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Program and Budget Committee

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FINANCIAL MANAGEMENT REPORT FOR THE 2008-2009 BIENNIUM: ARREARS IN CONTRIBUTIONS AS OF JUNE 30, 2010

document prepared by the Secretariat

FINANCIAL MANAGEMENT REPORT FOR THE 2008-2009 BIENNIUM

- 1. The accounts of the International Bureau for the 2008-2009 biennium are included in the 2008-2009 Financial Management Report (document FMR/2008-2009). Copies of this report are to be sent to each Member State of WIPO, the Paris Union or Berne Union, to all National Offices and to all Missions. Copies of the report will be available on request at the desk at the entrance to Room A.
- 2. The accounts were audited by the auditor appointed by the General Assembly: the Government of the Swiss Confederation, which entrusted the mandate to the Director of the Swiss Federal Audit Office. The *Auditor's Report on the WIPO Accounts for the 2008-2009 biennium* will be forwarded on July 31, 2010, to each Member State of WIPO, the Paris Union or Berne Union, together with the *2008-2009 Financial Management Report*.
- 3. The conclusion of the Auditor's Report was as follows:

"56. As a result of the work done, I am able to issue the audit opinion annexed to this report and drawn up in conformity with paragraph 5 of the Terms of Reference Governing Audit (annex 2 to WIPO's Financial Regulations and Rules)."

4. The audit opinion in question is worded as follows:

"In my opinion, the financial statements give a satisfactory account, on all essential points, of the financial position at December 31, 2009, and of the results of operations and movements of funds for the financial period ending on that date, in accordance with the accounting principles of WIPO, which are set forth in the Notes on the 2008-2009 Financial Management Report and which have been applied in a manner consistent with the previous accounting period.

In addition, it is my opinion that the WIPO operations that I checked by sampling in the course of my audit were on all essential points consistent with WIPO's Financial Regulations and Rules and the authority given by the deliberative bodies of the Organization.

Pursuant to paragraph 6 of the Terms of Reference Governing Audit annexed to the WIPO Financial Regulations, I have also drawn up a detailed report on my auditing of the financial statements of WIPO, which is dated July 5, 2010."

5. In the above-mentioned detailed report, the Auditor makes the following recommendations:

Recommendation no 1/2009: "I believe that a complete provisional version of the Financial Management Report for the biennium under review should be submitted at the start of the audit. I encourage WIPO to plan and respect the timetable accordingly."

Response: The financial statements which form part of the Financial Management Report (FMR) were issued to the External Auditors on March 31, 2010, in accordance with WIPO's Financial Rules and Regulations (FRR). Some of the remaining parts of the FMR had not been finalized before the Auditors began their work and were provided to them at different points during the audit. It is acknowledged that this approach is not ideal and can cause extra work for the audit team. 2010 has proved to be an exceptionally busy year for the Finance and Budget department and we would hope to provide the documents required by the Auditors in a more timely and consistent manner in the future.

6. In paragraphs 17 to 21 of his detailed report, concerning the system of internal control (SCI), the External Auditor makes the following recommendations:

Recommendation no 2/2009: "While I commend the initial measures taken, I invite WIPO to establish the general principles regarding the existence of the Internal Control System (ICS) in the WIPO Financial Regulations and Rules. The relevant provisions should also include the role of auditing and approving the existence of ICS played by WIPO senior management. Therefore, I propose that the Organization defines the key processes formally, implements them and documents the audits undertaken."

Response: The Organization is strengthening its internal audit system in the broader context of its Strategic Realignment Program. The internal audit system is being strengthened on the basis of the principles established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization of Supreme Audit Institutions (INTOSAI). These rules shall be implemented under the authority of the Director General in 2010, 2011 and 2012, and shall be carried out across all sectors of the Organization. It should, however, be noted that certain essential aspects are already in place; WIPO already has an internal control system, which works well in the Finance Service; furthermore, the Organization already has an independent Audit Committee and an internal audit service.

7. In paragraphs 24 to 33 of his detailed report, concerning the financial statements of the Organization, the External Auditor makes the following recommendation:

Recommendation no 3/2009: "Without entering into the issues of migrating to IPSAS, I propose that WIPO reviews the appropriateness of certain contractual clauses in its "commercial insurance", which might lead to savings on the annual premium, which could have amounted to about 164,000 Swiss francs in 2009."

Response: Finance Services will follow up this recommendation with the Premises Infrastructure Division.

