPO Arbitration and Mediation Center) reflected a lower workload level. Decreases by objects included lower requirements for other contractual services by 44.6 million Swiss francs due to the work progress of major IT development and deployment work and the discontinuation of the work by external IT contractors. Further reductions were under premises and maintenance by 28.3 million Swiss francs due to the completion of the ex-WMO building and the reduction in leasing costs for IT equipment. Finally, other main reductions were for consultants by 10.7 million Swiss francs and furniture and equipment by 6.2 million Swiss francs. The main increase was under construction costs by 54.3 million Swiss francs due to the new construction project. The increase in the budget provision for posts of 7.4 million Swiss francs included additional requirements of 11.5 million Swiss francs for cost variations due to increases in salary and common staff costs as well as the re-grading of positions. The Revised Proposal indicated no increase in the number of posts as compared to the Initial Proposal which included 52 additional positions. Adjustments were recommended, however, by program and grade. Increase in seven posts each are shown for Main Program 03 (Patents and the PCT System) and Main Program 04 (Trademarks, Industrial Designs and Geographical Indications). Reductions of ten posts are indicated for Main Program 12 (Resources Management) and six posts for Main Program 13 (Information Technology). By grade, the adjustment included five posts in the Director category as compared to ten new D posts put forward in the context of the Initial Proposal. The proposed

increase in D posts was seen to bring in line the distribution of posts with previous arrangements following the increase in the overall number of posts. Whereas in 1999, the number of D-posts accounted for 5.6 per cent of total posts, this share had decreased to 4.6 per cent in 2003 and the proposal would bring back the share to 5.1 per cent. In addition, the reclassification of posts resulted in an increase of 67 posts in the Professional category and a decrease of 72 posts in the General Service category. When comparing the Revised Proposal with the Initial Proposal, changes by object of expenditure reflected the main budget adjustments. The proposal to maintain the number of posts as compared to the increase of 52 posts previously recommended resulted in a budget reduction for posts by 15.8 million Swiss francs. Other adjustments as compared to the Initial Proposal included the reduction of 7.1 million Swiss francs for contractual services, increases of 5.1 million Swiss francs for operating expenses and of 1.8 million Swiss francs under equipment and supplies. This mainly reflected adjustments newly introduced to IT projects, particularly the IMPACT and WIPONET projects.

12. On the Revised Proposal for the 2002-2003 budget, amounting to 668.8 million Swiss francs and representing a reduction of 9.6 million Swiss francs, or 1.4 per cent, the Secretariat further stated that the Revised Proposal included an additional reduction of 3.4 million Swiss francs. Four separate revisions were made. First, the reduction reflected lower requirements of 4.5 million Swiss francs due to a decrease in workload in sectors such as Arbitration, Madrid, PCT and Hague as compared to the initial assumptions, resulting in a net reduction of 28 posts. This included an additional reduction of 5 posts. Second, a reduction of 2.3 million Swiss francs was noted for the new construction project as approved by the Assemblies of Member States in October 2002. Third, a further reduction of 12.4 million Swiss francs for the new construction budget was introduced in accordance with progress in project implementation, with unspent resources being deployed to subsequent years. Fourth, the final budget revision for the ex-WMO building was presented. This included an increase in the budget allocation for 2002-2003 by 9.8 million Swiss francs which still remained within the increase in the overall project envelope of 6.9 million Swiss francs for the said project. As previously announced to the Program and Budget Committee, it had been the intention to cover the cost of those supplementary activities under the regular budget for premises, instead of submitting a revised project budget. The completion of the project provided an opportunity to present the revised sub-program budget within the integrated budget format.

13. The Secretariat outlined that the budget was elaborated in the context of the overall financial situation of the Organization. Projected expenditures had to be met by anticipated income and, if available, excess reserve resources. To illustrate the income situation, it was noted that for the coming biennium 93 per cent of the total income was generated by fee income. Of the total income, the PCT fee alone accounted for 80 per cent, followed by Madrid with 10 per cent. Estimates with regard to PCT income were fundamental for determining the overall available resources and thereby the possible budget envelopes. Consultations had been held initially with national patent offices to estimate the number of PCT applications in the coming years. As subsequently recommended by Member States during the April session of the Program and Budget Committee, the Secretariat had reviewed the initial projections on PCT applications for the coming years. This had resulted in the reduction of the estimates for increases in applications. For 2003, the increase was reduced by 2,000 to 5,900, for a total of 120,000 applications. For 2004-2005, the increase was reduced by 9,200 to 39,500, for a total of 273,000 applications. As a result, the PCT projections reflected a growth rate of 5.2 per cent in 2003, 8.8 per cent in 2004 and 9.6 per cent in 2005. Such increases were considerably lower when compared to the past with an

