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PROGRAM AND BUDGET COMMITTEE

Thirteenth Session

Geneva, December 10 and 11, 2008

REPORT

adopted by the Program and Budget Committee

1. The thirteenth session of the WIPO Program and Budget Committee (PBC) was held at the headquarters of WIPO on December 10 and 11, 2008.
2. The Committee is composed of the following Member States: Algeria, Argentina, Bangladesh, Barbados, Belarus, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Cuba, Czech Republic, Egypt, Estonia, France, Germany, Greece, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Kazakhstan, Kenya, Kyrgyzstan, Mexico, Morocco, Netherlands, Nigeria, Oman, Pakistan, Philippines, Poland, Republic of Korea, Romania, Russian Federation, Senegal, Singapore, South Africa, Spain, Switzerland (*ex officio*), Thailand, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, United States of America, Uruguay, Venezuela (Bolivarian Republic of) and Zambia (53). The members of the Committee which were represented at this session were the following: Algeria, Argentina, Bangladesh, Barbados, Belarus, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Cuba, Czech Republic, Egypt, Estonia, France, Germany, Greece, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Kazakhstan, Kenya, Kyrgyzstan, Mexico, Morocco, Netherlands, Nigeria, Pakistan, Philippines, Poland, Republic of Korea, Romania, Russian Federation, Singapore, South Africa, Spain, Switzerland (*ex officio*), Thailand, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, United States of America, Uruguay, Venezuela (Bolivarian Republic of) and Zambia (51). In addition, the following States, members of WIPO but not members of the Committee, were represented as observers: Albania, Angola, Australia, Austria, Bahrain, Belgium, Benin, Bosnia and Herzegovina, Botswana, Burkina Faso, Burundi, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of Congo, Democratic

People's Republic of Korea, Denmark, Djibouti, El Salvador, Ecuador, Ethiopia, Ex-Yugoslav Republic of Macedonia, Finland, Ghana, Haiti, Holy See, Indonesia, Ireland, Israel, Latvia, Lebanon, Lithuania, Luxembourg, Madagascar, Malaysia, Mauritius, Monaco, Montenegro, Mozambique, Nepal, Norway, Panama, Paraguay, Peru, Portugal, Serbia, Sudan, Sri Lanka, Syrian Arab Republic, Chad, Togo, the Republic of Moldova, Yemen and Zimbabwe(54). The list of participants is annexed to the present document (Annex I).

3. The WIPO Audit Committee was represented at the session by Ambassador Khalil Issa Othman, Chairman and Mr. Pieter Zevenbergen.

ITEM 1 OF THE AGENDA

OPENING OF THE SESSION

4. The session was opened by the Director General, Mr. Francis Gurry.

ITEM 2 OF THE AGENDA

ELECTION OF THE CHAIR AND TWO VICE-CHAIRS OF THE PROGRAM AND BUDGET COMMITTEE

5. Following nomination made by the Delegation of Germany (on behalf of Group B), seconded by the Delegation of Pakistan (on behalf of the Asian Group), Algeria (on behalf of the African Group) and the Delegation of India, Mr. Christophe Guilhou (France) was elected the Chair, while Mr. Mohammed Gad (Egypt) and Ms. Li Lin Liew (Singapore) were elected the Vice-Chairs of the Committee.

6. The Delegation of Pakistan (on behalf of the Asian Group) proposed the establishment of a working group to elaborate, by May 2009, an equitable rotation mechanism for the election of Chairs of different WIPO Committees as of September 2009. This proposal was supported by the Delegations of Algeria (on behalf of African Group) and India.

ITEM 3 OF THE AGENDA

ADOPTION OF THE AGENDA

7. Following the request of the Delegation of France to bring forward agenda item 12 (Report of the Internal Auditor) to be discussed before item 8, the agenda was adopted. (Annex II of the present report (document WO/PBC/13/1)).

8. Opening general statements were made by the Delegations of Algeria (on behalf of the African Group), Bahrain, Bangladesh (on behalf of Least Developed Countries (LDC)), China, Egypt, India, Lebanon, Morocco, Nepal, Nigeria, Pakistan (on behalf of the Asian Group), Romania, and Ukraine. The content of these general statements is referred to under the relevant agenda items below.

ITEM 4 OF THE AGENDA

FINANCIAL MANAGEMENT REPORT FOR THE 2006-2007 BIENNIUM;
ARREARS IN CONTRIBUTIONS AS OF OCTOBER 10, 2008

9. Discussions were based on the Financial Management Report for the 2006-2007 Biennium contained in publication FMR/2006-2007 and document WO/PBC/13/2.
10. In introducing the document, the Controller recalled that the Financial Management Report (FMR) for 2006-2007 should have been submitted to the PBC in September 2008. However, in view of the election of the new Director General, that PBC session had been deferred. Therefore, the accounts presentation was deferred to the present, December session. He also recalled that the document was purely financial in nature and did not deal with issues related to program activities. He pointed out that the External Auditor's report on the WIPO accounts (drafted in July 2008) was annexed to the FMR publication, which was sent to all Member States in August 2008. He added that the Secretariat's responses to the seven recommendations made by the External Auditor were contained in document WO/PBC/13/2. He further added that Section II of the said document also contained the status of payment of contributions on October 10, 2008. In this regard, the Controller noted that the contributions made by Algeria, Bangladesh, Bolivia, Greece, Libya, Lithuania, the Seychelles, Uganda, Uruguay and Yemen had been received after that date and therefore appeared listed as arrears in the said document.
11. There were no comments from delegations on this agenda item.

12. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to:

(i) approve the 2006-2007 Financial Management Report (publication FMR/2006-2007); and

(ii) take note of the status of the payment of contributions on October 10, 2008 (Section II of document WO/PBC/13/2).

ITEM 5 OF THE AGENDA

EXTERNAL AUDITOR'S REPORTS

13. Discussions were based on documents WO/PBC/13/8 (New Construction) and WO/PBC/13/9 (Inventories), which were introduced by Deputy Director General, Philippe Petit. In introducing the two documents, the Deputy Director General noted that in order to improve transparency, the two reports were being submitted as formal PBC documents issued in the six official languages. He added that most of the External Auditor's recommendations were already fully implemented, while the remaining ones were in the process of being implemented.

14. The External Auditor (Kurt Grüter, directeur du contrôle fédéral des finances de la Confédération suisse, Berne) made a statement with regard to documents WO/PBC/13/8 and WO/PBC/13/9, which is attached as Annex III to the present report.

New Construction: Evaluation Report of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-Up to the 2007 Audit (document WO/PBC/13/8)

15. The Delegations of India and the United States of America expressed satisfaction with the level of scrutiny applied which ensured that the project was well managed and subject to oversight. Both Delegations welcomed the detailed analysis of the financial impact of modifications to the new construction project. They requested that should there be a need for any increases in the cost of the project, explanations should always be provided to enable better understanding by Member States. They asked for clarifications regarding recommendation 2 of the report (the observance of the principle of non-discrimination in the bidding procedure).

16. The Deputy Director General explained that this particular bidding process was unique, due to the fact that the selection of the pilot, the general contractor and the lending banks was performed by a jury made up of representatives of Member States and not by the Secretariat. He further clarified that this was a tailor-made approach for this project and that WIPO's Financial Regulations and Rules had been fully observed.

17. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to take note of document WO/PBC/13/8 and its Appendix (Evaluation Report of the External Auditor on the New Administrative Building and Additional Storage Construction Project – Follow-Up to the 2007 Audit).

Audit of Inventory Management Performance 2006-2007 Biennium
(document WO/PBC/13/9)

18. Deputy Director General introduced document WO/PBC/13/9 stressing its usefulness and the Secretariat's continued effort to improve inventory procedures and added that the External Auditor's recommendations would be implemented in the shortest time possible.

19. There were no comments from delegations regarding this report.

20. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to take note of the External

Auditor's Report entitled Audit of Inventory Management Performance 2006-2007 Biennium and of the information contained in the document WO/PBC/13/9.

ITEM 6 OF THE AGENDA

BRIEFING BY THE CHAIR OF THE AUDIT COMMITTEE ON THE TENTH AND ELEVENTH SESSIONS OF THE AUDIT COMMITTEE

21. The Chair of the WIPO Audit Committee, Mr. Khalil Issa Othman, presented the report of the tenth and eleventh sessions of the Audit Committee (documents WO/AC/10/2 and WO/AC/11/2). Mr. Othman informed the PBC that as of January 1, 2009, the Committee would have a new Chair, Mr. Pieter Zevenbergen, and a Vice-Chair, Mr. George Haddad. Mr. Othman's statement is reproduced in Annex IV.
22. The Delegations of France, India, the Netherlands, Pakistan and the United Kingdom took the floor on this agenda item.
23. The Director General commented on the concerns expressed in the Audit Committee's report regarding violation of WIPO's Information Security system and said that the matter was the subject of an investigation being carried out by the Internal Auditor. He assured Member States that these violations did not affect the proprietary data held by the Organization, nor had they affect the operations of the PCT System or the Madrid System.
24. The Director General also commented on the unresolved issue of the rotation of three members of the Audit Committee. He explained that, according to the Audit Charter, the term of office of three members of the Audit Committee expired at the end of 2008. However, the regulations adopted by the Member States contained no methodology for this process. He reiterated his suggestion, made during the September 2008 Assemblies, to continue the appointments of all members of the Audit Committee for a further period of twelve months, allowing the possibility of consultations during the first six months of 2009 to determine such methodology. He proposed that instead of rotating three members of the Audit Committee, consideration be given to reducing the number of members of the Committee from nine to six. Thus, the departing three members would not be replaced. He added that such a practice would be in accordance with that of other international organizations and the private sector, where the optimal number of members of an audit committee was between five and seven.
25. The Delegation of the United Kingdom believed that the current configuration of the membership of the Audit Committee should be retained, possibly until January 2010, and that, in 2009, the PBC would need to examine the possibility of decreasing the number of, and establishing a rotation mechanism for, the Audit Committee members. This opinion was in line with the Director General's proposal and was supported by the Delegations of France, India, the Netherlands and Pakistan.
26. The Delegations of France, the Netherlands and Pakistan expressed concerns regarding the Audit Committee's oversight of the Strategic Realignment Program (SRP) and implementation of the relevant recommendations of the Desk-to-Desk review.

27. The Director General and the Chair of the Audit Committee confirmed that the Audit Committee's oversight role and participation in the SRP and the Desk-to-Desk review was implicit as it was embedded in the Audit Committee's Charter.

28. The Delegation of India requested the Secretariat to continue to provide information on the timelines envisaged by it for the submission of the various action-taken reports to the Audit Committee.

29. The Program and Budget Committee took note of the statement made by the Chair of the WIPO Audit Committee and recommended to the Assemblies of the Member States of WIPO to:

(i) renew the mandate of the members of the Audit Committee until January 2010;

(ii) review the process of rotation and the size of the Audit Committee, with a view to agreeing relevant changes at their 2009 session; and

(iii) request the Audit Committee to oversee the progress of the Strategic Realignment Program (SRP) and the implementation of the Desk-to-Desk study within the framework of that Program (SRP).

ITEM 7 OF THE AGENDA

PROGRAM PERFORMANCE REPORT FOR 2006-2007

30. Discussions were based on documents WO/PBC/13/3, WO/PBC/13/3(a) and WO/PBC/13/3(b).

31. Interventions on this item were made by the Delegations of India, Republic of Korea, Romania and the Russian Federation.

32. The document was introduced by the Internal Auditor (Director of Internal Oversight, Nick Treen) who explained that the report was based on the performance criteria established in the 2006/07 Program and Budget. He noted that WIPO had fully achieved 92 of its approved 133 expected results (approximately 72%), while a further 31 expected results had been partially achieved (approximately 23 %). In presenting the structure of the report, he explained that the Summary Performance Report (document WO/PBC/13/3 (a)) was a new initiative and was prepared in response to Member States requests for more data, information and analysis of WIPO's Strategic Goals. Concerning the second part of the report, Individual Program Performance Report (document WO/PBC/13/3(b)), he explained that it provided a clearer way of seeing how far expected program results had been achieved by introducing a "traffic light system", a visual technique widely used by other organizations for such purposes. He added that it was the last program performance report prepared by the Internal

Audit and Oversight Division as, in accordance with the Audit Committee's recommendation, the Director General had assigned the preparation of the 2008 program performance report to the newly established Program Management and Performance Section.

33. The Delegations which took the floor on this item expressed their satisfaction with the improved methodology used in the preparation of the report and especially with the "traffic light" system.

34. Delegation of the Republic of Korea indicated that it was impressed by the Summary Performance Report, which analyzed all the WIPO activities and resources investment, and clearly showed the expected results and achievements related to the strategic objectives of the Organization, which would contribute to enhancing Member States' understanding of WIPO expertise. It noted that many of the performance indicators did not include quantification of the target level, which made it difficult to interpret achievement of the target at 75 % or 100%.

35. The Delegation of Romania encouraged the Secretariat to further engage in defining the methodology and the indicators used, as well as to focus on areas such as strategic planning, program and project planning, linkages between the planned resources and the expected results, monitoring, and evaluation and the outcome and impact-oriented assessment mechanism, which contributed to a more transparent, accountable, and results-driven organization. It noted that Member States also had a responsibility to contribute with their own evaluation of projects undertaken in cooperation with WIPO. The Delegation further suggested that one way of improving and refining the methods of establishing these indicators for performance would be to make the staff of the organization fully aware of what was expected of them.