8. In paragraphs 44 to 49 of his detailed report, concerning the fees relating to the Patent Cooperation Treaty PCT Union), the External Auditor makes the following recommendation:

Recommendation no 4/2009: "On the basis of the above concerns, the External Auditor is of the opinion that the principle of price setting limited to three or four currencies (CHF, EUR, USD, JPY, for example) could be considered. The administrative work carried out by Finance Services and the PCT would be reduced accordingly and the risks linked to exchange rates would be reduced for WIPO. It is in that direction that discussions between the various internal partners of the Organization are recommended, in order to seek an appropriate amendment to the PCT Regulations, including in particular the provisions of Rule 16.1(e) of the Regulations Under the PCT."

Response: Finance Services will examine this suggestion of reducing the number of currencies for PCT applicants with their colleagues in PCT. Furthermore, following an internal audit of PCT in autumn 2009, Finance Services made several proposals to PCT concerning the alleviation of exchange rate risk, one of which related to Rule 16.1 (e) and to the 'principal' currencies used by PCT applicants. PCT staff are currently liaising with IP Offices in order to gauge whether modifications to the Treaty, in line with the proposals made, would be acceptable.

ARREARS IN CONTRIBUTIONS AS OF JUNE 30, 2010

Arrears in Annual Contributions

(Except for Arrears of the Least Developed Countries, Placed in a specific (Frozen) Account Concerning the Years Preceding 1990)

9. The following table shows the arrears in contributions on June 30, 2010, under the unitary contribution system which has been applicable since January 1, 1994, and under the previously applicable contribution systems of the six Contribution-financed Unions (Paris, Berne, IPC, Nice, Locarno, Vienna) and of WIPO (for States members of WIPO not members of any of the Unions), with the exception of arrears in contributions of the least developed countries (LDCs) concerning the years preceding 1990, placed in a special (frozen) account, which are not shown in this table but are shown in the table in paragraph 12, below.

State	Unitary/ Union/ WIPO	No Arrears/Year(s) of Arrears (partial payment is indicated by an asterisk)	Amount of Arrears (Swiss francs)		% of Total Arrears
Afghanistan		No arrears			
Albania		No arrears			
Algeria		No arrears			
Andorra	Unitary	10		11 395	0.15
Angola		No arrears			
Antigua and Barbuda		No arrears			
Argentina	Unitary	09*+10		98 958	1.32
Armenia		No arrears			
Australia		No arrears			
Austria		No arrears			
Azerbaijan		No arrears			
Bahamas	Unitary	10*		760	0.01
Bahrain		No arrears			
Bangladesh		No arrears			
Barbados		No arrears			
Belarus		No arrears			
Belgium	Unitary	10*		60 022	0.80
Belize		No arrears			
Benin	Unitary	10*		146	0.00
Bhutan		No arrears			
Bolivia (Plurinational State of)	Unitary	99+00+01+02+03+04+05+06+07+08+09+ 10		34 504	0.46
Bosnia and Herzegovina		No arrears			
Botswana		No arrears			
Brazil		No arrears			
Brunei Darussalam		No arrears			
Bulgaria		No arrears			
Burkina Faso	Unitary	07*+08+09+10		4 431	0.06
Burundi	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	13 276	39 335	0.53
Cambodia	Unitary	09*+10		1 530	0.02
Cameroon		No arrears			
Canada		No arrears			
Cape Verde	Unitary	09*+10		3 130	0.03

State	Unitary/ Union/ WIPO	No Arrears/Year(s) of Arrears (partial payment is indicated by an asterisk)	Amount of Arrears (Swiss francs)		% of Total Arrears
Central African Republic	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	13 276		
	Berne	90+91+92+93	7 460	46 795	0.62
Chad	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	13 276		
	Berne	90+91+92+93	7 460	46 795	0.62
Chile	Unitary	10		11 395	0.15
China		No arrears			
Colombia		No arrears			
Comoros	Unitary	06+07+08+09+10		7 120	0.09
Congo		No arrears			
Costa Rica		No arrears			