average growth rate of nearly 20 per cent for the period between 1996 and 2001. The reductions in the PCT workload projection resulted in a reduction of the estimated income increase. For 2004-2005, the increase was estimated at 90.7 up to 588.1 million Swiss francs, a reduction by 15.4 million Swiss francs. In order to fund the proposed budget 2004-2005 of 638.8 million Swiss francs, it was proposed to make maximum use of available reserves in the amount of 50.7 million Swiss francs. By doing so, the reserves would decrease temporarily to 42.4 million Swiss francs by the end of 2005, below the recommended reserve target. The PCT workload and associated income estimates had been the result of successive reviews leading to successive downward revisions. The estimates and those of the national patent offices were closely linked to the global economic situation. With a slow-down in the growth of PCT activities, little flexibility existed to decrease the current level of fees. The downward revision of the estimated PCT applications had resulted in additional budget reductions of 16.6 million Swiss francs for 2004-2005. In this situation, it had not been possible to further reduce fees, which were maintained at 1,678 Swiss francs. Changes in the PCT fee, even by a small margin, had major implications for the income situation and therefore were of direct consequence for the possible budget envelope. For example, changing the level of fee by only one per cent would imply a change in the income and budget by 4.7 million Swiss francs for the 2004-2005 biennium. PCT fees had been reduced by 36 per cent between 1997 and 2003, from 2,607 to 1,678 Swiss francs. As a result of successive fee reductions, the income had declined despite substantial increases in application activities, which generated a total income of 497.4 million Swiss francs for 2002-2003, being 23.3 million Swiss francs lower as compared to 2000-2001. Maintaining the fees would reverse this trend and increase income to 588.2 million Swiss francs, an increase of 18.2 per cent and a level sufficient to fund the proposed budget. Whereas the proposals by some Member States for further PCT fee reductions were not able to be accommodated, other PCT related concerns had been addressed. Taking into account the outcome of the Working Group on Reform of the PCT held in May 2003, a new PCT fee structure was being proposed. Specifically, the handling fee was maintained as a separate fee under Chapter II, reduced from 233 to 200 Swiss francs. In accordance with the wishes of some Member States, the Chapter II procedure remained optional. Moreover, fee reductions ranging from 100 to 300 Swiss francs were proposed for various types of electronic filing. Finally, it was proposed to extend to all applicants from Least Developed Countries (LDCs) the current 75 per cent fee reduction which was previously limited to natural persons.

14. It should be noted that the budget format had already been elaborated during the April session of the Program and Budget Committee. It was recalled that a result-based format was utilized with a fully integrated presentation of budget, income and reserves. A number of annexes provided supplementary information on activities with long-term budgetary implications, resource plan, fee structure and financial indicators for a 12-year period up to 2009. In response to specific requests by Member States, additional information had been introduced in the Revised Proposal which included a new presentation of IT activities and new indicators on expenditure patterns up to 2009. Information was provided on both operations and infrastructure in order to highlight any potential risk of structural funding gaps in the future. It was indicated that infrastructure investments accounted for 173.5 million Swiss francs during the period 2004-2007 of which 50.3 million Swiss francs or 29 per cent were funded from reserve funds and 123.2 million Swiss francs or 71 per cent from annual income. The completion of the infrastructure investments and the associated efficiency gains allowed accommodating substantial increases in the level of activities within overall declining budget requirements. Substantial growth in the level of registrations and filings had been experienced in the past, particularly for the PCT and Madrid systems, and was anticipated to continue but at a reduced rate. The level of income had increased considerably less, as a

result of the substantial decreases in PCT fees during recent years. Fees were anticipated to remain stable in the coming years until the new construction project had been completed. As of 2008, surplus income in the range of 30 million Swiss francs or ten per cent of annual budget would be available for the replenishment of the reserves, additional activities and/or fee reductions. This was described as the financial scenario within which the current budget proposal was presented. It was considered a budget package characterizing priority for budgeting programs and operational needs, budget reductions for 2002-2003 and 2004-2005, on the basis of reduced workload and income projections, making maximum use of the reserve and maintaining stable fees. This was seen to comply with recommendations of the Membership while responding to the change in the global outlook.

15. The Delegation of Egypt, speaking on behalf of the African Group, expressed its appreciation to the Director General and the Secretariat for the Revised Proposal for Program and Budget 2004-2005. The Group was particularly satisfied to see that an important number of comments and suggestions made by Member States at the last session of the Program and Budget Committee had been taken into account by the Secretariat and were reflected in the new proposals. The Group noted the decrease by 4.5 per cent of the revised budget 2004-2005 in comparison with 2002-2003. In the context of an overall decrease in budget, the Group appreciated the efforts made to provide for a modest program increase of 0.4 per cent in Main Program 08 (Cooperation with Developing Countries) and of 0.2 per cent in Main Program 10 (the WIPO Worldwide Academy), two Main Programs to which the African Group attached great importance. Nevertheless, these modest increases did not fully match the Group's expectations for a substantial increase in resources allocated to Cooperation for Development activities. Resources aimed at modernizing the IP infrastructure in developing countries and providing those countries with qualified human resources were of paramount importance in enabling developing countries, African countries in particular, to reap the benefits of IP as a means of economic, social and cultural development. Cooperation for Development activities were a critical element of WIPO's work program, even more so at a time where developmental concerns had emerged at the core of the IP debate. In that regard, the Group felt that there was a pressing need to integrate the development dimension in the entire IP system. Integrating the development in the IP system would certainly be one of the important challenges ahead in order to make IP an effective means for social, cultural and economic development. Regarding the program changes in the revised budget proposal, the African Group welcomed the restructuring of previous Main Programs 11 and 12 and the repositioning of some sub-programs and believed that this would enhance the coherence of the overall program structure. The Group further welcomed the changes in revised sub-program 11.3 on cooperation with the private sector and the refocusing of its activities on the preparation of mechanisms and guidelines in order to facilitate private sector participation in a certain number of WIPO activities. The Group stated that it was willing to engage in such an exercise on the premise that work priorities of the Organization, as defined by Member States, would not be compromised and that the views and needs of all relevant stakeholders, and in particular those from civil society, would be taken into account. Regarding the PCT, the Group particularly welcomed the proposal by the Secretariat to extend to all applicants from LDCs the current 75 per cent fee reduction which was previously limited only to natural persons. This measure was seen to contribute towards promoting the PCT among users in LDCs. In general, the Group was of the view that the PCT fee level proposed by the Secretariat for the next biennium was appropriate and well balanced, if the role of the PCT in WIPO's overall financial plan and the promotion of IP in developing countries were taken into consideration. During the April 2003 session of the Program and Budget Committee, the African Group conveyed at length its views concerning the need to maintain the level of PCT fees in such a manner that major sources of WIPO's income should