36. The Internal Auditor clarified that expected results and key performance indicators referred to in the document had been set by the Member States in September 2005, in the approved Program and Budget. There was, therefore, a considerable time-lag before reporting results. He added that the Secretariat did not have the flexibility to change them once they were set, even if they were imperfect measuring instruments. He indicated that the performance framework for the 2008/09 budget was demonstrably better and added that it was the Secretariat's priority to keep working on the results-based management framework to make the expected results and key performance indicators better and SMART-er. Furthermore, a new section had been established that would be responsible for performance reporting and for ensuring that the new strategic framework and program management processes were in place. He agreed that it was difficult to measure and show performance using the current indicators.

37. The Delegation of the Russian Federation requested that the Russian version of document WO/PBC/13/3 be reviewed for compliance with the English text. The Delegation was concerned about the diagram showing the use of budget allocations. It said that while it found it useful as regards the use of resources, it was imperfect as regards the results.

38. The Internal Auditor explained that in the part (b) of the report there was greater level of detail about expected results and the key performance indicators for each Program, and added that there was also an extensive supporting narrative feeding in to the summary that the Secretariat had prepared by strategic objectives. He said that this was a good source of detailed information and made the activities of individual programs transparent and their

managers accountable. He further added that the Secretariat was working to improve this process so Member States could see clearly both successes and failures.

39. The Delegation of India asked to put on record its understanding that the key *demandeurs* for results-based management in the UN context had been the developed countries wishing to assess program delivery against well developed indicators, in consultation with relevant experts and WIPO. The Delegation questioned the largely fixed nature of the indicators, which it believed should be dynamic and needed to evolve to be applicable to emerging situations.

40. The Internal Auditor explained that paragraph 43 of part (a) of the report contained some evaluation of why results had been achieved only partially and agreed that this information was needed in order to diagnose matters so that improvement could be made in the future. He repeated that the criteria were fixed by Member States each time a program and budget was approved and that the expected results and the key performance indicators for the 2006/2007 biennium had been approved in September, 2005. He noted that the performance framework had improved between the two biennia and that this would be further improved in the Program and Budget for the 2010/11 biennium.

41. The Director General provided further explanations and said that the evaluation and development of the performance criteria was relatively recent in the Organization and was work in progress. He added that one of the areas in which further progress needed to be made was a decision on what to do with the results once the analysis was undertaken. He further added that apart from the development of a dialog indicated in the document, the newly established Program Management and Performance Section would be working with Program Managers to try to improve program delivery and performance. He added that these factors also needed to be taken into account in the process of strategic realignment. In that respect the Secretariat was evaluating the performance of the various units in the Organization and the ways they could be improved. He also confirmed that indicators were fixed for a biennium, when the program and budget was approved. Based on lessons learnt from implementation, indicators could then be changed in the approved program and budget in future biennium.

42. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, the approval of the Program Performance Report for 2006-2007 as contained in documents WO/PBC/13/3, WO/PBC/13/3(a) and WO/PBC/13/3(b).

ITEM 8 OF THE AGENDA

REPORT OF THE INTERNAL AUDITOR

43. The oral report was presented by the Director of Internal Oversight, Nick Treen. He reported that activities in all the main oversight areas - internal audit, investigation, inspection and evaluation activities - were now being carried out. Resources for IAOD were also very much improved but some further staff were still needed. He said that Internal Audits had

been completed on Information Security, New Construction Project and Procurement. He added that an internal audit risk and needs assessment as well as a 2009 detailed work plan had also been completed, taking into account WIPO's new strategic framework and, as the new WIPO strategy does, future audits would be focusing on efficiency issues. Other developments included the further elaboration of an Investigation Policy and some continued support for the development of WIPO's Integrity and Ethics System. The preparation of the Program Performance Report for 2006-2007 in a new and better format was a significant achievement. He noted that the Internal Oversight continued to work well with the Ombudsman, the WIPO Joint Grievance Panel and the Staff Council; and was pleased to record that working relations with Human Resources Management Department and the Office of the Legal Council on matters of joint interest in the performance of his mandate were excellent.

44. There were no comments from delegations on this agenda item.

45. The Program and Budget Committee took note of the statement made by the Internal Auditor.

ITEM 9 OF THE AGENDA

REVISED PROGRAM AND BUDGET FOR THE 2008/09 BIENNIUM

46. Discussions were based on document WO/PBC/13/4.

47. The following Delegations made interventions on this agenda item: Algeria (on behalf of the African Group), Bahrain, Bangladesh (on behalf of the LDCs), Belarus, Brazil, Canada, Chile, China, Cuba (on behalf of GRULAC), Ecuador, Egypt, France, Germany (on behalf of Group B), India, Iran (Islamic Republic of), Israel, Italy, Japan, Lebanon, Mexico, Morocco, Nepal, the Netherlands, Nigeria, Pakistan, Paraguay, Republic of Korea, Romania, the Russian Federation (on behalf of Central Asian, Caucasus and Eastern European countries), Singapore, South Africa, Switzerland, Tunisia, Ukraine, the United States of America, Uruguay and Yemen. The summaries of these statements are reproduced below in the order in which these statements were made.

48. The Director General introduced document WO/PBC/13/4 emphasizing that the main feature of the proposed revised Program and Budget for 2008/09 was the new strategic framework and the introduction of the several new strategic goals. These were related to the development and coordination of global intellectual property infrastructure, the establishment of WIPO as a world reference source on intellectual property as part of a knowledge network, respect for intellectual property, global public policy challenges and a responsive communications interface. He believed these were all essential strategic goals for the Organization, enabling it to face the challenges in the field of intellectual property in the world. The Director General added that in line with the new strategic goals, there would be a revised program structure, which included three new areas of program activity: Development Agenda Coordination, Economic Studies and Intellectual Property and Global Challenges. He explained that programs had been rationalized to reduce overlap and duplication within the program structure. He further explained that the approach sought was to act upon Member States' wish to see development activities mainstreamed to ensure that all programs took into account the development dimension (links to Development Agenda recommendations

appearing in almost all programs.). This was in line with recommendation 12 of the Development Agenda. He added that special attention was given to the five recommendations requiring additional resources, as approved by the Committee on Development of Intellectual Property (CDIP), and referred delegations to the “Information Note on Resources for Implementation of the WIPO Development Agenda” distributed that morning. With regard to the Information Note, the Director General drew attention to tables 1 and 2 which listed programs responsible for the implementation of the five recommendations, and the resources allocated to them, and noted that there was an increase of up to 33 % in the resources allocated in the current biennium to these programs. He explained that in order to ensure that sufficient resources were available, the Secretariat had adopted a three-fold approach consisting of: (i) eliminating duplication, (ii) mainstreaming, and (iii) the use of a rigorous project-based methodology. He further added that the Secretariat was in the process of developing specific projects that would seek to implement the five approved recommendations. He also said that at the next meeting of the CDIP in April 2009, Member States would be presented with a document relating to each of the five recommendations that would indicate the activities necessary and the budget required for their implementation. He added that, so far, 3.4 million Swiss francs (out of the 8 million) were specifically earmarked for this purpose.

49. With regard to the resources proposed for the WIPO Academy, the Director General explained that it was proposed to discontinue the Policy Development and the Executive Research sub-programs (the latter conducting fee-paying courses for executives) and the Special Projects sub-program related to already completed publications and to missions in a particular country. In addition, the WIPO Knowledge Management and Library was proposed to be redeployed to a different program.

50. The Delegations of Bahrain and Lebanon, in their opening statements, welcomed the revised Program and Budget which they considered to be in line with the Director General’s promise made at the time of his election regarding the Development Agenda activities. Both Delegations assured the Director General and the Members of the PBC, of their full support and cooperation and hoped that the documents presented would be adopted by consensus.

51. All delegations who took the floor on this agenda item welcomed the process of informal consultations, endorsed the revised Strategic Goals and welcomed the launch of the financial Observatory on the WIPO website.

52. The Delegation of Germany (on behalf of Group B) endorsed the proposal to set out a medium-term strategic plan for 2010-2015 and welcomed the recognition given to the Development Agenda. With regard to the strategic realignment process, the Group believed that the proposed revised budget clearly indicated that the starting of the process had already helped to increase efficiency gains, since the Organization could take on additional duties with the same amount of funds. The Group was confident that this new value-for-money approach would lead to the development of a business culture within WIPO. The Group also recognized the lack of certain competencies and skills in the income-generating divisions of the Organization but was confident that the Secretariat would build upon the Desk-to-Desk review and the Audit Committee’s recommendations and would undertake a systematic review to provide a reliable assessment of the personnel resources which might then be followed up by the Audit Committee. The Delegations of Singapore, Switzerland, and the United States of America associated themselves with this statement.

53. The Delegation of Bangladesh (on behalf of the LDCs) said that special focus needed to be placed on the most IP challenged group of countries, namely the LDCs, which needed to improve their capacity to utilize IP for unlocking innovation and promoting economic growth. It recalled that any system including global intellectual property rights could only be as strong as its weakest link, which was the LDCs. The LDC Group therefore appreciated and supported the unequivocal recognition by the Director General that “as a member of UN family of organizations, WIPO must ensure that the use of Intellectual Property and the evolution of the International System contributes substantially to facilitating participation by the developing and least-developed countries in the benefits of innovation and of the knowledge economy”. The Group wished to see a separate program for LDCs within the Program and Budget of WIPO, which in its view would enhance transparency in the program and the budget document regarding WIPO programs undertaken to address the cross-cutting needs of the LDCs. The Group also wished to see the LDC division in WIPO strengthened with both human and financial resources in order to respond to the growing needs of this group of countries. The Group called upon the division to develop more activities, to address, in particular, their capacity and institutional building needs, and the necessity of conducting better needs assessment for the LDCs. Additionally, the Group wished to see a compilation of good examples of WIPO programs undertaken in the LDCs, so that they could learn from the experiences of each other in developing IP law institutions. The Group considered that the WIPO Development Agenda should be fully mainstreamed in its activities. In this context, it stressed the need for implementation of all the Development Agenda recommendations, including recommendation 2, which among others, called for the establishment of a trust fund in WIPO specifically for LDCs. The Group said that the LDCs attached great importance to the protection and utilization of their genetic resources, traditional knowledge and traditional cultural expression, and urged the Director General to pay more attention to this matter. The Group stressed the need for developing more joint WIPO/WTO programs for the LDCs and called upon the Director General to address this matter on an expeditious basis. It stressed the importance of coordination and cooperation between the Secretariat and the permanent missions of the LDCs to ensure better program delivery and follow-up. The Group urged WIPO to organize workshops and seminars for building capacity of the Geneva-based LDCs delegations. The Group noted the proposed reduction in funding to the WIPO Academy and wished to hear the rationale for such reduction. The Group also expressed concerns at the late issuance of documents, especially the French language version, which gave insufficient time to delegations to consider them thoroughly.

54. The Delegation of Pakistan (on behalf of Asia and the Pacific countries) stressed that no activities related to the Development Agenda should be cut down or curtailed, and that adequate finances should be made available for the implementation of all those activities which had been agreed upon. The Delegation recalled the proposed amendments to Strategic Goal VI, Program 17 (International Cooperation for Building Respect for IP) regarding creating an enabling environment which promoted respect for IP and would help reduce or eliminate counterfeiting and piracy, which had been circulated by the Asian Group through the Regional Coordinators. The Delegation then read its proposed amended text for Strategic Goal VI as follows:

“The respect for IP is a fundamental principle shared by all WIPO’s member governments. This new Strategic Goal aims to enhance international cooperation on building respect for IP. This is a broad, cross-cutting goal, which is more inclusive than the narrower concept of enforcement. It calls for *creating an enabling environment that promotes respect for IP in a sustainable manner. In creating such an enabling*

environment a balanced approach, focusing on international cooperation where WIPO can make a difference, *will be adopted* and conducted within the spirit of Development Agenda (45): “To approach intellectual property enforcement in the context of broader societal interests and especially development-oriented concerns, with a view that “the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations”, in accordance with article 7 of the TRIPS Agreement.” WIPO’s activities in support of this goal apply across all areas, *of its program of work, including identifying the elements of an enabling environment for building respect for IP, undertaking objective studies and independent assessment on the actual extent and cost of piracy and counterfeiting and their impact on socio and economic affairs*, capacity building, provision of training, awareness-raising and educational programs aimed at promoting respect for IP.”

55. The Delegation requested that the amendments relating to “creating an enabling environment” be made throughout the text of document WO/PBC/13/4, wherever reference was made to Strategic Goal VI and Program 17. The Delegation also requested that, as proposed by the Group, the Advisory Committee on Enforcement should discuss the elements of such an “enabling environment” at its next meeting.

56. In its national capacity, the Delegation of Pakistan proposed that under Program 1, Performance Indicators and Targets table, an indicator be added regarding the use of flexibilities. It also requested clarification regarding the scope of use of transfer of technology under the column “Expected Results” in the same table.

57. The Delegation of Nepal associated itself with the statement made by Bangladesh on behalf of the LDCs and the statement made by Pakistan on behalf of the Asian Group. The Delegation added that in order to meet the challenges effectively, WIPO should have a separate work program and budget for the LDCs and believed that there should be sufficient room for study and research on specific issues in the WIPO budget and programs. The Delegation stated that the LDCs should be provided sufficient financial and technical resources to carry out public awareness programs, UN resource development, IP research and development, technology development and transfer, IP protection, traditional knowledge, folklore and traditional resources protection. The Delegation thanked WIPO for the support provided to Nepal in developing resources, building IP infrastructures and running the IP system more effectively with the updated technology and hoped for the same, and higher, level of support in the coming years, particularly in view of the financial crisis, climate change and the food and energy crisis.