Côte d'Ivoire	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	55 676		
	Paris	92+93	27 597		
	Berne	91*+92+93	24 002	107 275	1.43
Croatia		No arrears			
Cuba		No arrears			
Cyprus		No arrears			
Czech Republic		No arrears			
Democratic People's Republic of Korea		No arrears			
Democratic Republic of the Congo	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	159 959		
	Berne	90+91+92+93	90 326	276 344	3.69
Denmark		No arrears			
Djibouti	Unitary	03+04+05+06+07+08+09+10		11 392	0.15
Dominica	Unitary	10		2 849	0.04
Dominican Republic	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	81 308		
	Paris	65*+66+67+68+69+70+71+72+73+ 74+75+76+77+78+79+80+81+82+83+	960 582		
		84+85+86+87+88+89+90+91+92+93		1 041 890	13.91
Ecuador		No arrears			
Egypt		No arrears			
El Salvador		No arrears			
Equatorial Guinea	Unitary	09+10		2 848	0.04
Eritrea	Unitary	10		1 424	0.02
Estonia		No arrears			
Ethiopia		No arrears			
Fiji		No arrears			
Finland		No arrears			
France	Unitary	10		1 139 475	15.22
Gabon	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	55 676		
	Paris	85*+86+87+88+89+90+91+92+93	188 592		
	Berne	85+86+87+88+89+90+91+92+93	110 981	355 249	4.74
Gambia	Unitary	10		1 424	0.02
Georgia		No arrears			
Germany		No arrears			
Ghana		No arrears			
Greece	Unitary	10*		34 183	0.46

State	Unitary/ Union/ WIPO	No Arrears/Year(s) of Arrears (partial payment is indicated by an asterisk)	Amount of Arrears (Swiss francs)		% of Total Arrears
Grenada	Unitary	10		2 849	0.04
Guatemala	,	No arrears			
Guinea	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	13 276		
	Berne	90+91+92+93	7 460	46 795	0.62
Guinea-Bissau	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059		
	Paris	90+91+92+93	13 276		
	Berne	92+93	3 858	43 193	0.58
Guyana	Unitary	10*		2 621	0.03
Haiti	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059	20,407	0.40
	Paris	90*+91+92+93	10 428	36 487	0.49
Holy See		No arrears			
Honduras		No arrears			
Hungary		No arrears			
Iceland		No arrears			
India		No arrears			
Indonesia		No arrears			
Iran (Islamic Republic of)		No arrears			
Iraq		No arrears			
Ireland		No arrears			
Israel		No arrears			
Italy	Unitary	10*		435 741	5.82
Jamaica	Unitary	10		2 849	0.04
Japan		No arrears			
Jordan		No arrears			
Kazakhstan		No arrears			
Kenya		No arrears			
Kuwait		No arrears			
Kyrgyzstan		No arrears			
Lao People's Democratic Republic	Unitary	10		1 424	0.02
Latvia		No arrears			
Lebanon ¹	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+10	52 127		
	Paris	88+89+90+91+92+93	111 201		
	Berne	87*+88+89+90+91+92+93	194 362	000 115	
	Nice	87+88+89+90+91+92+93	11 720	369 410	4.93
Lesotho		No arrears			
Liberia	1.121	No arrears		F0 707	0.00
Libyan Arab Jamahiriya	Unitary	02*+03+04+05+06+07+08+09+10		59 739	0.80
Liechtenstein	1.121	No arrears		44.00-	0.15
Lithuania	Unitary	10		11 395	0.15
Luxembourg		No arrears			
Madagascar	11.2	No arrears			
Malawi	Unitary	10		1 424	0.02
Malaysia		No arrears			

¹ Installment plan concluded in July 2006 in order to settle the arrears of the Paris, Berne and Nice Unions and under the unitary contribution system by ten yearly installments. The first installment payment was received during the year 2007.

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Malta No arrears 0 0 0 Mauritania Unitary 94-95-96-97+98-99+00+01+02+03+04+ 26 059 0 Paris 90+91+92+93 13 276 0 46 795 0.62 Mauritania Unitary 10 7 460 46 795 0.62 Mauritus Unitary 10 7 460 46 795 0.62 Mauritus Unitary 05*406+07+08+09+10 14 498 0.19 0.19 Monaco No arrears 0 14 498 0.19 0.19 0.14 498 0.19 0.14 498 0.19 0.14 498 0.19 0.14 498 0.19 0.14 498 0.19 0.14 498 0.19 0.14 498 0.19 0.14 1498 0.19 0.14 1498 0.19 0.14 1498 0.19 0.14 1498 0.19 0.14 1498 0.19 0.14 1498 0.19 0.19 0.14 1498 0.19 0.14 1498 0.19 0.19 1494 494 494 494 494 494 494 494 494	Maldives					
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	Senegal		No arrears			