be ensured in order to fund important WIPO activities for the years to come and in particular Cooperation for Development. The Group stated that the PCT did not operate in a vacuum. WIPO Cooperation for Development activities played a significant role in modernizing the legal and institutional infrastructures of the IP system in African countries, including local patent offices and courts where PCT applicants would be seeking to secure their rights. Cooperation for Development activities funded through the PCT fee incomes ultimately contributed to the enhancement of the PCT system as a whole. It was noted that at the Working Group on the Reform of the PCT held in May 2003, a great majority of delegations echoed a similar view. Proposals towards further reducing the level of PCT fees had left the membership of the Organization unconvinced. The Group stated that it was particularly concerned at the negative impact of such proposed reductions on Cooperation for Development activities. The Group finally underlined the importance it attached to WIPO's work relating to Genetic Resources, Traditional Knowledge and Folklore, and this without prejudice with positions of Member States regarding future work in this area to be examined at the forthcoming Assemblies of the Member States.

16. The Delegation of Portugal, speaking on behalf of Group B, expressed its appreciation to the Secretariat and, in particular, to the Director General, the Office of the Controller, and the Office of Strategic Planning and Policy Development for their efforts in preparing the Revised Proposal for Program and Budget 2004-2005. The Group also congratulated the Secretariat for the improvements in the presentation and information provided. The Program and Budget process had been organized so that Member States were increasingly involved in the budget planning process. The Secretariat continued its efforts to achieve greater transparency for the benefit of Member States. The Group considered that the activities contained in the Revised Proposal were subject to the endorsement by the competent bodies. It was noted that document WO/PBC/7/3 identified in a clear and comprehensive manner the changes introduced in the Revised Proposal as compared to the Initial Proposal. Comparing the revised budget of Sfr638.8 million with the initial budget of Sfr655.4 million for the biennium reflected a decrease of Sfr16.7 million. However, tables 18 and 19 within document WO/PBC/7/2 showed that there was a trend of increasing expenditures, notably in human resources, despite the efforts of rationalization, automation and modernization. The Group had made most of their comments regarding the budget format during the last session of the Program and Budget Committee in April. It noted that several parts of the text of the Initial Proposal had been redrafted in light of the Group's earlier remarks. In particular, it welcomed the additional information provided on major IT projects. Main Program 13 (Information Technology) now consisted of three sub-programs, as compared to the initial proposal, which comprised only two sub-programs. The Group also expressed its satisfaction that the Revised Proposal now indicated PCT-related IT program activities in a separate sub-program 13.3 (PCT Information Systems). Regarding human resources, the Group welcomed the information that the Revised Proposal no longer contained an increase in the recruitment of staff members. Nevertheless, the Group expressed its concerns about the inflation in the number of D and P-level posts. Moreover, it encouraged the Secretariat to give figures concerning staff with short-term contracts, and to study the balance between the number of permanent and non-permanent staff. Finally, WIPO was requested to ensure accountability and transparency in the budget implementation processes. In this regard, an evaluation system should be established, which shows an accurate comparison of the implementation of the approved programs and budget. Furthermore, an internal mechanism of follow-up was advisable and necessary to ensure on-going control by WIPO Member States of the execution of the budget, taking into consideration the evolution of revenues and expenses. In particular, the Group was of the opinion that Member States needed to monitor whether WIPO income grew at the levels predicted by the Secretariat. Specifically, the Group wished to get the



assurance that the Secretariat was ready to periodically provide Member States with updated information in three areas. Firstly, on PCT revenues, taking into account that PCT fees represented a huge majority of WIPO revenues. This information would help Member States to take timely and appropriate measures to deal with any income shortfalls without increasing PCT fees. Secondly, on reserves, noting that they had dropped temporarily below the recommended level. Thirdly, on building projects with the Secretariat continuing to give the Member States technical and financial status reports.

17. The Delegation of Philippines, speaking on behalf of the Asian Group, thanked the Director General and the Secretariat for the high-quality documents as well as the very informative presentations. The Group expressed its satisfaction that the Secretariat took careful note of the concerns raised by Member States at the last Program and Budget Committee meeting with regard to the Initial Proposal. In particular, the Group welcomed the reorientation and the regrouping of the proposals as presented in the Revised Proposal for Program and Budget 2004-2005, in particular the discontinuation of Main Program 12 of the initial proposal and the repositioning of its related activities to other Main Programs. The Group was of the view that the 4.5 per cent reduction in the Revised Proposal was a significant achievement, a truly laudable feat, which demonstrates WIPO's "no nonsense approach" to maximum budgetary restraint without sacrificing the Organization's performance and productivity. However, the Group expressed its deep concern about how such budget reduction would impact on WIPO's Cooperation for Development programs. While it was correct that the 2004-2005 budget for Cooperation with Developing Countries had seen an increase, this was considered largely a token increase compared to the enormous technical assistance required by developing countries. The Group therefore urged the Committee to review the present budget allocation for Cooperation for Development with the end view of its possible further increase. The Group also noted the proposed changes for the PCT fees. As the PCT was a major source of income for WIPO, the Group believed that any fee reduction that would have an adverse impact on the budget allocation for Cooperation for Development programs should be strongly opposed. Furthermore, while the proposed expansion to extend to all applicants from the Least Developed Countries the current 75 per cent reduction was commendable, it was suggested to introduce a similar incentive scheme for developing countries.

