

Program and Budget Committee

Twenty-Fourth Session
Geneva, September 14 to 18, 2015

REPORT

adopted by the Program and Budget Committee

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1. The 24th session of the WIPO Program and Budget Committee (PBC) was held at the Headquarters of WIPO from September 14 to 18, 2015.
2. The Committee is composed of the following Member States: Algeria, Argentina, Azerbaijan, Bangladesh, Belarus, Benin, Botswana, Brazil, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, El Salvador, Ethiopia, France, Gabon, Georgia, Germany, Greece, Guatemala, Guinea, Hungary, India, Indonesia, Iran (Islamic Republic of), Italy, Japan, Kenya, Kyrgyzstan, Mexico, Morocco, Pakistan, Paraguay, Poland, Republic of Korea, Romania, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland (*ex officio*), Turkey, United Kingdom, United States of America, Viet Nam (53).
3. Members of the Committee represented at this session were: Algeria, Argentina, Azerbaijan, Belarus, Benin, Brazil, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, El Salvador, France, Gabon, Germany, Greece, Guatemala, Hungary, India, Indonesia, Iran (Islamic Republic of), Italy, Japan, Mexico, Pakistan, Paraguay, Poland, Republic of Korea, Romania, Russian Federation, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland (*ex officio*), Turkey, United Kingdom, United States of America, Viet Nam (43). In addition, the following States, members of WIPO but not members of the Committee, were represented as observers: Angola, Armenia, Australia, Barbados, Burundi, Comoros, Dominican Republic, Estonia, Ghana, Honduras, Ireland, Israel, Jordan, Liberia, Luxembourg, Monaco, Myanmar, Nicaragua, Nigeria, Panama, Republic of Moldova, Saudi Arabia, Trinidad and Tobago, Ukraine, Uruguay, Zimbabwe (26). The list of participants appears in the Annex to this document.

ITEM 1 OPENING OF THE SESSION

4. The Chair opened the twenty-fourth session, welcomed the attending delegations and invited the Director General to deliver his statement.
5. The Director General welcomed the delegations to 24th session of the Program and Budget Committee (PBC) and noted that it was the second formal session of the PBC to be held this year. In view of an extremely demanding agenda, the Director General appealed to all delegations for their constructive engagement, enabling both the Secretariat and the Committee to get through the agenda in the relatively short period of time available. The Director General thanked the Committee for the very clear guidance provided and the decisions made on a significant number of items during the July session of the PBC, including important decisions on the investments and the reserves of the Organization. As far as the present sessions' agenda was concerned, the Director General noted that there were a number of items relating to Audit and Oversight, including reporting by each of the audit and oversight bodies and the report on the Joint Inspection Unit's (JIU) oversight recommendations. The Director General thanked the Internal Oversight Division (IOD), along with the Independent Advisory Oversight Committee (IAOC) and the External Auditors, for all of their contributions and their assistance to the Organization. In this respect, the Director General recalled that the provisions of the Terms of Reference (ToRs) of the IAOC foresaw that four members of the IAOC would be rotated at the beginning of 2017. One of the items for the PBC's consideration was the setting up of a process and a selection panel to enable that transition to take place smoothly. Another category of items before the Committee related to performance and financial reviews and reporting. In this regard, the Director General noted that the Organization had made significant progress in the one year and eight months into the biennium towards the achievement of the results that the Member States had set out for the Organization for the current biennium. With respect to the finances of the Organization, the Director General announced that the Organization had ended the previous year, the first year of the biennium, on a positive note, with a 37 million Swiss franc surplus, bringing its net assets to approximately 246 million Swiss francs. The Director General added that, speaking in a broad manner, so far, the picture