State	Unitary/ Union/ WIPO	No Arrears/Year(s) of Arrears (partial payment is indicated by an asterisk)		of Arrears s francs)	% of Total Arrears
Serbia	Unitary Paris Berne Nice	94+95+96+97+98+99+00+01 93* 91+92+93 93	847 668 79 996 135 984 6 447		
	Locarno	93	2 247	1 072 342	14.32
Seychelles		No arrears			
Sierra Leone		No arrears			
Singapore		No arrears			
Slovakia		No arrears			
Slovenia		No arrears			
Somalia	Unitary	94+95+96+97+98+99+00+01+02+03+04+ 05+06+07+08+09+10	26 059	00 544	
	WIPO	90+91+92+93	4 452	30 511	0.41
South Africa		No arrears			
Spain		No arrears			
Sri Lanka		No arrears			
Sudan		No arrears			
Suriname		No arrears			
Swaziland		No arrears			
Sweden		No arrears			
Switzerland		No arrears			
Syrian Arab Republic		No arrears			
Tajikistan		No arrears			
Thailand		No arrears			
The former Yugoslav Republic of Macedonia		No arrears			
Тодо	Unitary	00*+01+02+03+04+05+06+07+08+09+10		15 080	0.20
Tonga		No arrears			
Trinidad and Tobago		No arrears			
Tunisia	Unitary	09*+10		8 955	0.12
Turkey	Unitary	10		91 158	1.22
Turkmenistan		No arrears			
Uganda	Unitary	10		1 424	0.02
Ukraine		No arrears			
United Arab Emirates	Unitary	10		11 395	0.15
United Kingdom		No arrears			
United Republic of Tanzania		No arrears			
United States of America	Unitary	10		1 139 475	15.22
Uruguay	Unitary	10		5 697	0.08
Uzbekistan		No arrears			
Venezuela (Bolivarian Republic of)	Unitary	09*+10		17 674	0.24
Viet Nam		No arrears			
Yemen		No arrears			
Zambia		No arrears			
Zimbabwe	Unitary	08+09+10		8 547	0.11

Total amount of arrears

Unitary Contributions	4 998 819	
Contribution-financed Unions and WIPO	2 489 469	
Grand Total	7 488 288 1	100.00

Observations

- 10. The total amount of the overdue contributions was, on June 30, 2010, about 7.5 million Swiss francs, of which 5.0 million Swiss francs concern the unitary contribution system, whereas 2.5 million Swiss francs concern the pre-1994 contributions in respect of the Contribution-financed Unions and WIPO. The total amount of arrears corresponds to 43.0% of the amount of the contributions payable for 2010, namely, 17.4 million Swiss francs.
- 11. Any payment that reaches the International Bureau between July 1 and September 17, 2010, will be reported to the Assemblies in a separate document.

Arrears in Annual Contributions of the Least Developed Countries Placed in a Special (Frozen) Account Concerning the Years Preceding 1990

12. It is recalled that, in accordance with the decision taken by the WIPO Conference and the Assemblies of the Paris and Berne Unions at their 1991 ordinary sessions, the amount of the arrears in contributions of any least developed country (LDC) relating to years preceding 1990 was placed in a special account, the amount of which was frozen as of December 31, 1989 (documents AB/XXII/20 and AB/XXII/22, paragraph 127). Such arrears in contributions, as of June 30, 2010, concerning the Paris and Berne Unions and concerning WIPO are shown in the following table. Any payment that reaches the International Bureau between July 1 and September 17, 2010, will be reported to the Assemblies in a separate document.

State	Union/ WIPO	Year(s) of Arrears (partial payment is indicated by an asterisk)	Amount of Arrears (Swiss francs)		% of Total Arrears
Burkina Faso	Paris	77*+78+79+80+81+82+83+84+85+86+	217 518		
	Derree	87+88+89 77+78+79+80+81+82+83+84+85+86+87+	137 566		
	Berne	//+/8+/9+80+81+82+83+84+85+86+87+ 88+89	137 566	355 084	8.05
Burundi	Paris	78+79+80+81+82+83+84+85+86+87+88+		214 738	0.05
	i uno	89		211100	4.87
Central African Republic	Paris	76*+77+78+79+80+81+82+83+84+85+	273 509		
		86+87+88+89			
	Berne	80*+81+82+83+84+85+86+87+88+89	114 858	388 367	8.80
Chad	Paris	71+72+73+74+75+76+77+78+79+80+81+	250 957		
		82+83+84+85+86+87+88+89			
	Berne	72+73+74+75+76+77+78+79+80+81+82+	156 387	407 044	0.00
Domocratic Dopublic of the	Dorio	83+84+85+86+87+88+89	500 200	407 344	9.23
Democratic Republic of the	Paris	81*+82+83+84+85+86+87+88+89	500 200	004.045	10.40
Congo	Berne	81*+82+83+84+85+86+87+88+89	301 015	801 215	18.16
Gambia	WIPO	83+84+85+86+87+88+89		55 250	1.25
Guinea	Paris	83+84+85+86+87+88+89	148 779		
	Berne	83*+84+85+86+87+88+89	81 293	230 072	5.21
Guinea-Bissau	Paris	89		23 213	0.53
Haiti	Paris	79*+80+81+82+83+84+85+86+87+88+89		347 037	7.86
Mali	Paris	84+85+86+87+88+89	132 377		
	Berne	76*+77+78+79+80+81+82+	164 244		
		83+84+85+86+87+88+89		296 621	6.72
Mauritania	Paris	77*+78+79+80+81+82+83+84+85+86+	219 120		
		87+88+89			
	Berne	74+75+76+77+78+79+80+81+82+83+84+	150 618	000 700	0.00
Nizer	Derie	85+86+87+ 88+89	470.007	369 738	8.38
Niger	Paris	81+82+83+84+85+86+87+88+89	179 097	000 400	0.5-
	Berne	80*+81+82+83+84+85+86+87+88+89	110 069	289 166	6.55