18. On behalf of the Group of Latin American and Caribbean countries (GRULAC), the Delegation of Brazil thanked the Secretariat for the documentation provided and for the presentations made. GRULAC said that for its Regional Group, the discussion of those topics was a fundamental part of its working agenda. The Group had carefully reviewed documents WO/PBC/7/2 and WO/PBC/7/3, containing the new proposal put forward for the 2004-2005 biennium budget, which amended the proposal submitted during the discussions in April 2003, contained in document WO/PBC/6/2. As had been expressed in the last working session, the content of those documents had substantial repercussions since the budget and resources allocated to particular areas would make possible the development of sectors and programs which, for its countries, were fundamental with a view to appropriate use of intellectual property as a tool for economic, social and cultural development. On the content of the Budget, the Group made the following remarks and observations: firstly, that the focal point of the Budget continued to be cooperation for development. Already at the last session, profound concern had been expressed since the funds allocated to that item showed a minimal increase which did not reflect the real priorities of developing countries. Although some of the concerns raised had been dealt with by the Secretariat in its Revised Proposal, the Group regretted that the main problems identified by GRULAC, at the first working meeting convened to discuss the subject, persisted. Secondly, it insisted on the need to modify the

institutional vision of what should be understood by cooperation for development. It said that WIPO's aims should be considered with a broad overview, which in particular helped developing countries to participate more actively and benefit from intellectual property systems. This should be a joint task in which States would actually be able to define their own needs and, from that point onward, the human and technical capacities required by the Secretariat would be established. The Delegation continued by saying that the vision should be only one factor, not limited to the spheres of support and infrastructure – something which was necessary to overcome the vision of development based on assistance; WIPO should be a driving force encouraging knowledge and creativity, and true significance should be given to the results of important and valuable research in the field of intellectual property through its implementation. In that regard, GRULAC reiterated its willingness to work on a joint basis in order to display systematically the segments which must be included in future projects, while hoping that a better and more informed assessment of the resources to be allocated to cooperation for development under this new vision was made. Another point of concern for the Group was that relating to the item identified with the number 10, corresponding to the WIPO Worldwide Academy; in the same way as for the previous point, the Group thanked the Secretariat for making the necessary adjustments so that at least the available resources were not restricted for the performance of its activities. However, concern persisted since no mention was made of strengthening the Academy's activities in the Latin American and Caribbean region, which had been worryingly reduced, or of the broader vision of those for whom the courses were intended; for the Regional Group, the usefulness of WIPO training courses should not be limited only to rightholders, but also to users, judges, academics, security force officials and customs officers. A third aspect of concern was that referring to traditional knowledge, genetic resources and folklore. In addition to the use of the terminology "traditional cultural expressions" being maintained, rather than the term "folklore" which was of more general and accepted use, GRULAC hoped that that section would have sufficient resources for the relevant tasks to be carried out in the light of the decision adopted by the Assembly on the Committee's future. A fourth aspect of concern was the significant amount of the budget which continued to be allocated to certain topics which, in the Regional Group's opinion, did not require it; in particular, it continued to be a matter of concern that the necessary adjustments had not been made to reduce the resources intended for enforcement and the vision which persisted. The Delegation said that, as had been repeatedly stated, enforcement was not a problem specific to developing countries since also in developed countries holders had serious problems in requesting the enforcement of their rights. It said that the Member States had agreed that the tasks relating to enforcement would be limited to technical assistance and cooperation, for which reason the significant budget allocated thereto could not be justified. GRULAC reiterated that the draft budget was not a document for the formulation of policies and therefore no activity or decision that might be adopted by the States in the WIPO Working Committees or Assemblies should be prejudiced. Finally, the Group expressed pleasure that the PCT Reform Committee had recommended the maintenance of fees, in accordance with the Secretariat's proposal, with the separation of receipts according to Chapters I and II of the Treaty. Unfortunately, owing to the new calculation of the estimated income, that level of fees was insufficient for maintaining the total budget provided for in the original version. The Group trusted that that level of fees would be ratified by the Committee and subsequently by the Assemblies of the Member States of WIPO. Having stated the most important concerns in relation to the revised budget and in the interests of working jointly with the Secretariat, the Group joined the consensus regarding the Revised Proposal for Program and Budget 2004-2005, contained in documents WO/PBC/7/2 and WO/PBC/7/3, while hoping that in future draft budgets the concerns expressed by GRULAC would be considered and assessed.