58. The Delegation of Cuba (on behalf of GRULAC) recognized the great importance in aligning strategic goals with the objective of the programs, resources and structure of the Organization and trusted that that the proposed approach was the beginning of an institutional change, which it believed was necessary in WIPO. The Group strongly supported the regularization of 30 temporary positions in the General Service category. However, the Group appealed for observance of geographical balance representation in the future hiring of staff. The Group particularly welcomed the inclusion of Development Agenda links between programs and the establishment of Program 8 (Development Agenda Coordination) under the direct supervision of the Director General. With regard to Program 17, the Group supported the idea of a more balanced approach and the reference to Development Agenda

recommendation 45. The Group shared the views of other Delegations that development activities should be at the heart of WIPO's work and therefore, in the future, there should not be a reduction of budget allocations to development activities and wished to see such activities clearly defined. Finally, the Group expressed its desire to work actively in the preparation of the 2010/11 program and budget and the preparation of the medium-term strategic plan in order to ensure that the two instruments reflect the Group's aspirations.

59. The Delegation of the Russian Federation (on behalf of Central Asian, Caucasus and Eastern European countries) considered the proposed revised Program and Budget ready for adoption, subject to a number of amendments and modifications. The Group considered that the goals and activities of Strategic Goal VII (Addressing IP in Relation to Global Policy Issues) and its Program 18 should be clarified in light of the present global economic crisis. In this connection, the Group also stressed the importance of the activities of the WIPO Academy and added that the Academy could take on the role of the global coordinator for retraining in the field of IP and beyond. With regard to Program 10 (Cooperation with Certain Countries in Europe and Asia), the Group was concerned that the proposed budget did not correspond to the strategic goals and the expected results for this program, as 85% of the allocated resources were related to staff expenditure. The Group was also concerned with the reduction of the Director's post for this program. Finally the Group emphasized its support for fair geographical representation in all departments administering these programs.

60. The Delegation of Algeria (on behalf of African Group) noted that the re-definition of the strategic objectives and a realigning of the existing programs in the revised Program and Budget should respond to the concerns of both developed and developing countries. It noted that the revised Program and Budget 2008/09 remained an intermediary measure and that substantial change in the Organization's priorities should be considered in the Program and Budget for the 2010/11 biennium. The Group's view was that while the development aspect should be integrated in all of the programs of the Organization, the concept of development mainstreaming should not be used as an argument to cut budget for genuine development activities. The Group stressed that the financial and human resources necessary for the implementation of the Development agenda should be allocated, particularly the 8 million Swiss francs approved by the CDIP in 2008 for the implementation of the five approved recommendations. The Group noted that Strategic Goal VI should take into account the balance between right holders on the one hand and the public on the other. The Group requested that to strengthen WIPO's communication policy with Member States (Strategic Goal VIII), the Arabic language should be integrated its work and publications, so the working documents for the various committees should not only be available in Arabic, but also published sufficiently in advance to enable Member States to participate on an equal footing at these meetings. The Group supported proposals made by the Delegation of Pakistan and the Asian Group regarding Program 17 and provided a separate list of further detailed amendments for discussion with the Secretariat. The Group warned against the imprudent use of reserves given the current economic situation and noted that it did not consider the projects proposed by the Secretariat for the use of reserves a priority. It called on the Secretariat to initiate consultations with Member States in order to define the objectives for which the reserves of the Organization should be used. On more detailed points, the Group requested that the link to Development Agenda recommendation 20 be removed from Program 4. It also requested clarification regarding the increase of funds for expert honoraria and the proposed reduction for publishing for the same program. The Group further suggested that the adjective "sustainable" be deleted from the title and text of Strategic Goal III (Facilitating the Use of IP for Sustainable Development) as the notion of sustainability had not been used in the Development Agenda. With regard to Program 9

(Africa, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries), the Group requested that reference to SMEs be removed. Regarding WIPO Academy (Program 11), while the African Group accepted that certain Academy activities would be transferred to other programs, it opposed the proposed reduction of funds and the suppression of activities relating to training of entrepreneurs.

61. The Delegation of Brazil welcomed the conceptual changes brought about by Strategic Goals VI and VII. Regarding Goal VI, the Delegation's view was that the notion of respect for IP was a much broader and a more inclusive one than the narrow concept of enforcement and believed that effective policy of promoting respect for IP should go beyond the activities carried out by police and customs authorities and should include educational, social and economic initiatives. It added that WIPO should enter into discussions dealing with respect for IP and should promote this concept in the context of balance between rights and obligations and broader society interests, taking fully into account recommendation 45 of the Development Agenda. The Delegation shared the view expressed by the Asian Group that the description of Program 17 did not reflect the new approach. The Delegation of Brazil welcomed the new Strategic Goal VII as an attempt to bring WIPO closer to the discussion of public policy issues such as health and food security and climate change and considered it to be an innovative approach which would contribute to reinforcing the development dimension within the international IP system. The Delegation stressed the importance of Strategic Goal III (Facilitating the Use of IP for Sustainable Development) and the priority given to ensuring the implementation of all the recommendations of the Development Agenda, and agreed with the request made by the African Group regarding deletion of the adjective "sustainable" from the title of this goal. The Delegation supported the need for mainstreaming the development activities in WIPO, but noted that it did not wish to see the responsibility for the implementation of the Development Agenda diluted. In this regard, the Delegation believed that specific divisions, bureaus or programs of WIPO should be assigned the task of carrying out the Development Agenda activities and be made responsible for carrying out and fully implementing specific recommendations. The Delegation requested that Member States be kept informed on the ways that developing countries would continue to obtain legislative advice on TRIPS flexibilities.

62. The Delegation of India, while welcoming the consultative process undertaken by the Secretariat, expressed concerns about the extent of documentation provided to Member States for their review within a compressed timeframe. It considered that discussion and consultation on substance was as important as procedure, reprioritization, revitalization, strategic alignment, and should sometimes even take precedence. Concerns were also expressed in respect of the proposals presented regarding the implementation of the Development Agenda and the interpretation of mainstreaming. Clarifications were requested by the Delegation in respect of the resources presented in the document for development activities in the revised Program and Budget in comparison with the approved Program and Budget and expressed its concerns about certain activities such as collection of statistics under Strategic Goal V, the new Program on Economic Studies and Statistical Analysis and what was referred to as "Building respect for IP" being presented as development related, noting that activities for IP promotion, which were more of an enforcement agenda, should not be part of the Development Agenda. The Delegation reiterated that all the approved Development Agenda recommendations that had been approved for immediate implementation had to receive adequate funding. Regarding the mainstreaming issue, the Delegation noted that activities relating to various recommendations had been incorporated in Program 1, 3 and 9. The Delegation welcomed the increased provision for Traditional Knowledge and the Program 3 of previously separate programs on Copyright and the Digital

Environment, Collective Management, and Creative Industries. It also agreed with the proposed TRIPs flexibilities but added that negotiations on TRIPs were strictly a WTO matter. It endorsed the project-based approach to the Development Agenda implementation but stressed that such an approach had to leave room for studying and analyzing how the implementation of the Development Agenda would be achieved and evaluated through results-based measures, indicators and targets. The Delegation supported the intervention of the African Group in expressing its concerns with the downsizing of the budgetary allocations for WIPO Academy, and also noted that the Innovation and Technology Transfer program should receive appropriate priority. Clarification was sought as to the criteria used to define development activity and the details of the methodology used in allocating funds for the Development Agenda activities. Regarding Program 28 (Security), the Delegation requested clarification on how the External Auditor's recommendation corresponded to what was envisaged in Program 28. The Delegation fully supported amendments proposed by the Asian Group to Strategic Goal VI.

63. The Delegation of Egypt supported the statement by the African Group and shared the concerns expressed by the Delegation of India. It noted that the revised Program and Budget presented a new vision for the organization that would be part of WIPO's strategic realignment, which would encompass the Program and Budget for the 2010/11 biennium and the medium-term strategic plan for the period 2010-15. The Delegation welcomed the approach of mainstreaming development activities across WIPO's programs, noting the challenge this would pose for monitoring such activities in both qualitative and in funding terms. It highlighted the importance of ensuring comparability between funding for development activities in the initial and the proposed revised Program and Budget, and noted its concern that this had not been achieved to its satisfaction. The Delegation also stressed the importance of ensuring that the human and financial resource requirements of the five recommendations approved by the General Assembly be reflected appropriately in the revised Program and Budget and sought clarification on the earmarked 3.4 million Swiss francs and the three-fold approach in this respect. The Delegation fully endorsed the proposal presented by the delegation of Pakistan regarding the creation of "an enabling environment" to incentivize respect for IP. It noted that Member States should endeavor to establish clear parameters and policy guidelines with regard to the use of the Organization's reserves, in order to enable Member States and WIPO to steer prudently in a time of global, financial and economic crisis.

64. The Delegation of Yemen fully endorsed the statement made by the Delegation of Pakistan and expressed its support for the proposed revised Program and Budget. While strongly supporting Strategic Goal III, the Delegation also shared the concerns expressed in this regard by other delegations.

65. The Delegation of Nigeria expressed its support for the statement made by the delegation of Algeria on behalf of African Group regarding the WIPO Academy and the issue of sustainable development. It expressed its satisfaction that the Director General had brought the Development Agenda under his personal focus. The Delegation underlined the importance of Strategic Goal III for developing countries and said that a Regional Office should be opened in Africa in order to help spread the understanding of the notion of IP. Recalling the position taken by the Delegations of Algeria and Egypt, the Delegation fully supported the allocation 8 million Swiss francs for the implementation of the five Development Agenda recommendations.

66. The Delegation of Singapore welcomed the consultative and transparent approach adopted by the Director General. It indicated its support for the proposed new structure, which would allow WIPO to deal with the changing demands of the IP system, the needs of countries at different levels of development, and global policy challenges more effectively. It added that the revised Program and Budget encapsulated a consistently strong focus on development across all substantive programs and Strategic Goals. The Delegation viewed the revised Program and Budget as one of the elements in the continuous process of redefining WIPO's strategic objectives in responding to external challenges and in fulfilling its mandate as a UN agency.

67. The Delegation of Chile expressed its satisfaction with the transparent consultative process preceding the meeting and with links to the Development Agenda recommendations in the program links under "program links". The Delegation supported requests made by other delegations regarding the criteria used for defining development activities and wished to see the development aspect of each program reflected in the program's narrative. It fully endorsed the statement made by Cuba on behalf of GRULAC.

68. The Delegation of the Republic of Korea welcomed the introduction of Strategic Goal V and VII, noting also that Strategic Goal VII and Program 18 had a contribution to make to shared research for solutions to the major challenges facing humanity, including climate change and food security. It noted that the proposed budget and personnel resources for this program made it one of the smallest programs among the 29 proposed. The Delegation underlined the importance of Program 18, stressing that the budget and staff resources for this program should be strengthened in the future. The Delegation welcomed the promotion of knowledge dissemination through the redesign of PATENTSCOPE® and suggested that related activities should also focus on intermediate technology information in order to meet the needs of the developing countries, including LDC's.

69. The Delegation of Ecuador associated itself with the statement made by GRULAC. It emphasized the importance of the implementation of all 45 recommendations of the Development Agenda, utilizing regular budgetary resources of the Organization. It referred to the issue of management of public policies and flexibilities within WIPO, which, it said, was dealt with on an ad-hoc basis by the Development Agenda. In this respect, the Delegation wished to know how this issue would be managed within the Organization from the budgetary and the administrative perspective.

70. The Delegation of South Africa supported the statement made and all points raised by the African Group and shared the Group's concerns regarding the implementation of Development Agenda recommendations.

71. The Delegation of Belarus expressed its support for the revised Program and Budget and welcomed the increase in the revised expenditure for the cooperation programs with certain countries of Europe and Asia. However, it noted that in view of the rapid and dynamic development of the region, the resources for Program 10 (Cooperation with Certain Countries in Europe and Asia) were not sufficient. The Delegation further noted that WIPO should increase the resources allocated to expand the IP educational activities that would benefit the countries of Eastern Europe, and that more in-depth cooperation and strengthened assistance was needed by the region to improve the effectiveness and the quality of the policy implemented by WIPO.

72. The Delegation of the Netherlands fully endorsed the statement of Germany on behalf of Group B, and indicated its support for the proposed twenty-two new posts, as these were necessary to address skills and fill gaps of an urgent nature, as well as the regularization of 30 General Service staff, given that the comprehensive proposal for the review of the contract modalities within WIPO would be submitted within the context of the 2010/11 program and budget proposal. The Delegation expressed the hope that efficiency gains would continue to be made within the framework of the strategic realignment process, and looked forward to the reduction in extra staffing levels in the coming 2 to 3 years. The Delegation also requested additional information on the donor conference, the activities for which additional resources were sought in this context, and on the feedback received from donors as to their willingness and/or ability to provide WIPO with new or additional resources in 2009.

73. The Delegation of Switzerland supported the statement made by Germany on behalf of Group B. It supported the revised Program and Budget 2008/09, noting that it matched the resources allocated with the structure and the goals of the Organization, which would contribute to achieving greater effectiveness and efficiency, removing overlaps and duplication, and generating savings. The Delegation found the revised Program and Budget 2008/09 proposal to be balanced with regard to the resources allocated and the activities proposed in the various sectors of WIPO, noting that efficient operations and high quality services offered by the registration recording unions would ensure the Organization's continued success. This would in turn enable funding of many activities, in particular in the area of development. The Delegation stressed its belief that the two sectors were strongly linked and the success of one was the guarantee of the success of the other. The Delegation endorsed the staffing proposals in the revised budget document and encouraged the Director General to continue efforts with the necessary reforms as defined in the Desk-to-Desk review, so that the human and financial and effectiveness gains could be achieved and be strengthened in the next biennium. The Delegation stated that it supported the implementation of the recommendations made by the External Auditor and thanked the Audit Committee for the advice and the recommendations it had made.