continued to be positive for the biennium, provided that there were no unforeseen catastrophes between the present time and the end of the year in relation to the world economy and the framework in which the Organization operated. Concerning outstanding items that needed to be addressed during the present week, the Director General wished to make very short remarks on two of them. First, there was the outstanding question with respect to the operations of the Lisbon Union. The Director General wished to draw the delegations' attention to two documents prepared by the Secretariat in an endeavor to assist Member States' discussions with respect to those questions. The first of those documents before the PBC dealt with the Options for Financial Sustainability of the Lisbon Union (WO/PBC/24/16 Rev.). The second document was addressed to the Lisbon Union Assembly, which would meet on the occasion of the Assemblies of WIPO Member States in early October and addressed the question of fee levels for international applications for registrations under the Lisbon Union. The Director General renewed his appeal to all delegations to engage constructively on the outstanding questions, knowing that there were quite a number with respect to the Lisbon operations, in an endeavor to ensure that positive decisions and agreement was reached on them, preferably during the present session. The Director General recalled that the second item outstanding from the previous session of the PBC concerned the TAG or the Transparency Accountability and Governance initiative in the area of collective management of copyrighted works, in which regard various statements had been made. The Director General assured the delegations that, from the point of view of the Secretariat, consultations with respect to the TAG initiative would be intensified to ensure that there was an adequate level of consultations, in particular in relation to the Latin American region. In this respect, the Director General drew the delegations' attention to the fact that a sub-regional Workshop on Copyright was planned for early December this year in the Latin American region. It would be held in Columbia for six national Copyright Offices, and the Secretariat would be certain to address the TAG initiative in this context. There was also an event in Ghana in the coming week that would kick off sub-regional meetings, in which the compendium for TAG would be used as a benchmarking tool, and it was proposed that next year, meetings and consultations take place in all the different regions. Another very important item on the PBC agenda concerned the hedging strategy for PCT income (WO/PBC/24/INF.3). Since the discussions on this issue in the PCT Working Group, and also within the context of the PBC, the Secretariat had identified a number of concerns and risks, in particular in relation to the forecast accuracy of revenue in the implementation of a hedging strategy. The Director General also underscored the importance of this item in the context of the uncertainty of cash flow. The Director General recalled that the idea of the hedging strategy was to limit risk. He emphasized that the Secretariat did not want to implement a strategy that would increase risks, and for this reason, it suggested that some further consideration was needed in relation to the exact manner of implementation. The Director General said that Member States would be kept closely informed of the Secretariat's own consideration of this issue in the context of their deliberations. As a final point, the Director General drew the delegations' attention to the obvious vulnerability and lack of visibility in relation to the global economy. The Director General noted its impact on the Organization's banking arrangements and the financial environment in which the Organization operated in a context of negative interest rates. This was extremely significant and the Director General thanked Member States for their assistance in approving the proposals that the Secretariat had put forward as a way forward to develop a more responsible investment policy, in line with the actions that were being taken by a number of UN agencies, if not all the UN agencies, to address this very different and delicate financial environment. In this respect, the Director General expressed the Organization's gratitude to the Government of Switzerland and the Swiss authorities for considering the Organization's request for an increased transitional delay for the implementation of the new decision on the movement of the deposits that the Organization had with the Federal Department of Finance, beyond the existing deadline of December 2015. In closing, the Director General wished delegations all the best with the very challenging agenda for the session and looked forward to some positive outcomes of the Committee's discussions.

ITEM 2 ADOPTION OF THE AGENDA

6. Discussions were based on document WO/PBC/24/1 Prov.

7. In introducing the draft agenda the Chair commented that, as had previously been the case, in order to facilitate the Committee's review and discussions of the various items the agenda had been structured in accordance with high level groupings. The first was the Audit and Oversight under which there were five items. The second was Program Performance and Financial Reviews. The third was Planning and Budgeting. The fourth grouping was Proposals, under which the Committee would be discussing the revised policy on investments. The fifth grouping was called Progress Reports on Major Projects and Administrative Matters, under which there were four items. The sixth and the last grouping concerned the Items Referred to the PBC by the 2014 Assemblies of the Member States. Referring to the schedule of discussions, the Chair announced that, following discussions with the Secretariat, a timetable with the most strategic allocation of time for each item had been prepared. Specifically, agenda item 5 (the Report of the External Auditor) would be taken up on Wednesday morning when the External Auditor would be present to introduce this item. The Chair recalled that at the July session of the PBC had requested that the Secretariat to provide an update of the hedging strategy for the PCT income. The relevant document (WO/PBC/24/INF.3) would be taken up under the agenda item 10 (The Proposed Program and Budget for the 2016/17 Biennium). Lastly, the Secretariat had also made available an updated version of the Q& A document and the Index of Changes made to the proposed Program and Budget 2016/17. The Chair opened the floor for comments on the draft agenda and the proposed timetable. There were none.