19. The Delegation of Mexico said that it had studied carefully the revised proposal for Program and Budget 2004-2005. It was grateful to observe that some of the changes which it had requested during the sixth session of this Committee were taken into account by the International Bureau, primarily including the allocation of the Industry Advisory Commission (IAC) in Program 2 and not in Section III of cooperation for development. Although the Delegation understood that the reduction in the budget was due to a revision of the income estimated under the PCT, it was profoundly concerned with the reduction in Program 8 for cooperation with developing countries. The Delegation said that it was fully confident that, within a short space of time, it would see the end of the current recession which it was experiencing and that the economic reactivation would bring with it an increase in the number of patent applications filed. In that regard, the Delegation expressed its approval concerning the Revised Proposal for Program and Budget and requested that, where any income was greater than that estimated, such income was assigned as a priority to the cooperation for development program. As regards the increase in the number of posts provided for during the biennium, the Delegation emphasized the importance of the existence of a regional balance in Secretariat staff, and that should be one of the criteria governing staff selection, including directors' posts. Similarly, the Delegation said that Program 11.3 was one which should be carefully examined by States, in order to ensure that the participation of the private sector made a positive contribution to the Secretariat's activities, which would involve broader private sector participation but with appropriate monitoring by the Member States, including in particular the drawing-up of guidelines which would be used to conduct the relationship with the private sector and also in the monitoring of the activities which would arise as a result of this new relationship. Finally, the Delegation fully supported the statement made by the Delegation of Brazil on behalf of GRULAC.

20. The Delegation of China commended the Secretariat for the excellent Revised Proposal for Program and Budget 2004-2005. The Delegation noted that the revision took account of the views expressed during preceding sessions and that the reformulation was positive and beneficial for an optimal use of resources. The Delegation paid particular attention to Part III (Intellectual Property for Economic, Social and Cultural Development) of the Revised Proposal which aimed to strengthening capacity of the intellectual property system. The proposed budget allocation for Part III was considered modest and the Delegation hoped that this would not affect the capacity building for development. The Delegation stated that users of the intellectual property system would need to be trained and the capacity building should be strengthened in particular for the Least Developed Countries.

21. The Delegation of the United States of America supported the statement made by the Delegation of Portugal on behalf of Group B. The Delegation was of the view that, just as WIPO dramatically expanded its programs and activities during the economic and creative expansion of the 1990's, it needed to adjust to the new reality of slower economic growth, and a slower growth of fees from PCT, on the back of which 80 per cent of the activities of the Organization were based. At the earlier meeting of the Program and Budget Committee, the Delegation requested the Secretariat to present a Revised Proposal for 2004-2005 which incorporated a PCT fee reduction. Moreover, the Delegation suggested that appropriate spending reductions be implemented to accommodate this change. The Delegation remained very concerned that the current proposal would actually result in an increase in the average PCT fee. The Delegation referred to the data provided in table 21 of document WO/PBC/7/2 where the average fee per application was forecasted to go from 1,626 Swiss francs in 2002-2003 to 1,678 Swiss francs between 2004 and 2006, with only a minor six per cent decrease in 2007. The Delegation stated that it would like to reiterate its proposal for a reduction of PCT fees. The proposal would be considered by the forthcoming PCT Union

Assembly. Since PCT fees made up such an important part of the budget, endorsement of the budget would depend on the outcome of the discussion on PCT fee proposals.

22. The Delegation of Kazakhstan, speaking on behalf of the Central Asian, Caucasus and Eastern European Countries, was pleased to note that its previous comments had been taken into account in the Revised Proposal, including a reduction in the number of posts. The Group also expressed its support for the proposed budget.

23. The Delegation of France fully subscribed to the statements made by the Coordinator of Group B. The Delegation was particularly grateful to WIPO for the work and efforts that had been devoted to ensuring that the production of the budget proceeded smoothly. The Delegation of France expressed thanks to the whole team responsible for the preparation of the current meeting and also to the Director General. It wished to make three points to complete and back up the statement by the Coordinator of Group B. First, regarding the layout of the budget, the Delegation thanked the Secretariat for the efforts made to achieve transparency and in particular for having responded to its earlier request by providing a detailed table that distinguished investment expenditure from operating expenditure. The Delegation considered that the document was essential to the future and to the work of the Organization, and wished thereafter to receive regularly a statement on the position of investment expenditure and the position regarding the financing of that investment, and a report explaining the reserves. With regard to program content, the Delegation of France wished to point out once again the need to have sufficiently well-staffed translation and interpretation services, and gave thanks for the assurances given in that respect. The Delegation also thanked the Secretariat for the undertakings made in connection with the work on the International Patent Classification, and repeated its wish that the English and French versions of the Strasbourg Agreement should be of equal quality. Finally it said, as Group B and GRULAC also had, that in its view the WIPO activities proposed in the program and budget documents were indicative in character and should be approved in due course by the governing bodies of WIPO. The Delegation of France was pleased to note that the figures in the revised program and budget reflected the comments by Member States. That said, looking at the level of activities of national and regional offices, the Delegation nevertheless expressed serious misgivings as to the realism of the growth assumptions made. A more modest income growth assumption in the order of five to ten per cent would have seemed more realistic. The consequences of such possible misjudgments could be disquieting. For that reason the Delegation of France very emphatically supported the proposal by Group B for the introduction of monitoring machinery that would make it possible, in the event of conjectural mishaps, to keep the level of expenditure proportional to actual income. The Delegation awaited proposals from the Secretariat in that connection. It mentioned moreover that it was not in favor of any increase in fees, which an uncontrolled deficit would not fail to bring about. Subject to those few comments, the Delegation of France stood by the Secretariat and supported the proposals.