74. The Delegation of the United States of America supported the statement made by the Delegation of Germany on behalf of Group B, noting that the revised Program and Budget was reasonable and balanced. It strongly believed that sufficient resources should be made available to the substantive sectors of the International Bureau, in particular in the areas of patents, trademarks and copyright, and also to the global registration systems, which accounted for over 90% of WIPO's income. The Delegation appreciated the excellent substantive work carried out by WIPO, such as that carried out by the Creative Industries Division whose work had been supported through extra-budgetary Funds in Trust. It stressed its hope that WIPO would leverage its limited resources and maximize efficiencies. The Delegation noted that the budget provided for the addition of new posts, ahead of a detailed plan of action and a timeline for implementing the recommendations of the Desk-to-Desk review and added that it looked forward to receiving more information in the context of the comprehensive staffing plan that the Secretariat would submit when preparing the 2010/11 Program and Budget.

75. The Delegation of Mexico fully associated itself with the statement made by Cuba on behalf of GRULAC. It underlined that Member States needed to ensure that international organizations generated savings, reduced costs and thereby reduced budgets. It added that in order to ensure that the budget increases did not give rise to an increase in the contribution of Member States, it was important to promote voluntary contributions to the regular budget.

76. The Delegation of Morocco endorsed the statement made by Algeria on behalf of the African Group as well as statements made by other African delegations. It expressed concerns and requested clarification on the funding for development activities and the implementation of the Development Agenda. It pointed out that some countries, in particular in Africa, were still suffering from the digital gap and therefore the issuance of publications was necessary and useful to them, adding that the promotion of IP culture meant increased need for capacity building. It expressed concerns regarding the reduction in resources allocated to the Academy in this respect. The Delegation supported the new communication strategies and wished to see proper financial means allocated for the integration of the Arabic language which would enable the accession of the Arab countries to the Madrid system and the participation in the committees. The Delegation pointed to the possibility of using the reserves, as well as organizing a donor conference in 2009, to cover such needs, and sought clarification regarding figures in Annex V (Resources Allocated to Development Activities), and Table 1 regarding the item of unallocated funds of 7.1 million Swiss francs. It proposed that this amount be allocated to development activities, as requested by the developing countries who had taken the floor.

77. The Delegation of Ukraine fully supported the statements made by the Delegation of India and Romania. It supported the views of the Director General as regards the proposed number of programs and called for a review of the functional obligations of existing staff so that a more effective distribution of labor could be put in place, noting that the main budgetary burden was staff expenses. The Delegation requested that more resources be allocated to the developing and least-developed countries. It pointed out the importance of educational programs, including summer schools and the importance of the Academy, requesting that resources be increased for educational programs. It also wanted a full-scale educational centre established in its country. The Delegation added that more effective monitoring of the use of resources allocated to programs was needed. It further noted that, in view of the economic crisis, Member States should have an analysis for the future so that they could assess the level of risk and how the number of PCT applications would influence the revenue of the Organization. It also wished to see all working documents submitted one month prior to the meeting.

78. The Director General responded to the questions raised regarding staffing, the follow up to the Desk-to-Desk review and the status of the proposal on contractual conditions in the Organization. He assured Member States that the Desk-to-Desk recommendations would be fully taken into account in the process of strategic realignment and that Member States would be able to follow this process through the Audit Committee, the WIPO website on strategic realignment and then the process of consultations for the Program and Budget for the 2010/11 biennium. He indicated that Member States would be presented with a comprehensive proposal on contractual conditions in the Organization and a suggested roadmap and if accepted, implementation would take up to five years. Regarding geographical diversity, he recalled that during informal consultations with Member States, they were given a photographic record of the geographic distribution of all WIPO employees and that the Secretariat would report on the evolution of this. He noted that this project would take time to implement. With reference to the concerns raised by the Delegation of Pakistan regarding Strategic Goal VI and Program 17, he agreed with the proposed language change to “creating an enabling environment” and the deletion of the word “sustainable” from the description of Strategic Goal III. Regarding Program 1 (Patents Innovation and Technology Transfer) and the proposal to amend the performance indicators, the Director General said that new language would be provided in the amended document. He added that Development Agenda recommendation 45 would be reflected in the expected results and performance indicators for

Program 17. Responding to concerns related to the mainstreaming of the Development Agenda recommendations and the assignment of responsibilities, he called attention to page 28 of the revised Program and Budget which showed a matrix indicating the programs responsible for the implementation of the five recommendations. He recalled that the Development Agenda Coordination Division had been established under his direct supervision, and would be the focal point for coordinating all activities within the Secretariat in that respect. Project managers had been identified for each of the five recommendations. He added that information on this matter would be placed on the WIPO website to make the structure of the Secretariat more transparent. In response to requests for defining development activities, he noted that there were no formal criteria in the Organization and added that this could be elaborated. He explained that where the activity had a developing country as a beneficiary, in the Secretariat's view, this constituted a development activity of the Organization. He added that the Secretariat was working on developing a tracing mechanism for expenditure related to the implementation of approved Development Agenda recommendations. Regarding the recommendation of the Audit Committee on Information Security, he explained that follow-up was to be found in Program 25 (Information Technology and Communications), rather than Program 28. He said that due note was taken of the request by the Delegation of Belarus regarding resources allocated for Program 10. On the donor conference, the Director General recalled that following approval of the conference by the General Assembly and the CDIP, the Secretariat had developed an initial draft program, which had been made available to Member States for further consultations. On the increase to WIPO contractual services, he explained that this was related to translation costs and outsourced translation in the PCT and in the Madrid systems. Regarding the WIPO Academy, the Director General recalled that a spreadsheet had been made available to delegations, providing a precise picture of the situation. The Academy's continuing activities were professional development training, the degree diploma program and the distance learning and outreach program; these were not subject to any reductions, rather there was an increase in resources allocated to them. He reiterated his earlier explanation regarding the discontinued activities; these were the Policy Development Program, the Executive Research Program, and a Special Projects Program. He recalled that the Policy Development Program was a generalized program which lacked focus, and was outside the remit of the Academy. He added that, within this program, covering training for diplomats was an important area which would be transferred to the professional development training sub-program of the Academy's continuing activities. He also noted that the transfer of the Knowledge Management and Library resulted in the Academy's budget decreasing by 356,000 Swiss francs. He emphasized that distance learning would continue to be a priority for the Organization and for the Academy. He added that the Development Agenda recommendation 10 foresaw the allocation of 800,000 Swiss francs to the Academy for specialized training to staff in IP Offices as well as the augmentation of the Academy's staff by three professionals and two General Service staff. He believed that the Academy was well-served and at the same time would cease to do superfluous activities that were not related to its core training functions. On the issue of Development Agenda, the Director General recalled that the 8 million Swiss francs was an indicative budget for the implementation of the five recommendations approved by the General Assembly and CDIP. The proposal in the revised Program and Budget was for the adoption of a project methodology noting the distinction between a project and a project methodology. He also commented that the Secretariat was developing the five recommendations along project methodology lines and had specifically earmarked 3.4 million Swiss francs of the overall estimated 8 million. He added that during the next CDIP meeting, Member States would be presented with a separate document on each of the five recommendations setting out the project methodology and the budgets. These would no longer be indicative budgets, but the actual budgets required for the activities

necessary to implement the five recommendations. Given the views expressed by Member States and the need to strengthen trust regarding this approach, as well as a strong desire to see 8 million Swiss francs earmarked in advance, instead of building-up in accordance with the proposed methodology, he outlined the possibilities for overcoming the impasse. The first possibility, which he did not want to propose, was to run a deficit budget, which would be bad fiscal policy in the current financial and economic situation. The second possibility was to utilize the reserves. Again, he believed this to be bad fiscal policy and did not wish to make such a proposal as WIPO's reserves should be allocated only for non-recurrent expenditure, and should be dealt with according to a prudent fiscal policy, as would be discussed during the meeting. The third possibility was to allocate the 8 million Swiss francs through a 1.5% efficiency gain across the whole of the Organization. He provided details of this proposal and referred the Member States to Annex II of the revised budget document and the item of unallocated 4.8 million Swiss francs for personnel resources and 2.3 million Swiss francs for non-personnel costs, totaling 7.1 million Swiss francs. While stressing that the 8 million Swiss francs was an indicative budget figure and that the total cost might come out either above or below that sum, the Director General summed up by saying that 8 million Swiss francs were available for the purposes of the Development Agenda within the unallocated provision, to be replenished through a 1.5% efficiency gain across the whole of the Organization.

79. The Delegation of South Africa welcomed the Director General's clarifications with regard to the 8 million Swiss francs that had been agreed to by the General Assembly, and his assurance that more activities would be developed for the five approved recommendations, but sought further clarifications in this regard.

80. The Delegation of Paraguay expressed its support for the review of the geographic distribution of posts. It stressed the importance of the issue of Academy given that, in its view, there was direct relationship between the importance of IP in the world and the training of personnel. It also noted that the budget estimate for the Development Agenda was appropriate and that it could be adapted over time as long as Member States monitored the amounts attributed to the various projects, in order to ensure that these projects were effectively run.

81. The Delegation of Germany (on behalf of Group B) stressed its understanding that the indicative/estimated budget for the Development Agenda implied that the figure was estimated amount. It also noted that a precise statement on timing of the implementation of the five recommendations should be elaborated. It also stressed that all budgetary decisions taken by any WIPO committee should be referred to the PBC and follow due budgetary process. The Group stressed that what mattered in the context of the implementation of the recommendations of the Development Agenda was not only the amount of money allocated to the implementation of projects but also the results obtained. The Group expressed its readiness to follow the Director General's approach and supported his efforts to secure additional funds, but not through deficit spending or the utilization of reserves, for the implementation of the Development Agenda.

82. The Delegation of Romania endorsed the solution proposed by the Director General concerning funding of the Development Agenda activities, also welcoming the mainstreaming of development-related activities into the substantive programs of the Organization. Regarding the early warning financial observatory, it considered it an excellent and useful idea. It added that it supported the creation of the 22 new posts and the conversion of 30 short-term posts into permanent ones, as it considered that these proposals complied with the

recommendations of the Desk-to-Desk assessment, and also proposed that a review of the terms of reference of short term post should be done to prevent future cases of short-term contracts lasting for 7 to 10 years. The Delegation said that it hoped that the Secretariat would take further steps to increase human resources for the Division of Certain Countries of Europe and Asia, and asked that this repeated request of the two regional groups was met. The Delegation warned Members against entering into micro-management, stressing that trust and transparency, simplicity and directness were decisive in building the much needed cooperation-based relationship between the Member States and the Secretariat.

83. The Delegation of Pakistan stated that it appreciated the efforts made by the Director General and the Secretariat to address the concerns of the Member States, and the incorporation of the changes proposed by delegations regarding Strategic Goals I, III and VI. Further clarification was requested regarding the Director General's proposal to allocate 7.1 million Swiss francs from unallocated resources.

84. The Delegation of France welcomed the balanced proposal and was satisfied with the new strategic objectives and programs, in particular with the greater recognition of the global challenges and their linkage to IP in Strategic Goal VII, Program 18. It noted with satisfaction the determination of the Director General to take the Desk-to-Desk review into account and, in the light of what was being suggested with regard to a global proposal on short-term contracts, it supported the regularization of 30 short-term staff and the creation of six posts related to Madrid flexibility and the registration of patents. With regard to the creation of the 22 positions, the Delegation asked for the proposal to be accompanied by the inclusion of a measure to remove equivalent posts elsewhere. On the implementation of the Development Agenda, the Delegation agreed with the statement made by Group B, recalling that the sum of 8 million Swiss francs was an indicative estimate requiring normal budgetary procedures and review by the PBC. The Delegation endorsed the Director General's solution to guarantee the allocation of 8 million Swiss francs through efficiency improvements.

85. The Delegation of Uruguay welcomed the changes recommended by the Director General in the revised budget, and requested that in Program 1 of Strategic Goal I and Program 5 of Strategic Goal II, that the necessary balance be struck between the recognition of IP and public interest as reflected in recommendation 10 of the Development Agenda adopted by the General Assembly. With regard to the WIPO Academy, while recognizing that parts of its programs did not correspond to its mandate, it wished to see that the resources freed up be used for academic programs in order to build capacities which would have an enhancing effect upon development. It supported Strategic Goal V, Program 16 which it thought necessary for the establishment of effective public policy. Finally, regarding Program 17 of Strategic Goal VI, it supported the statement made by the Delegation of Pakistan on the need to analyze in depth the causes of piracy, in order to be able to effectively combat it.

86. The Delegation of Israel aligned itself with the statements made by Group B regarding the principles of the proposed Program and Budget. The Delegation sought clarification regarding the proposed allocation for the Academy and the matter of the transfer of the Library to Program 19 (Communications).