8. The Program and Budget Committee adopted the agenda (document WO/PBC/24/1).

9. The Chair commented that, as also mentioned by the Director General, the agenda was very demanding. The Chair added that he had been informed that each of the Regional Groups had recently met in the informal briefings organized by the Secretariat. The Chair proceeded to emphasize a very high priority to the efficiency of the Committee's work and the timeliness of the start of daily sessions. He announced that each session would commence at 10 a.m. sharp, going on until 1 p.m. and resuming at 3 p.m. for the afternoon meeting. As marked in the timetable, a possibility of extended afternoon sessions, until about 7 p.m. was being provided on Tuesday and Wednesday, should the need arise. The Chair added that it was brought to his attention that some delegation wished to make general statements. He requested delegations to bear in mind, however, that there would be an opportunity for all delegations to contribute to every item when it was discussed. Therefore, he encouraged all Groups and Member States wishing to make general statements to share the essence of their statement briefly at that stage and provide the full statements in writing to the Secretariat for inclusion in the *verbatim* report. He opened the floor for general statements made by the Group Coordinators.

10. The Delegation of Romania, speaking on behalf of the Group of Central European and Baltic States (CEBS), opened by expressing the Group's readiness to work towards the successful conclusion of the present PBC session. It thanked the Secretariat for providing the documents on time and responding to the various requests made by Member States aimed at receiving supplementary or clarifying information in relation to questions already addressed during the previous PBC session. CEBS continued by saying that the audit and oversight were important functions providing Member States with assessments, from an independent perspective, on the financial statements and the efficiency, effectiveness and relevance of WIPO activities. CEBS welcomed the reports presented by the External Auditor and the Director of the Internal Oversight Division (IOD) where a number of areas for improvement were outlined. The Group believed that such reporting could greatly contribute to the various activities of the Organization. The CEBS were looking forward to seeing the recommendations formulated therein. As to the Joint Inspection Unit's (JIU) recommendations addressed to WIPO's legislative bodies, CEBS had taken note, with great interest, of the Secretariat's report

on the progress achieved in their implementation. The Group acknowledged the fact that, in the case of some recommendations, discussions of Member States were still to take place. The Group stated that it supported holding of such debates in an appropriate framework. The CEBS also thanked the Secretariat for a new document concerning the revised policy on investments, presenting two separate policies: on operating and core cash and on strategic cash, respectively. While CEBS understood that some updating would be further needed, it supported the current document. The Group noted that apart from the new documents put forward to the PBC, members needed to address the main item on the agenda, which was the proposed Program and Budget for the 2016/17 biennium. This was a fundamental document for the Organization, reflecting its objectives for the coming biennium, the resources that would be channeled to their achievement and the expected results. The Group endorsed the current text and added that it would embark on further discussions, hoping that all Member States would be actively engaged in finding constructive solutions to any remaining disagreement.

11. The Delegation of Brazil, speaking on behalf of the Group of Latin American Countries and the Caribbean (GRULAC), restated the Group's trust that under the Chair's able guidance the Committee would succeed in the week's discussions. It also thanked the Secretariat for the hard work in revising the documents and for preparing an information session for GRULAC during which certain aspects relating to the documents before the Committee had been clarified. After the initial discussions and further clarifications from the Secretariat, GRULAC's comments on the proposed Program and Budget document were the following. On Program 3 and the TAG of excellence for collective management societies: it should be stated in an unambiguous manner that the members' Copyright offices would actively participate in the process of defining the standards. WIPO was a member-driven Organization and the precedence should lie with the members when discussing that topic. Further, besides the inclusiveness of the process GRULAC noted the absence of any reference to the support to the Copyright offices in the budget activities deemed important by GRULAC members. Regarding Program 4, GRULAC looked forward to receiving responses from the Secretariat to the set of questions presented by it on the work of the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC). The IGC was very important to GRULAC members who had high expectations that they would soon be able to restart discussions on the three areas covered in the IGC mandate. On Program 5, without prejudging the results of the discussions in the PCT Working Group, GRULAC had requested information on the planning, and provision in the budget, for a possible fee reduction for universities and research institutions. GRULAC added that it was still waiting for the responses before considering the reflection of them in the draft proposal, if needed. On Programs 8 and 9, GRULAC welcomed the information provided by the Secretariat and trusted that the changes taking place in the structure responsible for Development Agenda coordination activities in the Organization would make it work even more effectively. It particularly welcomed the creation of a focal point for South-South cooperation and looked forward to the cooperation in the discussions when addressing the implementation of the JIU recommendations. Regarding Program 15, GRULAC thanked the Secretariat for the information provided in the Q&A document, and would welcome receiving further information from the responsible Program Manager during the session. GRULAC considered that more data on different software used in support of IP offices was needed, especially the industrial property administration system and the amount of resources allocated to them. On Program 20, GRULAC considered External Offices an important topic. In order to agree on new External Offices it was imperative to adopt the Guiding Principles. In this context, GRULAC reiterated its interest in hosting a second external office in its region and was interested in receiving additional information related to the WIPO liaison office in New York. Considering the proposed closure of WIPO coordination office in New York, GRULAC considered that WIPO's relation with the UN system must be reinforced rather than weakened once the 2030 agenda for sustainable development was adopted. GRULAC firmly believed that intellectual property was an important subject in several of the Sustainable Development Goals. In that context the work of the Coordination Office to the UN could be particularly relevant during the implementation process of the 2030 Agenda and the definition of its follow-up mechanisms through the Social and Economic Council and the high