State	Union/ WIPO	Year(s) of Arrears (partial payment is indicated by an asterisk)	Amount o <i>(Swiss</i>		% of Total Arrears
Somalia	WIPO	83+84+85+86+87+88+89		55 250	1.25
Тодо	Paris	84+85+86+87+88+89	132 377		
	Berne	83*+84+85+86+87+88+89	87 785	220 162	4.99
Uganda	Paris	81*+82+83+84+85+86+87+88+89		170 969	3.88
United Republic of Tanzania	Paris	83*+84+85+86+87+88+89		169 274	3.84
Yemen	WIPO	87*+88+89		19 142	0.43

Total amount of arrears

Paris	2 979 165	
Berne	1 303 835	
WIPO	129 642	
Grand Total	4 412 642	100.00

Amounts due towards the Working Capital Funds

13. The following table shows the amounts due, on June 30, 2010, in the payments by States towards the working capital funds that have been constituted, namely, those of two Contribution-financed Unions (Paris and Berne). Any payment that reaches the International Bureau between July 1 and September 17, 2010, will be reported to the Assemblies in a separate document.

State	Union	Amount due (Swiss francs)	
Burundi	Paris		7 508
Central African Republic	Paris		943
Chad	Paris	6 377	
	Berne	1 980	8 357
Democratic Republic of the Congo	Paris	14 057	
	Berne	1 727	15 784
Guinea	Paris	7 508	
	Berne	2 915	10 423
Mauritania	Paris		1 854

Total amount due towards the Working Capital Funds

Paris Union	38 247
Berne Union	6 622
Grand Total	44 869

Evolution of arrears in contributions and Working Capital Funds over the last ten years

14. Since the introduction of the unitary contribution system in 1994 and the creation of new, more equitable contribution classes for the developing countries, the arrears in contributions have been reduced significantly. This reduction is partly explained by the total amount of contributions invoiced, which declined considerably between the years 1997 and 2000.

15. The following table gives the amounts of arrears in contributions (including the "frozen" arrears of the LDCs) and Working Capital Funds (WCF) since 1997.

Arrears in contributions as of December 31 (millions of Swiss francs)					
Year	Unitary contribution	Contribution-financed Unions	"Frozen" arrears	WCF	Total
1997	4.98	6.43	4.71	0.10	16.22
1998	4.21	6.20	4.70	0.09	15.20
1999	3.90	5.71	4.68	0.09	14.38
2000	4.94	5.43	4.68	0.09	15.14
2001	3.87	5.00	4.68	0.08	13.63
2002	3.04	4.34	4.64	0.08	12.10
2003	4.37	4.09	4.63	0.08	13.17
2004	3.09	3.92	4.63	0.08	11.72
2005	3.40	3.84	4.58	0.07	11.89
2006	4.10	3.79	4.54	0.06	12.49
2007	2.86	3.64	4.54	0.06	11.10
2008	2.38	3.07	4.45	0.05	9.90
2009	2.15	2.55	4.44	0.05	9.19
2010*	5.00	2.49	4.41	0.04	11.94

* as of June 30, 2010

16. The WIPO Program and Budget Committee is invited to:

- (i) examine the 2008-2009 Financial Management Report (document FMR/2008-2009) and the content of this document;
- (ii) recommend to the Assemblies of the Member States of WIPO the approval of the 2008-2009 Financial Management Report (document FMR/2008-2009).
- (iii) take note of the status of the payment of contributions on June 30, 2010.

[End of document]