24. The Delegation of the Russian Federation noted that the Secretariat had taken into account the comments made by its Delegation at the previous session of the Program and Budget Committee and considered that the Revised Proposal was based on a much more realistic estimate of expected income. The Delegation welcomed the proposal to respond to the reduction in PCT income increases with a corresponding reduction in posts. The Delegation supported the new PCT fee structure, which was elaborated based on the recommendations of the Working Group on PCT Reform. The Delegation noted that the previous Main Programs 11 (Intellectual Property for Economic Development) and 12 (Development of IP Culture and Respect for IP) had been redirected and believed that this

was justified. It recalled the Delegation had requested additional information on information technology during the previous meeting of the Program and Budget Committee. The new presentation of Main Program 13 (Information Technology) had made the activities clearer and more transparent. Finally, the Delegation associated itself with the position of the Group B and agreed on the need to constantly monitor income levels.

25. The Delegation of Germany associated itself with the statement of Group B. The Delegation expressed its appreciation for the Revised Proposal and its responsiveness to the concerns expressed by various delegations at the last Committee meeting held in April 2003. The Delegation was of the view that the Revised Proposal reflected maximum budgetary restraint, which was considered of particular importance in times of economic slowdown. The Delegation acknowledged the concern expressed by various delegations regarding the income situation and the need to establish a monitoring mechanism. It was noted that the Secretariat would need to address a possible shortfall of income through budget reductions in a balanced way. It was noted that the operation of the Organization and the implementation of the programs were heavily dependent on fee income, in particular income generated by PCT fees. The Revised Proposal was based on the assumption of stable fee income and based on the fee structure proposed by the Secretariat to the PCT Assembly. The Delegation expressed concern over whether the level of income generated by PCT fees was sufficiently stable. It was noted that the fee structure had been discussed by the Working Group on PCT Reform. As some adjustments involved fee reductions whereas others resulted in a slight fee increase, selecting specific adjustments only could therefore be misleading. Finally, the Delegation expressed its readiness to support the Revised Budget as presented by the Secretariat.

26. The Delegation of Spain welcomed the excellent work done by the Secretariat, not only in preparing the documents relating to the current Committee session but also in distributing those documents and providing information on their content prior to the meeting. The Delegation also said that such work had been exemplary in terms of its efficiency and transparency. As regards the income and proposals that had been made regarding additional reductions in PCT fees, although the Delegation shared the concern expressed by a number of Member States regarding the advisability of reducing the burden on enterprises, insofar as that was possible, and therefore took a positive view of such possible reductions, given the uncertain circumstances in which the draft budget was unfolding, combined with the need to preserve the source of funding for those WIPO activities to which the Delegation attached special importance, such as the activities envisaged in Chapter 8 of cooperation with developing countries, it nevertheless concluded that the time was not exactly right to undertake such a reduction in fees, and it expressed the wish that future projections made with more optimistic economic scenarios would allow such a reduction in fees, which currently appeared to be premature.

27. The Delegation of Japan expressed its appreciation to the Secretariat for its intensive work in preparing the documentation. While associating itself with the statement made by the Delegation of Portugal on behalf of Group B, the Delegation wished to reiterate some concerns regarding the Revised Proposal for Program and Budget 2004-2005. With regard to the PCT fees, the Delegation was of the view that the Revised Proposal of 1,678 Swiss francs constituted a substantial increase compared to the current fee level. The Delegation indicated, however, that it could not judge whether the Revised Proposal was appropriate or not, since it did not have available sufficient information on the Secretariat's efforts to reduce costs through system modifications, for example PCT reform and automation. The Delegation stressed that Japan, as a main user of the PCT system, wished to seek further clarifications

from the Secretariat in this respect. In this context, the Delegation shares the concern expressed by the Delegation of the United States of America and supported their view that fee reduction to the appropriate level would be taken into deliberation by the PCT Union during the upcoming Assemblies. With regard to IT projects, the Delegation requested more concrete description of the IMPACT automation Project in the next biennium, which it considered crucial to process effectively PCT electronic applications. The Delegation also observed that developmental and operational costs for the WIPONET Project accounted for about a quarter of the total IT budget. The Secretariat was requested to provide information on the impact of the WIPONET Project, including an assessment of how the administration work of national intellectual property offices was rationalized.

28. The Delegation of the United Kingdom considered that the Revised Budget reflected more accurately the likely situation with regard to PCT filings in the coming years. It associated itself with the statement of Group B and emphasized the need to monitor carefully the PCT filing patterns and to be prepared to take action when these patterns did not seem to be complying with the current assumptions. On the overall budget levels, the Delegation expressed its readiness to approve the proposed budget levels. The Delegation pointed out that the issue of PCT fees involved two Committees and that it was difficult to separate the technical and budgetary issues. Although fee reductions would be welcomed in the long-run, the Delegation felt that this was currently not the right time in particular in view of the uncertainties concerning such issues as the new PCT structure, the average fee and the expected filing pattern. With regards to program activities in the area of cooperation, the Delegation supported the maintenance of funding while emphasizing the importance of assessing the progress achieved and maximizing efficiency.

29. The Delegation of Ukraine expressed its appreciation to the Secretariat for the preparation of the Revised Proposal as well as the inclusion of its recommendations made at the previous session of the Committee. The Delegation associated itself with the statement of its regional group. The Delegation also expressed its support for the proposal made by the United States of America with respect to the monitoring of budget expenditures and income. With regard to PCT fee reductions, the Delegation was of the view that it was not the right time to make decisions on the issue.