level political forum. Bearing this in mind, GRULAC believed that more information on the implications of closing the New York office was needed before the adoption of any decision on this matter. With respect to the human resources policy, GRULAC reiterated its attachment to a balanced geographical representation and the mainstreaming of a gender perspective in WIPO's workforce. It requested that the HR annual report incorporate a comparative analysis showing how these topics were being dealt with in the Organization so that Member States could assess the results of its human resources policy. Geographical balance within the Organization was a fundamental condition for the representation and impartiality of the Organization's activities. In order to reach this objective and be in the position to implement Recommendation 6 of the Joint Inspection Unit (JIU), GRULAC formally requested the Secretariat to present a report of the Coordination Committee so that it was able to revisit the present principles concerning geographical distribution in order to ensure broader geographical diversity within WIPO workforce. GRULAC continued by saying that it was confident that after many years of discussions members could finally reach agreement on the definition "development expenditure". The matter was of great importance to GRUALC members, the developing countries and the Organization in general since it aimed at increasing transparency in the determination of developmental share in the Program and Budget.

12. The Chair commented that some issues raised by GRULAC had been dealt with in the Director General's statement and would also be discussed under agenda item 10. The Chair urged the Group to be proactive in the *couloirs* discussions with other members to seek compromise and points of agreement so that progress could be made when discussions on governance and "development expenditure" opened.

13. The Delegation of Japan, speaking on behalf of Group B, opened by thanking the Chair for his continuous dedication to the Committee and thanked the Secretariat for the work put into the preparation of the session. Group B appreciated the Index of Changes paper, which made it much easier for to follow the revised document, and the Q&A document which helped increase understanding of the proposed Program and Budget. Group B was thankful for the preparation of the proposed revisions of investment policies, which were critical for the Organization. Group B also thanked Independent Advisory and Oversight Committee (IAOC) and the Internal Oversight Division (IOD), which all played an essential role in the audit mechanism, for their continuous work and reports to this Committee. In order to save the time in view of the heavy agenda, from both a quantitative and qualitative perspective, Group B would leave its comments for the respective agenda items. Group B hoped and believed that the Chair's wise guidance combined with the membership's collective efforts could crystallize into a positive outcome and the ultimate goal of the session i.e., the approval of the Program and Budget for the next biennium.

14. The Delegation of China was pleased to see the Chair and the Vice-Chairs at the helm of the session. The Delegation was certain that with the Chair's guidance the session would achieve the expected results. The Delegation thanked the Secretariat for the documents that contained a wealth of information and for organizing the meeting. The Delegation recalled that the purpose of the session was to discuss and adopt the Program and Budget for the 2016/17 biennium. The Delegation hoped that Member States would work towards adopting the Program and Budget with a positive and flexible attitude and an open mind. Adoption of the budget would ensure a smooth implementation of WIPO's activities over the coming two years. The Delegation noted that the internal and external audit and oversight had played an important role, with many resulting suggestions and opinions. The Delegation hoped that those recommendations would be taken in to account by WIPO in its future activities. The Delegation was pleased to see that in view of the yet unstable financial situation WIPO displayed healthy finances, in spite of many challenges. The surplus was increasing and programs had been drawn up to deal with administrative issues. The Delegation realized the complexity of the matter that involved several different aspects and thought that, progressively, a solution should be found to them. At that stage, members should discuss issues relating to governance in a pragmatic spirit. Since different elements had been integrated it was mainstreamed into WIPO's

work. The work of the CDIP had been greatly strengthened. This was important in order to build a well-balanced IP system. The Delegation also hoped that agreement on the definition of development expenditure would be reached as soon as possible so as to plan, follow-up and assess development related activities. The Delegation stated that it would continue to work with other delegations and would participate in the discussions with an open mind and in a positive way. The Delegation closed by expressing hope that the session's discussions would be successful.