87. The Delegation of India indicated that it remained unconvinced about the rationale for the re-prioritization of the Organization's strategic objectives and had concerns about the rationale for "building respect for IP", which it thought amounted to enhancing the enforcement agenda within WIPO. It noted its concern regarding the proposed resource allocation for building databases, and added that it had difficulty endorsing the proposals

made by Brazil and Yemen to delete the word “sustainable” from Strategic Goal III. The Delegation recalled that the Indian Prime Minister had recently said that “Sustainable development is amongst the biggest challenges of our times” hence the interface between IP and Global Challenges was an important issue for the Delegation. The Delegation indicated its appreciation for the coordination mechanism proposed to be set up to ensure mainstreaming of development activities, but noted its concern that the re-prioritization of strategic objectives had led to the dilution of the Development Agenda. It reiterated its position that it did not wish to see any dilution of the Development Agenda allocations to awareness, training and capacity building programs, and called for the full restoration of the funds for the Academy. The Delegation supported Egypt’s statement and called for the allocation of resources for the approved Development Agenda recommendations in line with the General Assembly’s decision.

88. The Delegation of Japan associated itself with the statement made by Germany on behalf of Group B, welcoming the revised budget proposal, which was balanced and designed with a comprehensive process of strategic realignment in mind. The Delegation encouraged the Secretariat to intensify its efforts to better address possible deteriorating financial conditions, taking advantage of the proposed monitoring mechanisms such as the early warning Observatory. It welcomed the Secretariat’s efforts to analyze PCT operations for enhanced quality and efficiency using various performance indicators, and noted that it hoped WIPO would continue to take measures to develop IP infrastructure to enhance work efficiency for the Organization and the respective IP Offices. The Japanese Delegation indicated that it attached the highest importance to the Development Agenda and took note that the figures appearing in document were indicative in nature and were supposed to be subject to normal budgetary procedures.

89. The Delegation of Algeria stressed the importance of full funding for the five recommendations of the Development Agenda, recalling that there were 21 further recommendations to be put into effect. It expressed some doubt about the proposal of the Director General to fund the resource needs above those earmarked from unallocated resources and cost efficiencies. It noted that the security upgrade project was proposed to be funded from the reserves while no such use of the reserves was proposed for the implementation of the Development Agenda, despite the fact that in 2007 the Secretariat had proposed releasing 5 million Swiss francs from the reserves for this purpose. While the Delegation accepted that there was a change in policy regarding the use of reserves, it expressed its hope that this did not mean a change in priorities. On behalf of the African Group, the Delegation reiterated its concern regarding the cuts in the resources for the WIPO Academy and wished to see these corrected.

90. The Delegation of Morocco noted that the purpose of the Development Agenda was to ensure capacity building in countries which were in need of this, as such assistance benefited all countries in the end. Developing countries could not assume the burden of this capacity building themselves. The Delegation referred to paragraph 43 of the revised budget document which said: “Successful implementation of the Development Agenda is a top priority for the new administration” and, in light of this principle, urged the new administration and the Director General to ensure that sufficient allocation was made for this purpose, in line with the decisions adopted by the General Assembly.

91. The Delegation of Canada expressed its appreciation for the informal consultations conducted prior to the meeting, and welcomed the revised program and budget, which it considered a good exercise in transparency and a first step in the realignment process of the

Organization. The Delegation believed that WIPO would be able to reinforce its primary global IP role by developing a clear strategic vision aligned with Member States interests, leading to greater economic and social benefits around the world. Further to the Group B statement, the Delegation of Canada reaffirmed its support for the implementation of the WIPO Development Agenda, the strategic realignment of the Organization and the transparent process associated with this revised budget preparation. It wished to emphasize the importance of the continued reviews of performance measures at WIPO, as well as having a result-based approach to its activities, objectives and goals. It welcomed the establishment of three new areas of program activities: the Development Agenda Coordination, Economic Studies, Statistics and Analysis, and IP and Global Challenges. The Delegation looked forward to receiving more information with respect to the donor conference, and requested clarifications in respect of proposals related to Program 1 and Program 4.

92. The Delegation of Brazil raised the issue of the geographical imbalance of staff and stated its hope that the situation would be corrected in the near future. Regarding the criteria for defining development related activities and the Director General's explanation, it suggested that the criteria should include activities carried out in line with the agreed recommendations and goals of the Development Agenda. Regarding the third option for funding the implementation of the five recommendations, the Delegation requested an explanation on what an efficiency gain was and the means through which Member States could monitor when such gain occurred and that it was channeled to development activities.

93. The Delegation of China agreed with the statement made by the Asian Group and stressed that it attached great importance to development activities and the implementation of Development Agenda and hoped that necessary financial resources for this purpose would be secured. It considered Development Agenda activities to be the main priority for the Organization, and agreed with the adoption of the revised Program and Budget. It was convinced that the Director General and the Secretariat would take into account the concerns voiced by the African and the Asian Groups, GRULAC, India and Brazil, and that this would be reflected by allocating sufficient funds for the activities in question.

94. The Delegation of Nigeria emphasized the importance of development activities for Africa, noting that the revised Program and Budget showed the Director General's reform-centered approach. With respect to the funding of the approved Development Agenda recommendation, it stressed the need for a budget line of "8 million". The Delegation was not opposed to the idea of a deficit budget, as long as the requested funds were allocated to Development Agenda, and remarked that the resulting expansion of IP in developing countries would generate more resources for the Organization. It considered the Academy's capacity building activities to be strongly related to development and wished to see the funds for the Academy fully restored.

95. In addressing Delegations' concerns and requests for clarification, the Director General reiterated that required resources would be made available for the implementation of the five approved Development Agenda recommendations up to the total of 8 million Swiss francs, confirming that the required funds in addition to those earmarked would be covered from unallocated resources. He remarked that these unallocated amounts had originally been destined for other items, i.e., covering of the cost of 172 outstanding reclassification and promotion requests, and added that the Secretariat would execute a 1.5% efficiency gain across programs in order to replenish the unallocated budget line (from which 4.6 million Swiss francs was to be taken for the Development Agenda). Regarding the funding for the Academy, the Director General proposed that 1 million Swiss francs be taken from the PCT

and applied to the Academy and explained how, after taking into account the discontinued activities, the funding could be restored to the requested level.

96. The Delegation of Algeria (on behalf of the African Group) expressed the Group's satisfaction with the information provided by the Director General with regard to the 8 million Swiss francs.

97. The Delegation of the United States of America said that while it had previously considered the Proposed Revised Program and Budget to be reasonable and balanced, this might be altered through the proposed changes. It remarked that it could also have proposed such balance-altering changes, e.g., strengthening the income-producing services of the Organization, adding that it had refrained from making such proposals in order to see how the revised Program and Budget would be implemented. It said that the Secretariat had reasonably proposed a budget of 3.4 million Swiss francs for one year for the implementation of the five Development Agenda recommendations. It wondered what additional results could be achieved by spending eight million Swiss Francs and whether this was a one-time or recurring expenditure for these five proposals. It suggested that it would be more prudent to spend this amount over a two or three year period.

98. The Delegation of Italy associated itself with the statement made by Germany on behalf of Group B. With regard to the donor conference, it was satisfied with the paper, particularly with the change of title from "Donors Conference" to "Mobilizing Resources for Development". It believed that this change signified a move from a typical donors' conference to a debate on how to mobilize resources for development. It looked forward to further consultation meetings.

99. The Delegation of Switzerland agreed with the comments made by Germany as to the indicative nature of the 8 million Swiss francs needed for the Development Agenda recommendations and stressed that the PBC should play a central role in all budgetary matters. The Delegation recalled that during the CDIP meetings, Members had asked questions regarding the proposed activities and funding and that they could not clearly identify the strategies and synergies between the activities. The Delegation noted that more money did not imply better effectiveness or outcomes and underlined the value of financial resources of the Organization. It said that it placed its trust in fellow Member States and the Director General to ensure that these principles were fully integrated and understood, especially in view of the possible repercussions of the emerging economic crisis on WIPO's resources.

100. The Delegation of Iran associated itself with the statements made by Pakistan on behalf of the Asian Group. It welcomed the Director General's explanations and endorsed the proposed approach for providing the required resources for the implementation of the approved Development Agenda recommendations. It further noted that it looked forward to an appropriate budget allocation for the next biennium, and supported comments made by India, Pakistan and Brazil regarding this item. It supported the revised budget and appreciated the efforts and initiatives of the Director General in running the Organization.

101. The Delegation of Egypt supported the position of the Delegation of Algeria on behalf of the African Group and hoped the General Assembly's decision regarding the Development Agenda would be implemented. It was grateful to all delegations who had supported the implementation of the Development Agenda, particularly the African Group, India, Pakistan and Bangladesh.

102. The Delegations of Bangladesh (on behalf of the LDCs), Egypt, India, Morocco, Nigeria and Pakistan took the floor to compliment the Director General for the flexibility and pragmatism shown in formulating proposals which had allowed consensus to be reached.

103. The Program and Budget Committee recommended to the Assemblies of WIPO Member States and of the Unions, each as far as it is concerned, the adoption of the Revised Program and Budget for the 2008/09 biennium proposed in document WO/PBC/13/4, as modified by the discussions:

(a) change the language for Strategic Goal VI, Program 17;

(b) delete the word “sustainable” from the title of Strategic Goal III;

(c) Program 1: amend performance indicators;

(d) Program 17: add Program 4 under program links;

(e) remove reference to Development Agenda recommendation 20 from the Development Agenda Links under Program 4;

(f) add reference to the General Assembly decision on the five Development Agenda recommendations in paragraph 42 of document WO/PBC/13/4;

(g) the amount of 4.6 million Swiss francs will be allocated (to be reflected in Annex II of document WO/PBC/13/4) for the implementation of the five recommendations of the Development Agenda (2, 5, 8, 9 and 10) to provide up to 8 million Swiss francs for the same; and

(h) the amount of 1 million Swiss francs to be allocated to the continuing activities of WIPO Academy from the PCT System.

ITEM 10 OF THE AGENDA

PROGRESS REPORT ON THE NEW CONSTRUCTION PROJECT

104. Discussions were based on document WO/PBC/13/5.

105. The report was introduced by Deputy Director General, Philippe Petit who recalled that the current construction work on the administrative building commenced on April 7, 2008 and was progressing within the established timelines. He added that the External Auditor and the Audit Committee continued to monitor closely the costs and expenditures connected to the project. He also explained that the financing of the project was a subject of a separate agenda item for this session.

106. There were no comments on this agenda item.

107. The Program and Budget Committee took note of the information contained in document WO/PBC/13/5.

ITEM 11 OF THE AGENDA

PROPOSED UTILIZATION OF AVAILABLE RESERVES

108. Discussions were based on document WO/PBC/13/6.

109. The document was introduced by the Controller, Philippe Favatier. He stated that document WO/PBC/13/6 was an information document on the status of the working capital funds and reserves funds to be read in conjunction with other documents containing specific proposals on the use the reserves (see below). He said that at the end of the 2008/09 biennium, because the proposed budget was balanced, the reserve funds balance would remain unchanged and would stand at 203.6 million Swiss francs. He added that the amount of 46.4 million Swiss francs was available as the net reserve balance to be drawn upon. He added that proposals for the utilization of reserves presented under this agenda item referred to this amount.

110. There were no comments made by any delegation on this document.

111. The Program and Budget Committee took note of the information contained in document WO/PBC/13/6.

Proposal to Upgrade the Safety and Security Standards for the Existing WIPO Buildings

112. Discussions were based on document WO/PBC/13/6(a). The Delegations of France, Israel and the United States of America took the floor on this agenda item.

113. The document was introduced by the Controller who recalled that at its eleventh session, in June 2007, the Program and Budget Committee had asked the Secretariat to provide more information on the proposal under discussion, in order to be able to recommend

to the Assemblies the measures which would allow WIPO to obtain a level of safety and security compliant with the minimum United Nations standards. He reminded the delegations that the UN had approved a budget of 50 million Swiss francs to enhance the security of the UN, the UNHCR and other sister organizations. He explained that the Fondation des immeubles pour les organisations internationales (FIPOI), had provided most of the physical security enhancements for those safety standards and added that the present document constituted an updated proposal addressing the issues raised by the PBC in June 2007 as well as the issues which had arisen in the meantime. Particular attention was drawn to Annex II of the document, which contained a letter received from Switzerland, the host country, offering through the FIPOI, to finance certain measures. The Controller said that the total cost of the security measures was 9.6 million Swiss francs and that FIPOI had proposed to fund 2 million Swiss francs out of that amount. In view of this fact, the Secretariat needed to fund 7.6 million Swiss francs, which it proposed to do in two stages: an allocation of 1 million Swiss francs in 2009 and a second allocation of 6.6 million Swiss francs during the following biennium of 2010/11. He invited the PBC to recommend to the Assemblies the approval of the proposed standards and proposals and the approval of the two allocations for the funding thereof.

114. The Delegation of France noted the high cost, which did not take into account the forecast expenditure for the new construction and therefore related only to the existing buildings. It requested clarification with regard to the possibility of reducing the draw-down on the reserves to 6 million Swiss francs and of finding a way, perhaps by asking the FIPOI, to take care of the funding of the anti-pedestrian fencing around the building representing the amount of 1.15 million Swiss francs. It also proposed to review the expenses foreseen for the access control systems and the CCTV system in order to reduce these expenditures and thus reduce the amount to be drawn-down from the reserves.

115. The Delegation of Israel requested clarification in respect of the procurement process for these projects, i.e., whether the Secretariat was going to procure according to fair and balanced geographic distribution.

116. The Delegation of the United States of America urged limitation on the use of the reserve funds, such that they would be used only for extraordinary or one-time expenditures, and not lead to recurring costs that created need for additional funding to be included in future budgets. The Delegation agreed that investments in safety and security were a top priority and that the use of reserve funds for this purpose was appropriate, given the extraordinary nature of the improvements that needed to occur in the facilities housing WIPO staff and operations. It welcomed the host country, Switzerland's, commitment to provide over 20 percent of the total cost of the safety and security improvements.