30. The Delegation of Algeria endorsed the statement made by Egypt on behalf of the African Group, and thanked the Director General for the presentation of the Revised Proposal for the Program and Budget for the 2004-2005 period and the 2002-2009 Financial Plan. The Delegation also wished to pay tribute to the Secretariat for the efforts made in the production of the revised version of the Program and Budget and for the interactive debate which had been noteworthy for its exceptional transparency. The Delegation was pleased to note that the International Bureau had dealt with a large number of the concerns expressed by the Member States at the previous session: the proposals and comments made had been extensively taken into account in the production of the Revised Proposal. In spite of the 4.5 per cent decrease in the budget estimates, the Delegation was pleased to note that the budget estimates under the heading of cooperation for development had been kept at the same level, which thus represented at least symbolic growth. The Delegation expressed the wish that future biennia might see the introduction of an integrated vision of the development issue within the framework of WIPO's activities. As that development issue concerned not only the cooperation for development sector but WIPO activities as a whole, it required horizontal, not vertical vision. The Delegation was very pleased to note the restructuring of Main Programs 11 and 12 of the Initial Budget Proposal, which would serve to increase the cohesiveness of the programs as a whole. The Delegation also pointed to the importance of the link between

the level of the PCT fee and the matter of cooperation for development. According to the Delegation, a reduction in that fee was liable to have an adverse effect on the main planks of cooperation for development, which was of particular importance to developing countries as it enabled them to make the most of their use of the intellectual property system, which in turn would induce Members to step outside the logic of aid to development and establish a horizontal, integrated approach to the matter of intellectual property.

31. The Secretariat, in response to the comments made by Delegations, stated that the activities described in the Revised Proposal for Program and Budget 2004-2005 were indicative and did not prejudice the outcomes of the discussions that were to be held in the competent body. This included the question of PCT fees that would be decided at the PCT Assembly. The Secretariat took note of the request for additional resources, in particular, with regard to Main Program 08 (Cooperation with Developing Countries). The Secretariat also took note of the comments by a number of delegations to work with the Secretariat to implement intellectual property policies in the new context of development, and to comprehensively integrate the intellectual property components into policy development. Note was also taken of the readiness of Delegations to participate in consultations on the preparation of draft guidelines with regard to enhance cooperation with the private sector. It was noted that a number of delegations and Group B requested the establishment of an appropriate mechanism to provide regular information on income, PCT applications and information technology projects, such as the IMPACT and WIPONET Projects.

32. The Secretariat noted that, in the course of the discussions, a number of Delegations praised the efforts made by the Secretariat to revise the document containing the Proposed Program and Budget in the light of their comments. It wished to point out that emphasis was also placed on the determination of WIPO to achieve transparency, as it was at the instigation of the Director General that the Secretariat had become very attached to its transparency efforts, and this would continue in the future. The Secretariat had duly noted the necessity of monitoring income and evaluations, and of planning machinery that would make it possible to adjust estimates more realistically to actual circumstances by relying on facts rather than mere forecasts. The Secretariat further noted that one of the delegations had described its approach as a “no-nonsense approach,” and regarded that assessment as a compliment.

33. The Chairman introduced his summary on the discussions on agenda item 4 and 5 as follows: “The Committee welcomes the submission of the Revised Proposal for the Program and Budget 2004-2005 included in documents WO/PBC/7/2 and WO/PBC/7/3 and commends the Secretariat for the comprehensive and transparent presentation. In particular, delegations noted with appreciation the efforts of the Secretariat to reflect in the Revised Proposal comments and suggestions made by delegations during the previous meeting of the Program and Budget Committee and the subsequent consultations. I note the broad support for the Revised Proposal for Program and Budget as submitted. I also note that a number of delegations called for the strengthening of activities related to Cooperation for Development. In particular, suggestions have been advanced to increase the resource allocation in this area on a priority basis should additional resources become available. While a few delegations called for further reductions of PCT fees, a very large majority of the Committee supported the proposed levels of PCT fees. I also note that decisions on PCT fees will be taken by the PCT Assembly. While supporting the proposed budget, a few delegations expressed concern over income projections. I note suggestions with regard to the establishment of a follow-up consultation process within the framework of the Program and Budget Committee between interested delegations and the Secretariat in order to carefully monitor developments and implementation of the Program and Budget, in particular to validate financial projections and

underlying assumptions. I also note that many delegations underlined the indicative nature of the Program and Budget proposal. Bearing this in mind, I propose that the Committee provide the following text for the recommendation to the Assemblies:”

*34. The Program and Budget Committee recommends the Revised Proposal for Program and Budget 2004-2005 to the Assemblies of the Member States for approval, taking note that the PCT Assembly is the competent body for the approval of PCT fees.*

35. The Delegation of France had asked for an explanation of the implications of the text to be adopted. In the course of the discussions there had been a mention of a Group B proposal, and the Delegation wished to know what the Secretariat’s intentions were in that regard, namely whether it intended to set up a monitoring committee to keep Members regularly informed of developments in PCT filings in order that they might, if necessary, take appropriate action to adjust the budget.

36. The Secretariat stated that it had duly noted the summary of the discussions of the Program and Budget Committee made by its Chairman, including the setting up of a monitoring committee within the Program and Budget Committee.