15. The Delegation of India, speaking on behalf of the Asia and Pacific Group, expressed the Group's satisfaction with seeing the Chair on the rostrum, chairing this important PBC session. The Group was confident that the Chair's experience and able leadership would guide members towards reaching a consensus. The Group hoped that the session's discussions would result in constructive conclusions. The Group also thanked the Secretariat for the hard work put into the preparation of the session and providing relevant documents, including a comprehensive report of the 23rd session of the PBC. The report refreshed members' collective memory on what had happened in the previous meeting and more importantly what could not. After examining all those meaningful and important documents, the Group was hopeful that those documents would encourage Member States to take stock of the current situation. It urged Member States to think deeply into the future of the Organization and ensure farsightedness in their interventions. The Group emphasized the importance of the issue of governance at WIPO and believed that finding solutions on the impasse required Member States' mutual trust. Therefore, members of the Asia and the Pacific Group would work towards contributing positively on this agenda item so that a consensus could be reached. Regarding the revised definition of development expenditure, the Group's position was to follow up on the consensus reached at the 51st General Assembly meeting in 2013. The Group was hopeful that the discussion would be concluded at the present session. The Group also reiterated its position on the External Offices. The Group maintained its stance that the Guiding Principles be finalized in an inclusive, transparent and needs-based manner and before objectively deciding on the number of offices. The Group took note of the report submitted by WIPO IAOC and acknowledged the important role it played in assisting Member States in exercising their governance responsibilities with respect to the various operations of WIPO and thereby help Member States in their role of oversight. It acknowledged the substantive observations and the specific recommendations made by the External Auditor for the financial year 2014 regarding the delivery of various programs and the activities of the WIPO Secretariat. It thanked the External Auditor for the continuous work done in making those useful suggestions. It looked forward to participating in further discussions on this agenda item during the session. The Group was concerned with the relatively slow pace of progress on several outstanding issues in various WIPO committees. The numbers in the Program performance Report might indicate targets achieved, but those numbers would be more meaningful when members could see an actual progress in the work of the Organization, including progress in the PBC. The Group recalled that in the last session of SCCR no recommendations had been agreed upon. The Group appreciated that members had at least been able to work towards consensus on the future work in the 22nd session of the SCP. The Group also hoped to see expedited consensual resolution of all issues related to the IGC on IP and genetic resource, traditional knowledge and folklore with a view to fulfilling the IGC's mandate. The Group noted that there had been new ratification for both the Beijing and Marrakech Treaty. However, more ratifications were still required to bring these treaties in force. It hoped to see this target achieved in this biennium. The Group noted that there was some progress made regarding geographical representation among WIPO staff as well as the efficiency of the workforce. It added that the numbers of global IP service users were rapidly increasing in Asia and the Pacific. It seemed that the representation from the concerned countries should be increased progressively. As the General Assembly was only a few weeks away, the Group hoped that the second reading of the proposed Program and Budget for the 2016/17 biennium would yield constructive dialogue and the best of diplomatic behavior among delegation so that Member States could bridge their differences and arrive at concrete decisions and recommendations to the General Assembly of WIPO. The Group commented that members had their task cut out for them in next five days. It assured other delegations that it

was committed to participate in the work of the Committee with the positive spirit of multilateralism and constructive engagement. The Group hoped to have a productive and results-oriented session under the Chair's wise guidance. It concluded by saying that the members of the Group would make their country-specific comments under each agenda item.

16. The Chair thanked the Delegation of India and the Delegation of China for their kind words and the call for constructive engagement that the membership needed. Referring to some of the issues raised by the Delegation of India, the Chair encouraged a proactive engagement in the work (in parallel to the plenary sessions) during the week, specifically on the issues of governance and development expenditure. The Chair said that he counted on the delegations to proactively engage with each other to see if progress could be made from where the issues had been left at the previous session.