117. In response to an enquiry from the Delegation of Israel regarding fair and balanced geographic distribution in the procurement process, the Controller confirmed that all procurements, and this was no exception, followed the same open competition process i.e., an invitation to tender. With regard to the comments made by France, the Controller confirmed that the amounts for the new construction project were not taken into account. He added that a request made to FIPOI and the ensuing discussions resulted in FIPOI's acceptance to fund 2 million Swiss francs. However, the remaining sum would have to be met by WIPO.

118. *The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to:*

(i) approve the proposal to upgrade the safety and security standards, as set out in Annex I of document WO/PBC/13/6(a); and

(ii) approve the appropriation of 1,000,000 Swiss francs in 2009 and of 6,600,000 Swiss francs in the 2010-2011 period (making a total of 7,600,000 Swiss francs) for this purpose from the reserves, to be available to be utilized, with the balances carried forward from one biennium to the next, for the envisaged duration of the project, as set out in paragraphs 8 and 9 of document WO/PBC/13/6(a).

Updated and Consolidated Budget and Financing for the New Construction Project

119. Discussions were based on document WO/PBC/13/6(b). The delegations of France, Germany, Israel, Japan, and the United States of America took the floor on this agenda item.

120. The Controller introduced the document and recalled that the budget for the new construction currently stood at 153.6 million Swiss francs and that this information had been provided in previous documents. He noted that this sum was not yet fully financed and that the budget for the new construction had been partially covered by the payments of 12.6 million Swiss francs and by the bank loan of 114 million Swiss francs, giving a total of 126.6 million Swiss francs. An amount of approximately 27 million Swiss francs was outstanding. It was therefore proposed to use the reserves of the organization to cover 20 million Swiss francs. The Controller explained that 20 million Swiss francs was sufficient in the overall budget of 153.6 million Swiss francs as 7.8 million Swiss francs were set aside, as requested by the External Auditor as a provision, in the case of modifications or technical difficulties during the execution of the project. He added that this provision might not have to be financed immediately, which was why the Secretariat did not wish to finance it from the reserve fund. The Controller said that in order to be able to finance the cost of introducing the UN security standards to the new building (which had not been taken into account in the previous document) and the cost of IT Center, it was necessary to foresee the increase of 8 million Swiss francs. In order to cover these amounts, as well as the provision of what needed to be set aside for unenvisaged expenses, the Secretariat proposed to use the available financial facilities i.e., to increase the loan by up to 16 million Swiss francs if and when necessary. He recalled the opinion of the External Auditor that in a project such as this, one of the key elements of success was to allow the administration, when it had the opportunity or when it had to incur costs resulting from constraints of the situation, to respond swiftly to avoid postponing work on the project. He said that the Auditor had placed great emphasis on ensuring that this flexibility was available. He summarized the Secretariat's proposal for financing the budget of the new construction, which was to use 20 million Swiss francs from

the reserves and to authorize the Secretariat to extend the bank loan by 16 million Swiss francs, if and when necessary, to cover the provision for miscellaneous and unforeseen expenses.

121. The Delegation of Germany commented that the approved budget of 153.6 million Swiss francs was already higher than foreseen, the increases being (i) additional cost for security devices for the new building, which had not been budgeted for and (ii) costs related to changes to the plan regarding the IT Center. It requested that the Secretariat provide an overall up-to-date cost estimate. It sought clarification regarding the additional authorization for the bank loan while in the security document just adopted, the security cost was financed from the reserves. It queried the need for this additional loan authorization since there were reserve funds which could be drawn upon. The Delegation added that the Swiss national bank had just decreased its prime interest rate to 0.5% and in this scenario whether a loan or reserves represented the best option.

122. The Delegation of France sought clarification regarding the exact amount to be taken from reserves, since in paragraph 7 of the document it was proposed that the balance to be financed was around 19,5 million Swiss francs whereas in the decision paragraph the sum was 20 million Swiss francs. The Delegation also wished to know what would happen to the existing premises for of the IT center following its move to the new building.

123. The Delegation of United States of America viewed the Secretariat-proposed modification to the new construction project with some reluctance, because the modifications required further cost for the project. It noted however, that the modifications scope were absolutely necessary in the case of added security and safety requirements. It agreed to these modifications and their associated costs, with the expectation that there would be no further substantial modifications or cost increases to the project. The Delegation recalled that the Secretariat had proposed inclusion of up to 36 million Swiss francs in additional financing for the project and that with this additional amount, total financing for the project could exceed 160 million Swiss francs. This was considerably more than the Member States had approved three years ago and should be sufficient to complete the project. The Delegation indicated that Member States' agreement on this increased level of financing should be contingent on the Secretariat coming back to Member States at the next PBC, with an updated consolidated project budget, that reflected those best cost estimates for the total project. It encouraged strict and regular reporting to the Construction Committee and expected that the Secretariat would be able to complete the project with the amount of additional financing proposed and would not need to come back to Members at a future time for additional financing. Lastly, the Delegation looked forward to receiving future status reports indicating that the project was moving to completion, both on schedule and within the newly approved financing envelope.

124. The Delegation of Israel referred to paragraph 14 of the report regarding the delay in the date of delivery of the construction, and requested clarification in respect of the coverage of any increased expenditure due to any potential need to extend the lease for the current rented premises.

125. The Delegation of Japan indicated that while the amount of 20 million Swiss francs would simply be shifted from cash to fixed assets in the same reserve fund, it considered that the increase in fixed assets meant a decrease in liquid assets. In this context, if the share of these fixed assets in the reserve became considerably high, it might have an impact on the expeditious mobilization from the reserve funds, which might prevent the Secretariat from effectively addressing possible income shortfalls. It assumed that the cash and fixed assets

under reserve funds could not necessarily be treated on the same footing and wished to know if such an assumption was correct.

126. Responding to the questions raised, the Controller confirmed that the total cost of the new construction project (in rounded figures) was: the approved budget of 153.6 million Swiss francs plus the cost of the United Nations security standards of 4.5 million Swiss francs and the cost of the move of the IT center of 3.5 million Swiss francs, arriving at a total amount of 161.6 million Swiss francs. The proposed financing would be as follows: 12 million paid before the project, 114 million from the loan, 20 million drawn from the reserves and, a further possible draw down from the loan of 16 million Swiss francs. With regard to financing by bank loan, the Controller said that, the Secretariat had used existing reserves in order to finance the United Nations security standards in the existing buildings. However, in the case of the new building, where construction was under way, there the option of using an extension to the loan which meant that the Secretariat could reimburse the loan over a long period without burdening the everyday operations of the Organization. The authorization to seek the loan was sought for the reasons of flexibility and in order not to burden the reserve of the Organization. With regard to WIPO investments, he said that the current yield was 2.875 %. In response to enquiries by the Delegation of France on the difference between the 19,528,504 million Swiss francs, the Controller explained that the figure was simply rounded up in the decision paragraph.

127. The Secretariat provided clarifications regarding the move of the IT center, explaining that the current IT Data Center premises were being rented in the old “Procter and Gamble” building, which contained a number of different offices, particularly offices for personnel as well as a sports room.

128. The Controller responded to the Delegations’ concerns regarding reporting and referred the Delegations to the report of the External Auditor, who had just carried out an audit on the new building, which contained various analyses of the costs of the project, including costs to be covered by the reserves and the regular budget as well as the costs that had already been borne. He referred to the information in the Financial Management Report, particularly to page 22, detailing the overall cost of the building and the background of the costing from the time of the first approval by the Member States in 2005 (based on 2003 figures), which provided the picture of the developments of the costs over time. Regarding the question of the possibility of delay in the delivery of the building, the Controller confirmed that such delay would be costly for the Organization because at the moment the Organization was renting office space in the ex- Procter and Gamble building, the CAM Building and the Morillons Management Center at the cost of 8.2 million Swiss francs a year. Therefore, any delay in moving into the new building would generate greater rental costs. He added that once the new building was ready, WIPO would move out of the rented space thus freeing up funds. Should the delivery be delayed, penalties were foreseen but they would not be comparable to what could be saved by moving into the new building as scheduled. Referring to the comments made by the Delegation of Japan, the Controller confirmed that the relative increase in fixed assets would cause, as a consequence, a drop in liquidities. He specified that, at the moment, total reserves were in liquid assets (196 million Swiss francs) and that any drawings on the reserves would obviously reduce that level. He added that the 20 million Swiss francs to be taken from the reserve fund for the construction project would thus reduce the level the liquidities in the reserve, but there would remain an ample margin to ensure that the Organization had sufficient liquidities to cope with the concerns raised by the delegations. With regard to the questions on the repayment of a possible loan, the Controller said that he could not specify the borrowing rate because that rate would be determined at the date when

the money was borrowed. He added that, to date, the LIBOR rate in Switzerland stood at standard 1.6%, to which one should add the margin of the bank of between 0.3% and 0.7%. He estimated that the cost the loan would be less or equivalent to the level at which WIPO invested its funds. He also said that the possibility of using the loan would allow WIPO financial flexibility, in that every year WIPO would repay the loan rather than draw down an amount from the reserves in one go. Furthermore, he added that, the loan would not be used unless a specific problem arose. He said that, for the reasons stated above, the Secretariat preferred the option of a loan although, in theory, the reserves could be used for the same purpose.

129. The Program and Budget Committee recommended to the Assemblies of the Member States and of the Unions, each as far as it is concerned, to:

(i) approve the updated and consolidated budget for the new construction project as set in the Annex to document WO/PBC/13/6(b);

(ii) authorize the use of an amount of 20,000,000 Swiss francs, from the WIPO reserves; and

(iii) authorize the Secretariat, to use, if and when necessary, the existing option to extend the bank loan within the contractual limit of 16,000,000 Swiss francs to finance the “Contingency Provision for Miscellaneous and Unforeseen” and the “Construction Phase Modifications”.

Proposal for a New Conference Hall

130. Discussions were based on document WO/PBC/13/6(c).

131. The following Delegations took the floor on this agenda item: Barbados, China, Cuba (in its own capacity), El Salvador, France, Germany, Greece, India, Israel, Italy, Monaco, Pakistan (on behalf of Asian Group), Paraguay, Romania, the Russian Federation, Spain, Turkey and the United States of America.

132. The proposal was introduced by the Controller who explained that the document provided background information and an updated assessment of the needs and options for the conference room facilities. He explained that the proposal consisted of two phases. Phase 1, an architectural and technical study for the project (which would last from December 2008 to June 2009); and Phase 2, the construction, from September 2009 onwards. The Controller reminded delegations that in October 2002, following the report presented by the External Auditor and the recommendation of the Program and Budget Committee, Member States approved *inter alia* the construction of a new administrative building for 560 work places and of a new conference hall with a capacity of 650 seats. He added that to date, those needs had been reassessed, as per paragraphs 6 to 17 of the present document. The most salient feature

was the number of States which were parties to the treaties administered by WIPO, the number of States likely to become parties to the treaties and the number of intergovernmental and non-governmental organizations attending meetings as observers. He said that the document also listed the number of meetings taking place in the existing rooms of WIPO, including internal staff meetings and provided various options for the improvement of Rooms A and B. He said that there existed a very narrow window opportunity during which the work could begin which would enable the Secretariat to save a considerable amount of money, as the building site would not need to be reopened. With regard to the first phase of the project, the Secretariat was seeking the PBC's approval to draw down 4.2 million Swiss francs from the reserve of WIPO for the preparation of a complete architectural and technical feasibility study so that Member States could take an informed decision as to whether the construction of the conference hall should proceed.

133. The Delegation of Pakistan (on behalf of the Asian Group) expressed reservations related to the cost of the proposed project, especially in view of the emerging economic crisis and a possible drop in the revenues. It suggested that the conference hall should be a revenue generating investment and sought information about the time period necessary for its amortization. The concerns raised by Pakistan were shared by the Delegations of El Salvador, France, Germany, Israel and Monaco. The Delegations requested clarifications in respect of whether the date of the Assemblies could be changed to make it easier to rent conference facilities outside WIPO, as well as in respect of the number of WIPO external and internal meetings held each year, and the number of participants. The Delegations of France and Monaco also asked about the selection of general contractor and other enterprises to be involved in the project. Another concern raised was the question of financing of the estimated 60 million Swiss francs for the project, in view of the uncertain global economic situation that could negatively impact on WIPO's revenues.

134. The Delegation of the United States of America said the cost of the proposal for the conference hall was very high and required careful consideration. It added that the new construction project already required WIPO to borrow a substantial sum of money which would result in interest charges for a significant number of years. Financing the proposed conference hall also required financing through loans which would add to future regular budgets. The Delegation said it did not support the use of reserve funds that would result in additional burdens in future years. There appeared to be no basis in the Secretariats' proposal for determining whether 60 million Swiss francs was an appropriate sum for the project of this sort. For comparison, it wished to see how the proposed cost compared to the cost of renting comparable space, as it would help Member States assess the magnitude of the estimated cost of the proposed facility. If Member States agreed to proceeding with the first proposed phase of this project, the top priority should be given to finding ways to (a) reduce the overall estimated cost and (b) to limit the risks of future cost increases.

135. The Delegation of Barbados noted that WIPO Member States would take a decision on this matter after the presentation of an analysis of the potential impact of the current financial and economic crisis and, in this regard, it referred to paragraph 44 of the document. In its view, it was preferable for WIPO to have its own conference hall, thus allowing Member States greater autonomy over the timing of the meetings, rather than renting.

136. The Delegation of Italy shared the concerns of other delegations, in particular regarding the two-phase approach, in that Members ran the risk that once the first phase was completed the decision might be not to go ahead with the construction itself, while WIPO would have

nevertheless spent 4.2 million Swiss francs. The Delegation also sought clarification as to paragraph 57 of the document and the sources of financing referred to therein.

