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**GOVERNING BODIES OF WIPO
AND THE UNIONS ADMINISTERED BY WIPO**

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REPORT OF THE WIPO BUDGET COMMITTEE
RE: DOCUMENT AB/XXIV/5

adopted by that Committee on April 21, 1993

The following paragraphs reproduce paragraphs 55 to 69 of the text of the report of the eleventh session of the WIPO Budget Committee held from April 19 to 21, 1993 (document WO/BC/XI/4). The remainder of the said report (the first 54 paragraphs) deals with the opening of the said session and consideration of the draft program and budget for the 1994-95 biennium; those paragraphs of the report appear in document AB/XXIV/3.

"Unitary Contribution System for the Six Contribution-financed Unions
and Alignment of the Contributions of Non-Union States"

"55. Discussions were based on document WO/BC/XI/3.

"56. The Delegations of the United Republic of Tanzania, Egypt, India, China, Brazil and Chile stated that they fully supported the proposal to introduce the unitary contribution system. It was noted that that much needed change would eliminate the complexities and difficulties associated with the present contribution system, and simplify and streamline the administration of contributions. The reduction of the level of contributions, which would benefit all States members of the Unions, was most welcome, especially as it would reduce the level of contributions for developing countries to more equitable levels. Furthermore, by encouraging countries--especially developing countries--to join other Unions at no extra cost, the introduction of the unitary contribution system would promote multi-lateralism, increase

the universality and improve the protection of intellectual property, and strengthen the Organization. The Delegation of India also added that the introduction of the unitary contribution system would not affect the decision-making role of the member States and that the precedent followed in 1989 and 1991 could be adopted this time as well.

"57. The Delegation of the Russian Federation said that it saw little problem with the proposal for a unitary contribution system, which it considered had been well thought through. The advantages, of simplifying relations between States and the International Bureau, and of facilitating accessions to Unions, outweighed any possible disadvantages.

"58. Other delegations either expressed support in principle for the Director General's proposal, with certain comments or questions, or expressed reservations, as stated in the following paragraphs.

"59. The Delegation of Germany supported in principle the proposed unitary contribution system, which would relieve the burden of contributions, encourage further accessions to Unions and simplify payment procedures. However, it asked whether, to ensure transparency, there would in future continue to be separate budgets for each of the Unions. It questioned whether a State paying a unitary contribution might demand a say in Unions of which it was not a member. Furthermore, it asked whether present arrears in contributions would be affected by the new system.

"60. The Delegation of Canada stated that it supported in principle the proposed unitary contribution system, as that would streamline and simplify the present system of contributions and, by supporting broader membership of the Unions, would increase the protection of intellectual property. However, the Delegation expressed concerns over the declining share of the income of the Organization that the contributions of States represented. The Delegation wondered whether it might be necessary to establish a floor percentage or share for such contributions.

"61. In reply to a question from several delegations as to whether the introduction of the unitary contribution system could lead to member States having less control over the Organization, the Chairman stated that he did not see that as a problem; he referred to the PCT Union which, while being financed by user fees, involved decisions being made by the member States. The International Bureau also referred to the Madrid Union, in which the member States had exercised full control for more than a century without paying contributions.

"62. The Delegation of Japan acknowledged several advantages of the proposal. However, it questioned whether States should pay contributions for activities in which they did not participate. Observing that treaty amendments would be required, it expressed doubts as to whether the Assemblies concerned could make the required decisions. Finally, it asked whether the unitary contribution system would reduce the autonomy of each Union. In the light of those questions, the Delegation said that it was not in a position at this stage to approve the unitary contribution system.

"63. The Delegation of France observed that the document contained two proposals: the first for a unitary contribution system, and the second for new contribution classes for developing countries. It encouraged

approval of the latter, which could help countries adhere to more Unions. As to the proposal for a unitary contribution system, the Delegation expressed reservations, and said that it considered that further information on this important change was needed, which called for a thorough examination before being submitted to the Governing Bodies for approval. It noted that the proposal was contrary to the conventions, which required each Union to have a budget and contributions. It also raised the question whether the powers of individual governing bodies might be diluted, with countries paying a unitary contribution assuming that they had a deciding power in Unions of which they were not members.

"64. The Delegation of the United States of America said that it recognized the benefits that could accrue from the introduction of the unitary contribution system. However, notwithstanding the merits of that system, it expressed concern that that would no longer provide for the present direct "user fee" relationship whereby countries paid for membership in the Unions from which they received benefits. Furthermore, it considered that more time was needed to study the implications of the proposed system. The Delegation could not therefore now join in a consensus to support the new system.

"65. The Delegation of the United Republic of Tanzania suggested that a broad perspective should be taken in examining the proposal for a unitary contribution system, particularly since such a system appeared to be in the overall interests of all member States.

"66. As to the legality of having the Governing Bodies make the decisions to introduce the unitary contribution system, the Chairman observed that they were competent to take such a decision, and that it would be appropriate to introduce the system for a trial period, after which time final decisions would be made on the appropriate changes in the treaties. He hoped that, following the introduction of the new system, there would be a number of accessions of countries to Unions, otherwise much of the promise behind this new, broad perspective would lose its force. Furthermore, such a follow-up to the introduction of the new system would be necessary to sustain the momentum needed for amending the treaties.

"67. In replying to the comments and questions raised by various delegations on the unitary contribution system, the International Bureau made the following points: (i) The draft budget for the 1994-95 biennium provided for separate budgets for each Union, which would continue for that biennium under the unitary contribution system; for future bienniums, the same relative share of contributions between Unions--which already had existed for several bienniums--could be continued. (ii) States members of one Union would not be able to intervene in the affairs of another Union of which they were not a member, without having first acceded to that Union. Accession would not therefore be automatic, but would be encouraged by the new system. (iii) The introduction of the unitary contribution system would not affect present arrears in contributions. (iv) As to the concern that some countries might pay for activities in which they were not participating, it was noteworthy that WIPO was the only Organization of the United Nations system having separate contributions for different activities; in those other Organizations, the decision of a country to participate in further activities did not have any financial consequences. Furthermore, each Classification Union--having only a small number of members yet with many more countries using the

classification--illustrated exactly the opposite situation, of countries now not paying for activities of benefit to them. This situation resulted, for the IPC Union, for example, from the relatively high level of IPC contributions, which inhibited accessions; at the same time, having only a few IPC member States means that the IPC contributions remained high. Having the unitary contribution system would thus increase the membership of the Classification Unions, with clear benefits for both the development of the classifications and for the States using them. (v) Only having more, lower, contribution classes would lower contributions for some countries, but would not facilitate accession by all member States in the same way as the unitary contribution system, so would not have the same effect in promoting universality.

"68. In conclusion, the Chairman observed that there was very substantial (though not unanimous) support for the far-reaching and innovative proposal for the unitary contribution system, with a limited number of delegations expressing concerns or objections. He said that it was likely that there would be broad support for the proposal at the Governing Bodies meetings, including from a number of countries having a high level of contributions, and hoped that the delegations that had expressed objections would then be in a position to join in the consensus required to adopt the proposal.

"69. This report was unanimously adopted by the Budget Committee on April 21, 1993."

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