17. The Delegation of Belarus, speaking on behalf Central Asian, Caucuses and Eastern European Countries (CACEEC), expressed its interest in constructive cooperation and stated that it was prepared to play an active part in achieving consensus on all items on the agenda. CACEEC thanked the Secretariat for making amendments requested by the Group for Programs 10 and 13. The Group was sure that those changes would make it possible to take into account the needs of the countries concerned which were at different levels of economic development. In closing CACEEC called on all Member States to show a constructive attitude when defending their respective interests.

18. The Delegation of Nigeria, speaking on behalf of the African Group expressed pleasure at seeing the Chair and the Vice-Chairs guiding the Committee's work during the week. The African Group added that it would make comments on the different agenda items when those would be taken up.

19. The Delegation of the United States of America supported the statement made by the Delegation of Japan on behalf of Group B. The Delegation was pleased to see the Chair in charge of the session and also welcomed back the Vice-Chairs. The Delegation appreciated the effort of the International Bureau in preparing the documents for the present session of the Committee. The delegation recalled that during the last July session it had made it very clear that the United States could not support the proposed Program and Budget for 2016/17 in its current state. The Delegation's position had not changed nor would it change this week unless the following conditions were met: that there be a separation of the accounting for the Lisbon and the Madrid Systems; that the Lisbon System's income and expenses, whether direct or indirect, be accurately reflected; that the Lisbon's budget be balanced and the earmarking for the Diplomatic Conference in the 2016/17 biennium be conditioned on full participation; that the Secretariat review Annex III of the proposed Program and Budget and make it more accurate. In balancing of the Lisbon's financing (document WO/PBC/24/16) the Secretariat laid out options for the Lisbon Union Assembly to consider in meeting this condition. The Delegation appreciated the Secretariat's effort and called upon the Lisbon Union to take steps to finally balance the Lisbon System's budget through a revised fee structure, contributions by contracting parties, creation of a working capital fund and advances by the host Government or a combination thereof. Regarding the option of contributions by Lisbon contracting parties, the Delegation wished to dispel some misinformation that such contributions would undermine the unitary contribution system. It would not. Furthermore, the Delegation pointed out that there would be a conference room document made available at some point that day that would better explain the Delegation's position or its understanding on the unitary contribution system as well as the unitary budget. The unitary contribution system had been discussed in 1980s and early 1990s. The PCT, Madrid and the Hague Unions had not assessed contributions to be paid by respective members. These were fee funded systems. In 1992 the Lisbon Union had no specific budget reflected in the observation as overall budget. It had been explained that the very small income would be used to cover its, quote, "very small expenses". The PCT and Madrid and the Hague Unions had had budgets exhibiting their income and expenses and none of these fee-funded unions had been contribution financed. The unitary contribution system had

never intended to apply to fee-funded unions. The title of the relevant memorandum proposed by the Director General in 1993 was “Unitary Contribution System for the Six Contribution Financed Unions and Alignment of the Contributions of the Nonunion States”. That memorandum appeared in document AB/24/5. One principle supporting the unitary contribution system had been to remove barriers to joining the numerous WIPO Treaties predominately for developing countries and LDCs. Some Lisbon members thought that the unitary contribution system had been meant to subsidize the Lisbon System which was entirely a different notion and one that was patently false. Since 1993 the Lisbon members had shifted the cost of their registration system from the beneficiaries of the systems themselves to the Organization. It should be noted that other registration systems had not shifted the financial responsibility. For example, in the 1970s several PCT contracting parties had paid special contributions in loan staff to help with the operation of the PCT and other Systems, and a Hague Union lawsuit sought a loan to fund its infrastructure moderation. The Lisbon Union Assembly had decided on September 29, 1993 to raise fees effective January 1, 1994 and the fees had remained the same since that date. If the Lisbon Union was not willing to increase fees to an amount necessary to have a balanced budget, then a certain Lisbon agreement provided that the next step was for the Lisbon Union to assess its members’ contributions following the example of the PCT Union. Furthermore, the Delegation had heard concerns raised that the United States was trying to undermine the unitary budget. The unitary budget was merely a presentation and a single document of the budgets of all WIPO Unions and the Organization as a whole. It had not commingled the funds, income and reserves of the income producing Unions without their authorization. When this format of the budget had been adopted in 1993, members had discussed having a unified budget with one combined accounting for all surpluses but this proposal had been rejected. Members had decided upon the current format. Annex III on the allocation of projected income and budget by Union provided the budgets of the contribution financed unions, the PCT Union and the Madrid Union and the Lisbon Union. Far from undermining the Program and Budget, the United States had been asking for more accuracy and transparency in the budget and that the Lisbon Union budget which was reflected in Annex III be consistent with the Lisbon Agreement itself as well as other relevant agreements. The Delegation said that it appreciated the opportunity to provide its views and looked forward to the week’s discussions. In conclusion, the Delegation reiterated that it was not in a position to support the proposed Program and Budget for 2016/17 absent increased transparency, accountability and good governance in its presentation.