37. The Chairman opened discussion on agenda item 6, entitled “Matters Concerning the New Construction.”

38. The Secretariat introduced document WO/PBC/7/4, which contained the latest account of the new building project, including the selection of the general contractor, which had taken place on August 25, 2003. The Secretariat informed the Committee that consultations with Member States regarding the new construction project had been carried out regularly as requested and added some details to the latest information contained in that document. First, as the Assemblies of the Member States decided, and following the regular procedure for calling for tenders, an external consultant (architects Honegger and Müller) was engaged to take part in the management of the project. They had signed a contract on May 28, 2003, and had started working on the project in June. The terms of reference of the consultant, as appearing in the contract, were included in document WO/PBC/7/4. Secondly, as far as the choice of the general contractor was concerned, a call for tenders had been made in due form, and, in order to ensure transparency and objectiveness, the Director General had asked a Selection Board composed only of representatives of Member States, co-chaired by the Ambassadors of The Netherlands and Pakistan, to make the choice of general contractor. A consortium of two major building companies, Induni and Ferrovia, had been chosen by the Selection Board. The Secretariat pointed out that the details of the contract were currently being negotiated, and that the contracts should be signed shortly. Thirdly, on the matter of the additional storage area and the capacity of the car park, as Member States had requested, the Secretariat informed the Committee that it had engaged in negotiations with the Geneva authorities on the possibility of converting an additional storage area into additional parking spaces. On July 24, the Secretariat had received a letter from Geneva’s Council of State, which had given its agreement to that possibility. As a result, while continuing its talks and contacts with them, the Secretariat had gone ahead with the drawing up of plans, including additional storage area plans, and was at present in a position to inform Member States that the cost of the additional storage area should not, in any event, exceed the budget envelope already approved by the Member States. As negotiation had already progressed with the



general contractor, the Secretariat was, at present, certain that the cost of the additional storage area convertible into parking spaces would be substantially below the 20 million Swiss francs of the initial estimate, compared with the figure mentioned in the corresponding document. On that basis, while confirming that it would remain within the planned and already approved budget envelope, the Secretariat formally proposed the construction of this additional storage and/or parking area on the premises of the new building, and wished to have the Committee's approval of its proposal. Fourthly, the Secretariat pointed out the Swiss Federal Audit Office, in its capacity as WIPO's external auditor, had conducted an interim audit of the construction project from May 26 to June 26, 2003. The interim report which, in the interest of complete transparency, had been made available to Member States for information, contained seven recommendations. Those recommendations including that on the new construction project were invaluable to the Secretariat, and came at a time when the external consultant was becoming fully operational and the general contractor had just been chosen. The Secretariat informed the Committee that, for the implementation of the project, the Secretariat was going to comply with all the recommendations of the Federal Audit Office as appearing in its interim report. For instance, regarding its Recommendations Nos. 1, 2, 3 and 7, which had to do with the project management structure, the definition of the mandate and the role of the external consultant, the Secretariat had already engaged in discussions with the newly-selected general contractor regarding the organization of work and the definition of the responsibilities of all parties concerned. The Secretariat would continue to keep Members of the Committee informed as the work progressed, probably before the end of the current year. As far as Recommendations Nos. 4, 5 and 6 were concerned, the technical team, with the engineers and architects, would soon have completed all the detailed plans and technical specifications. Now that the general contractor had been selected, the Secretariat had much more accurate information at its disposal regarding the cost of implementing the project, and that would make it possible for the Secretariat to provide Member States, as it had been doing up to the present time, with full information on the progress of the project, in consistence with the recommendations of the external audit.

39. The Chairman expressed its satisfaction that the construction of the supplementary storage/parking did not entail an increase in the project budget.

40. The Delegation of India was of the view that the cost of the additional storage intended to be converted into parking facilities, which was estimated at around 3 million Swiss francs, appeared to be very small compared to the cost of 20 million Swiss francs as had been expected earlier. The Delegation noted the estimated unit cost of around 12,000 Swiss francs per parking slot for a total of 250 vehicles, and it expressed its support for the facility in view of the low cost and demonstrated need for additional parking facilities.

41. The Delegation of China expressed concern about the current lack of parking spaces and hoped that the proposed parking would alleviate the current bottleneck problem.

42. In relation to the arrangement regarding parking spaces, mentioned in document WO/PBC/7/4, where it was stated that those places had very small additional costs, the Delegation of Italy requested clarification as to whether such additional costs would be absorbed through a reduction in the percentage of unforeseen expenditures originally calculated or whether, by contrast, that corresponded to a modification within the building construction item.

43. The Secretariat indicated that the estimates initially established for the new construction contained a contingency. This contingency was large enough to absorb the cost for

supplementary storage and parking. It was noted that the contingency would be reexamined following the selection of the general contractor and that it expected that technical features would not change as a result of the cost of the supplementary facility.

44. The Delegation of Portugal noted the information contained in document WO/PBC/7/4 and also the audit report which the Delegation had received only that day. For that reason, the Delegation had unfortunately not had sufficient time to consider the interim report which the Swiss Federal Audit Office had drawn up. The Delegation also noted that the Secretariat had already complied with the seven recommendations which the external auditor had put forward in the document in question. Whatever the case might be, given that it had only become aware of the document that day, Group B reserved the right to comment on it at a later date.

45. The Delegation of Mexico thanked the Secretariat for the continuing efforts to make possible the construction of extra storage and parking space, as well as for making clear its willingness to adopt the recommendations made as a result of the audit conducted by the Swiss Federal Audit Office, in order that the construction was as closely suited as possible to the Secretariat's objectives. The Delegation also reiterated to other members of the Committee its insistence in past meetings on recommending the construction of parking spaces in view of the difficulties usually encountered at the current time in finding appropriate parking in public areas.

*46. The Program and Budget Committee:*

*(i) takes note of the information provided in document WO/PBC/7/4 and*

*(ii) endorses the supplementary storage/parking facilities for the new construction.*

[End of Annex and of document]