137. The Delegation of Paraguay said that the conference hall was the most important part of the building for an international organization as it created the right environment for delegates coming from different parts of the world to sit down and work towards the objectives of the organization and its development. It believed that on balance the benefits of having a conference hall, in the long-term, outweighed the prudence required to face the upcoming economic crisis.

138. In response, the Controller said that the calculation of a possible profit from the rental of the conference hall had not yet been made. The Secretariat did not believe that renting out the conference hall would pay for the investment made in its construction. He also said that changing the timing of the Assemblies meetings, would not make conference room facilities any easier. He noted that the proposal was not a request to approve the building of the conference hall but a request to approve a study. Regarding the general contractor and the various enterprises involved, the Controller explained that the architect who had worked on the new construction would be involved in the architectural study (Phase I) because the conference hall had originally been foreseen in the architects' initial plan. With regard to the general contractor, he said that there would be a tendering procedure. Regarding the estimated cost of 60 million Swiss francs for the project, the Controller said that, without a prior study, it would be extremely difficult to give a precise figure which was one of the reasons to request an architectural study. He also recalled that, in 2002, the Assemblies had accepted the proposal for a complete project for a new building and a conference hall for the amount of 190.5 million Swiss francs and added that, factoring in inflation, the current proposal was not far from that initial estimate.

139. The Director General provided further clarification. Regarding the date of the WIPO Assemblies, international organizations had the available conference facilities. WIPO had been holding its meetings in the last 10 days of September for the last 25 years. He added that the potential use of UNOG facilities also presented a considerable number of logistical problems for hosting the WIPO Assemblies, given the need for constant interaction between the Secretariat and the Member States and the demand for documentation. He recalled that the architect, who had designed the new building under construction, had also designed the conference room and had been mandated to do so. He further explained that the number of staff meetings held per year was limited by the availability of a conference room and added that, at present, staff meetings had to be called multiple times due to lack of space in the meeting room. He recalled that for many years the professional staff of the Organization used to meet daily in Room A, which now would not have been possible. He further said that there were 826 registered delegates throughout the Assemblies meetings and that throughout the whole period of Assemblies it was necessary to broadcast the proceedings into the Salon Apollon and Room B. Regarding the source of financing, the Director General said that a preliminary meeting had been held to explore the possibility of financing from the FIPOI. FIPOI were not able to pronounce themselves on such a project at this stage and, would only be able to do so after receiving more information on the project, which was one of the objectives of the proposed study. The precise answer to the question of financing could only be given if Phase I proceeded and, by that time, he hoped to have an indication from FIPOI. Regarding concerns raised about the financial crisis, the Director General recalled that a monitoring system was being put in place that would enable not only the Secretariat, as the managers, but also the Member States, to closely follow the evolving situation. He added that Member States would thus have more information by the time of Phase II. He also added that, in

addition, a cost containment plan had been put in place in anticipation of the impact of the economic crisis, the first measure had been already deployed and consisted of cost cutting measures related to the travel program that would result in significant savings for the Organization. As to whether WIPO could afford a conference room, the Director General said that the objective of Phase I was to make a precise estimate and remarked that of the 60 million Swiss francs, WIPO could finance 50% from reserves while the other 50% was proposed to be financed through a commercial loan, which amortize over a period of 50 years. The Director General believed the proposal was feasible but obviously needed to be closely monitored, in particular, to watch the evolution of the financial and economic situation over the course of the next six months. He stressed that the present time was the only opportunity to build the conference room and added that, if Member States wished to proceed with it later, the cost of construction would be higher in addition, and would also involve the costs of re-opening the construction site.

140. The Delegation of Spain said that the architectural study was necessary but only if there was the intention among the Member States to agree to the construction of the conference hall and believed that there was a an inevitable link between the decision to make the study now and the presumption that, as long as the cost remained within a certain bracket, the construction would be carried out.

141. The Delegations of Barbados, China, Cuba, El Salvador, France, Germany, Italy, Pakistan, the Russian Federation and the United States of America expressed their strong wish that, the cost of the study be contained as much as possible, preferably below 4.2 million Swiss francs. The Delegation of the United States suggested that, a possible way to help fund the study would be to stop mailing documents to countries that did not require them, i.e., to those that could access them via the Internet, which was much faster and more cost efficient and believed that this proposal would be accepted by most of the Group B countries.

142. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to:

(i) approve the appropriation of 4.2 million Swiss francs from the WIPO reserves, in 2009, to pay for the commissioning of a complete architectural and technical dossier for a new conference hall project which will be presented to the Member States for consideration and decision in September 2009, (“Phase One”) as described in paragraphs 46 to 48 of document WO/PBC/13/6(c);

(ii) request the Secretariat to further explore the possibilities of reducing the cost of the said dossier to the extent possible; and

(iii) approve the proposal to examine the complete architectural and technical dossier for a new conference hall project, and

the proposed detailed financing, in September 2009 and to decide thereon in September 2009, ("Phase Two") as described in paragraphs 48 to 53 of the said document.

Proposal for the Implementation of IT Modules to Establish Compliance with the New Financial Regulations and Rules and IPSAS: (Procurement, Asset Management and Other System Requirements for IPSAS Compliance)

143. Discussions were based on document WO/PBC/13/6(d)

144. The Delegation the United States of America expressed its support for the proposal as presented. No other delegations took the floor.

145. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to:

(i) approve the proposal to implement the IT modules and system modifications required for compliance with IPSAS and the FRR, as set out in the Annex of document WO/PBC/13/6(d); and

(ii) approve the appropriation of a total of 4,200,000 Swiss francs for this purpose from the reserves, to be available to be utilized, with the balances carried forward from one biennium to the next, for the envisaged duration of the project, as set out in paragraph 9 of the said document.

ITEM 12 OF THE AGENDA

MECHANISM TO FURTHER INVOLVE MEMBER STATES IN THE PREPARATION AND FOLLOW UP OF THE PROGRAM AND BUDGET

146. Discussions were based on document WO/PBC/13/7.

147. The Delegations of Algeria (on behalf of African Group), Egypt, Nigeria, Pakistan, Russian Federation and South Africa too floor on this agenda item.

148. The Controller introduced the document and said that its purpose was to provide the Members States with additional information on the implementation of the new mechanism and to recommend some improvements thereto. He referred the delegations to Chapter II of the document describing the progress in the implementation of the new mechanism. He commented that adherence to some of its provisions had been affected by the timing of the election of the Director General. He had expressed his intention to present the strategic plan

2010-2015 which was to be presented to Member States in parallel with the Program and Budget for 2010/11 biennium. This represented an effective way of obtaining contributions and feedback from the Member States. He said that the document under discussion also outlined a proposed provisional timeline for the preparation of the 2010/11 budget. The PBC was requested to approved the recommendation appearing in paragraph 12, whereby this medium-term strategic plan would be approved in parallel with the proposed Program and Budget for 2010/11, thus replacing the obligation to issue a Circular Letter and a Questionnaire.

149. The Delegation of Pakistan (on behalf of the Asian Group) approved of the document as presented and stressed the importance that the Group attached to the enhanced communication and regular consultations between the Secretariat and the Member States. It added that in view of the importance of Questionnaires and the Director General's outline document both should be continued. The Delegation also observed that the proposed timelines were very tight. The Delegation believed that Member States should have more time at their disposal to discuss this document and consult with each other. In summary, the Group wished to restore the original mechanism, complemented by the consultations, and extend the proposed timelines.

150. The Delegation of Algeria (on behalf of the African Group) shared the views of the Asian Group on the maintaining of the provisions of the mechanism, in particular the issuance of the Questionnaire. The African Group considered that this was an effective approach which would help avoid difficult situations, such as the situation regarding the 8 million Swiss francs. Informal consultations on their own were not sufficient. The Delegation proposed that the Questionnaire be distributed by mid-February and that the proposed budget document be submitted to Member States in mid-June. The statement was fully supported by the Delegations of Nigeria and South Africa.

151. The Director General clarified the time-frame for the submission of the 2010/11 budget document and said that the draft Program and Budget would be submitted to Member States in April, not in August.

152. The Delegation of Egypt associated itself with the position taken by the Delegation of Algeria. It considered that sending a questionnaire by mid-February was probably more effective means of relaying to the Secretariat the interests, concerns and positions of the Member States. It wished to emphasize that while the new mechanism might not be suitable for this coming period, it believed that it should be maintained for future Program and Budget exercises.

153. The Delegation of the Russian Federation supported the document as presented and requested that any future documents be presented, within the time limits, in all languages, including Russian.

154. The Program and Budget Committee recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to:

(i) take note of the progress and implementation of the New Mechanism as

described in paragraphs 2 to 8 of document WO/PBC/13/7;

(ii) take note of the indicative timelines contained in paragraph 13 of document WO/PBC/13/7 in respect of the process for the presentation of the Medium-Term Strategic Plan for 2010-15 and the Program and Budget for the 2010/11 biennium; and

(iii) request the Secretariat to include in the said timelines the distribution by mid-February 2009 of a Circular Letter and Questionnaire to Member States, inviting their contributions on the priorities for the Program and Budget for the 2010/11 biennium.

ITEM 13 OF THE AGENDA

ADOPTION OF THE REPORT

155. The Program and Budget Committee discussed a summary sheet containing the decisions taken (see relevant decision paragraphs above) and adopted the text as amended and shown in document A/46/10.

ITEM 14 OF THE AGENDA:

CLOSING OF THE SESSION

156. The session was closed.

[Annexes follow]

ANNEXE I/ANNEX I

LISTE DES PARTICIPANTS/LIST OF PARTICIPANTS

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*(dans l'ordre alphabétique des noms français des États/
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Slobodan VUKČEVIĆ, Ambassador, Permanent Representative, Permanent Mission, Geneva,

Jelisaveta DJURIČKOVIČ-TUVIČ (Ms.), Minister Counsellor, Permanent Mission, Geneva

SOUDAN/SUDAN

Nagat ELTAIYB ALMARDY (Ms.), Representative, Federal Council for Literary and Artistic Works, Ministry of Culture and Youth and Sports, Khartoum

Salma MOHAMED ABDELMAGID OSMAN (Mrs.), Official, Ministry of Culture, Khartoum

SRI LANKA

Manorie MALLIKARATCHY (Mrs.), Second Secretary, Permanent Mission, Geneva

SUÈDE/SWEDEN

Patrick ANDERSSON, Swedish Patent and Registration Office, Stockholm

TCHAD/CHAD

Ndabe Mandagua DJIMASBEYE (Mme), Conseiller économique, Mission permanente, Genève

TOGO

Kokou KPAYEDO, Ministre conseiller, Mission permanente, Genève

YÉMEN/YEMEN

Ibrahim S. AL-ADOOFI, Ambassador, Permanent Representative, Permanent Mission, Geneva

Fawaz AL-RASSAS, Third Secretary, Permanent Mission, Geneva

ZIMBABWE

Garikai KASHITIKU, First Secretary, Permanent Mission, Geneva

III. VÉRIFICATEUR EXTERNE DE L'OMPI/
EXTERNAL AUDITOR OF WIPO

Kurt GRÜTER, directeur du contrôle fédéral des finances de la Confédération suisse, Berne

Denys NEIER, vérificateur externe, Contrôle fédéral des finances de la Confédération suisse, Berne

David REBER, vérificateur externe, Contrôle fédéral des finances de la Confédération suisse, Berne

IV. COMITÉ D'AUDIT DE L'OMPI/
WIPO AUDIT COMMITTEE

Khalil Issa OTHMAN	Chair
Pieter ZEVENBERGEN	Vice-Chair

V. BUREAU/OFFICERS

Président/Chairman:	Christophe GUIHOU (France)
Vice-présidents/Vice-Chairmen:	Mohammed GAD (Égypte/Egypt) Li Lin LIEW (Ms.), (Singapour/Singapore)
Secrétaire/Secretary:	Philippe FAVATIER (OMPI/WIPO)

VI. BUREAU INTERNATIONAL DE L'ORGANISATION MONDIALE DE LA
PROPRIÉTÉ INTELLECTUELLE (OMPI)/INTERNATIONAL BUREAU
OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)

Francis GURRY, directeur général/Director General

Philippe PETIT, vice-directeur général/Deputy Director General

Philippe FAVATIER, directeur financier (contrôleur), Département de la gestion des finances, du budget et du programme/Chief Financial Officer (Controller), Department of Finance, Budget and Program Management

Magdolna BONA (Mme/Mrs.), chef, Section du budget, Département de la gestion des finances, du budget et du programme /Head, Budget Section, Department of Finance, Budget and Program Management

[Fin du document/End of document]

[Annex II follows]

WIPO



WO/PBC/13/1
ORIGINAL: English
DATE: December 10, 2008

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

PROGRAM AND BUDGET COMMITTEE

Thirteenth Session
Geneva, December 10 and 11, 2008

AGENDA

adopted by the Program and Budget Committee

1. Opening of the session
2. Election of the Chair and two vice-Chairs of the Program and Budget Committee
3. Adoption of the agenda
See the present document.
4. Financial Management Report for the 2006-2007 Biennium; Arrears in Contributions as of October 10, 2008
See publication FMR/2006-2007 and document WO/PBC/13/2.
5. External Auditor's Reports

New Construction
See document WO/PBC/13/8.

Inventories
See document WO/PBC/13/9.
6. Briefing by the Chair of the Audit Committee on the tenth and eleventh sessions of the Audit Committee
(oral presentation)

7. Program Performance Report for 2006-2007
See document WO/PBC/13/3.

Summary Performance Report for 2006-2007
See document WO/PBC/13/3(a).

Individual Program Performance Reports for 2006-2007
See document WO/PBC/13/3(b).
8. Report of the Internal Auditor
(oral presentation)
9. Revised Program and Budget for the 2008/09 Biennium
See document WO/PBC/13/4.
10. Progress Report on the New Construction Project
See document WO/PBC/13/5.
11. Proposed Utilization of Available Reserves
See document WO/PBC/13/6.

Proposal to Upgrade the Safety and Security Standards for the Existing WIPO Buildings
See document WO/PBC/13/6(a).

Updated and Consolidated Budget and Financing for the New Construction Project
See document WO/PBC/13/6(b).

Proposal for a New Conference Hall
See document WO/PBC/13/6(c).

Proposal for the Implementation of IT Modules to Establish Compliance with the New
Financial Regulations and Rules and IPSAS: (Procurement, Asset Management and
Other System Requirements for IPSAS Compliance)
See document WO/PBC/13/6(d).
12. Mechanism to Further Involve Member States in the Preparation and Follow Up of the
Program and Budget
See document WO/PBC/13/7.
13. Adoption of the report
14. Closing of the session

[End of document]

[Annex III follows]

ANNEX III

STATEMENT BY THE EXTERNAL AUDITOR

(Mr. Kurt Grüter, directeur du contrôle fédéral des finances de la Confédération suisse, Berne)

Mr. Chairman,

You received our three reports annexed to the documents WO/PBC/13/8 and WO/PBC/13/9. I would like to make a few brief comments on the recommendations we have made which I believe to be important. With regard to the report relating to the 2006-2007 biennium, on the Unions, I have made a number of recommendations with regard to the allocation of costs. The allocation of costs has been made on the basis of allocations used for 2006/07, however, the criteria for the 2008/09 budget were established on a different basis and this has led to a change in accounting methods for the next biennium budget. The change was made in order to ensure that the criteria for allocations were clearer and to ensure the capacity of the Unions to contribute effectively. Given that these criteria are deemed to be now more representative, my staff has compared the allocation of costs for 2006/07 in accordance with the old and the new criteria for the allocation of costs. The impact of the new criteria for 2006/07 on the amount of the reserves of the various Unions can be found in the table in paragraph 45 of my report. In light of the auditing process 2008/09, first, I would encourage WIPO to continue adapting its basis for allocation of costs in order to ensure an allocation of costs which is more in accordance with costs-generating items for as many items as possible and, in that way, costs can be attributed directly and secondly, to ensure that through simulation the criteria remain stable in various scenarios.

The new allocation of tasks established by the new Financial Regulations in effect since the January 1, 2008, enables greater accessibility of documents from a greater number of users and also implies greater decentralization of certain monitoring tasks; this means that there is greater flow of information through the Organization. I would therefore encourage WIPO to continue its efforts to adapt its information system taking into account the stringent requirements resulting from the Financial Regulations and IPSAS and to do so in the near future.

I turn to my second report relating to the construction of the new administrative building and here, as well, I made a number of recommendations. In my previous report I had recommended that there be a better allocation of responsibilities, taking into account a number of posts to be established in particular that of the Project Coordinator. I also highlighted the significant risk of a deadlock if the decisions could not be taken in due time. In light of this I recommended that the reserves for miscellaneous and unforeseen expenses in the project's financial envelope be increased from 0.9 million to 7.8 million Swiss francs. This would strengthen the financial responsibilities of the Construction Committee, which would enable it to act more effectively and take its decisions swiftly. At the conclusion of this audit, these recommendations have not yet been put into practice. I also recalled the need to establish staffing positions for key functions of the project and establish a system for miscellaneous and unforeseen expenses in the financing of the project, in order not to prejudice indispensable decisions for the progress of this project. Furthermore, I believe that the Secretariat should submit to the Member States, as soon as is possible, a revised financial envelope for the construction project. Finally, I would invite WIPO to introduce a system of cost reporting for the Construction Committee. The cost monitoring system established by the pilot manages, more specifically, the commitments and expenditure of the project. It is

therefore indispensable that the coordinator of the internal team regularly balances the books, both with the pilot and with the Finance Department and also reports to the Construction Committee. In this way, the Construction Committee will be fully aware of the state of outgoings with regard to the commitments of the revised financial envelope. A report on the costs in the pilot's report to the same Committee will also be judicious.

I come to my final and third report relating to the audit in the area of inventory management. The examination which has been carried out in this report has also been carried out in two other Organizations for which I am responsible for the auditing: the International Telecommunications Union and the Universal Postal Union. The objective was to carry out a comparison between the various outcomes achieved. In order to be able to effectively draw this comparison, it was decided that only the furniture and information technology inventory would be considered. These are the only inventories which are comparable from organization to organization, both with regard to the importance and the levels. So in conclusion, the quality of WIPO inventory management requires some improvement and my recommendation shows that the shortcomings in this area need to be remedied. A significant amount of work needs to be undertaken to ensure that the processes are brought into line with good practice and to improve cost effectiveness and profitability of inventory management. Looking ahead to the application of IPSAS accounting standards, I would urge WIPO to take the necessary steps to make it capable not only of carrying out inventories but also being able to clearly identify all of the inventories under the IPSAS which are significant in their nature. It would also be appropriate to ensure that the internal regulations of the Organization be fully in line with IPSAS standards.

Mr. Chairman, please allow me to express our gratitude to the Director General and all of the staff for the excellent cooperation and the information we have received. To you Mr. Chairman, ladies and gentlemen, distinguished delegates, allow me to express our thanks for your kind attention to our work and the Auditors Report. Of course, should you have any questions we will be willing to answer them.

[Annex IV follows]

ANNEX IV

BRIEFING BY THE CHAIR OF THE AUDIT COMMITTEE ON THE TENTH AND ELEVENTH SESSIONS OF THE AUDIT COMMITTEE

Statement made by Mr. Khalil Issa Othman
Chair, WIPO Audit Committee

Mr. Chairman,

I am pleased to introduce, on behalf of the Audit Committee, the Reports of its tenth and eleventh meetings held in October and December 2008, documents WO/AC10/2 and WO/AC/11/2, which I understand have been made available to you.

But before doing so, I should like to note that the reports of our seventh, eighth and ninth meetings, held in December 2007, and February and May 2008, have not been presented to or acted upon by the Program and Budget Committee because it has not met since December 2007. However, these three reports (document WO/GA/36/9) were presented to the 36th session of the WIPO General Assembly in September 2008, which only took note of them. My statement to the General Assembly on those three reports is contained in Annex III to the report of our 10th meeting (document WO/AC10/2).

Returning to our tenth and eleventh meetings, I will begin with the Desk-to-Desk Review and the Strategic Realignment Program.

At its thirty-fourth session, the General Assembly endorsed the Committee's recommendation that the WIPO Secretariat should develop a comprehensive program for Organizational Improvement along the lines and priorities recommended by the external consultant (PricewaterhouseCoopers), and as recognized by the Secretariat, and prepare a road map for the implementation of that program.

The Secretariat pointed to two main constraints on implementing the Assembly's decision, namely the transition period leading up to the election of a new Director General, and a lack of certain skills and competencies in the WIPO Secretariat. The Committee was aware of those limitations and constraints and, except for the successful finalization of the new Financial Regulations and Rules, not much progress was achieved on the other initiatives included in the Organizational Improvement Program.

With the transition period over, the Committee has had fruitful dialogue with the new Director General at its tenth and eleventh meetings (October 6 to 9 and December 1 to 4). Committee representatives also attended the informal consultations between the Director General and Member States on October 21 and 30.

At these meetings, and particularly in his meetings with the Audit Committee, the Director General has presented, among other things, his plans for a revised Strategic Plan and Strategic Realignment.

At our meeting last week, the Director General informed the Committee that the Secretariat's Organizational Improvement Program (OIP) had been replaced by the Strategic Realignment Program. The Committee was assured that relevant observations and

recommendations made in the Desk-to-Desk Review by the external consultant would be featured within the framework of the Strategic Realignment Program on a timely basis.

The Committee very much values the Director General's presentations and our subsequent discussions with him on this and other subjects. It is a fresh and welcome initiative on the part of Mr. Gurry. The Committee will continue to follow up on progress in the planning and implementation of the Strategic Realignment Program.

The New Construction Project

The New Construction Project is a good example of the constructive interaction between the Secretariat and the Pilot, on the one hand, and the Audit Committee on the other. Documents are prepared well in advance and recommendations, which have generally dealt with budgetary matters, and cost audits, as well as the Secretariat's and the Pilot's risk registers, have been consistently implemented.

At its eleventh meeting, the Committee reviewed the Internal Audit and Oversight Division's audit report dated September 19, 2008, on key risks relating to the New Construction Project. That report concluded, among other things, that the Secretariat's ability to make timely decisions was still an issue and that documentation and security of information relating to the appointment of the General Contractor had not been satisfactory. The Committee was informed that an investigation of information handling was in progress. The Committee will continue to appraise itself of progress on this matter.

Program Performance Report and Financial Management Report for the 2006/07 Biennium

With a view to facilitating discussions on budget and performance, and in order to provide better information to all major stakeholders in the areas of accountability and transparency, the Committee recommended that the Financial Management Report as a regularity instrument, and the Program Performance Report as an analysis of Organizational performance *per se*, should be presented concurrently to the Committee before concurrent presentation to the Program and Budget Committee.

With regard to the Financial Management Report, the Committee recommended that the Report should highlight major variations in the utilization of the budget *vis-à-vis* the original and adjusted budget by analyzing: what the original aims were; what changes were made; and, what results were obtained.

At its eleventh meeting, the Committee requested that a progress report on identification of the structure and periodicity of performance reporting for stakeholders, on the one hand, and as an instrument of internal program control, on the other, should be prepared by the Secretariat in time for the Committee's next meeting in March 2009.

Internal Audit and Oversight

The Committee continued to assess Divisional plans and resource utilization, advancing its recommendations for more systematic reporting and more effective and efficient use of resources.

The Committee also followed the setting up of an ethics system at WIPO, and decided to review this issue at its next meeting in March 2009 as a separate item entitled “Ethics and Financial Disclosure at WIPO”. The Committee expects a report from the Secretariat on this matter.

The Committee went beyond the review of the work of the Division to address the concept and application of a fully functional internal control system. We concluded that there is an urgent need to establish an effective internal control system at WIPO, taking a holistic approach that integrates good governance, ethics, management, administration, risk assessment, monitoring, accountability and compliance. The vacuum at WIPO in this respect puts the Organization at risk. The Committee therefore recommended that the Secretariat undertakes work on the identification and elaboration of a proper internal control system for WIPO.

Furthermore, the Committee reviewed a draft terms of reference for an internal control gap assessment study. The Committee observed that the planned study primarily addressed financial controls and did not cover the program control aspects of the Organization’s work. Under a separate agenda item, the Committee decided to deal with a range of issues under the rubric title: “Internal Control System”. We expect a position paper from the Secretariat on this topic.

Internal Audit Reports

At its meeting last week, the Committee reviewed three internal audit reports. I have already referred to the report on key risks relating to the New Construction Project.

The second report was on procurement. The Committee was pleased to note that action had been taken by the Procurement and Contracts Division on certain recommendations made at its ninth meeting. At its eleventh meeting last week, the Committee recommended that a “General Code of Conduct and Ethical and Professional Standards for WIPO Staff” and a “Code of Conduct for WIPO Staff involved in Procurement” should be submitted for review by the Office of the Legal Counsel and Human Resources Management Division. In particular the “Code of Conduct for WIPO Staff involved in Procurement” should be issued as an Office Instruction.

The third report concerned IT Security and Operations. The Committee has been dealing with IT-related issues since its seventh meeting in December 2007. The Secretariat’s response to the observations and recommendations made by the Committee at its seventh meeting has not yet been received. We trust that this response will be submitted to the Committee without further delay.

The Committee noted with great concern the serious IT security-related shortcomings identified by the Internal Audit and Oversight Division in its report, which could have a very negative impact on the operations of the Organization.

Furthermore, the Chief Information Officer informed the Committee that the report contained no surprises since it corresponded to what had been identified by the former Head of IT security (who separated in February 2008). The Committee could not understand why timely action had not previously been undertaken by the Secretariat.

The Committee recommended that the Secretariat should give urgent attention to the security issues raised in the audit report and provide the necessary resources to ensure that all the audit recommendations are implemented as soon as possible.

Mr. Chairman, Distinguished Delegates, I would like to draw your attention, as I did in my statement to the General Assembly in September, to an issue that needs to be acted upon. You may recall that the Terms of Reference of the WIPO Audit Committee as adopted by the General Assembly in September 2007, provides for rotation of three out of the nine Members of the Audit Committee by January 1, 2009. The Program and Budget Committee may wish to pronounce itself on this matter during its present session. For our part, we are ready if and when requested to assist in any consultation on this issue.

Mr. Chairman Distinguished Delegates, I would also like to inform you that the Committee has decided to carry out an assessment of its work and operations. The Assessment will be completed in 2009 and presented to the Program and Budget Committee.

Finally, Mr. Chairman, Distinguished Delegates, I am pleased to inform you that as of January 1, 2009, the Committee will have a new Chair and Vice Chair, my colleagues and friends, Mr. Pieter Zevenbergen and Mr. George Haddad, who I have no doubt have the right qualifications and experience to lead the Committee for the benefit of the Organization.

For my part, I should like to thank you all for your advice, cooperation and support.

[End of Annex IV and of document]