20. The Chair, having heard the statements delivered so far, concluded that some delegations’ positions had not changed since the July session. However, there were also calls from all delegations for a constructive and flexible dialogue. In order to make progress, the Chair encouraged delegations to engage constructively in parallel to the plenary, and also with the Lisbon Union members, to see if a solution could be found through that dialogue.

21. The Republic of Korea thanked the Secretariat for its strong effort in preparing and arranging the session. It also thanked the Delegation of India for delivering the opening statement on behalf of the Asia and the Pacific Group and added that it fully supported the contents of that statement. The Delegation was pleased that despite the recent global economic setbacks WIPO expected to complete the current biennium with a surplus. That surplus was mainly due to the continued work of the global IP system and the PCT and Madrid System in particular. The Delegation believed that full advantage of the increases in international applications should be taken, as a way of reinforcing WIPO’s financial sustainability. With this in mind the Delegation believed that it would be in WIPO’s best interest to enhance its customer service capacities and place a greater reliance on customer feedback in determining IP policies. One of the ways of doing so would be through the WIPO External Offices which reinforced WIPO’s long-term financial stability by helping increase the number of global IP service users through the provision of localized service and face-to-face customer interaction. The Delegation could affirm the positive effect of such activities on the basis of the newly established External Offices, especially the one in China. Taking this into account, the Delegation hoped that Member States could move forward in their concrete dialogue regarding

the location of future External Offices, based on what would be real Guiding Principles. In addition, the Delegation eagerly anticipated the financial sustainability of the overall WIPO Systems, especially the Lisbon System. If any of the WIPO's IP services operated at a deficit, it was clear that this had an effect on the financial stability of other fillers. Therefore, the Delegation firmly believed that it was the right time to take an appropriate action for setting up the foundation to realize fiscal viability of the Lisbon System. The Delegation looked forward to constructively discussing those and other issues throughout the session.

ITEM 3 REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

22. Discussions were based on document WO/PBC/24/2.

23. The Chair invited the Vice-Chair of the WIPO Independent Advisory Oversight Committee (IAOC) to introduce document WO/PBC/24/2.

24. The Vice-Chair of the IAOC, Mr. Gabor Amon, introduced himself and made the following statement:

"Distinguished Delegates. My name is Gabor Amon. I am the Vice-Chair of the WIPO Independent Advisory Oversight Committee. I am here to represent the IAOC in the 24th session. I am pleased to introduce the IAOC Annual Report covering the period from September 1, 2014 to August 31, 2015. During this period, the Committee had four quarterly sessions. The full text of our Annual Report is contained in document WO/PBC/24/2.

"Allow me now to highlight some of the salient matters relating to the work of the Committee during the last 12 months.

"The IAOC has a membership of seven. The Committee at its 35th session elected Ms. Mary Ncube, and me, Gabor Amon, as Chairperson and Vice-Chairperson respectively, for a period of one year.

"In discharging its functions, the IAOC met with the Director-General during two sessions and with the Director and Acting Director of IOD at each quarterly session. We also met and interacted with senior officers of WIPO and the External Auditor.

"Proposed revisions to IAOC terms of reference: During the course of the last 12 months the Committee reviewed its Terms of Reference (ToR) and provided the revised version to Member States and the Secretariat for their comments.

"IAOC received from Member States and from the Director, IOD, comments, which were duly reviewed and considered. This resulted in further proposed revisions to the TOR, which were shared with Management and subsequently submitted to the PBC for approval at its current session.

"The principle proposed revisions are: to align the ToR with the changes to the Internal Oversight Charter; to incorporate certain best practices in the functioning of oversight committees; to elaborate on the Committee's role in giving advice in the area of investigations and enhancing independent oversight over WIPO's ethics functions; to streamline the Section on Membership and Qualifications, as the provisions for the initial transition period are no longer relevant.

"I will now address you on the matter of oversight, firstly **external audit**.

"In line with its ToR, the IAOC exchanges views with the External Auditor and provides

comments to the External Auditor's reports to facilitate the PBC's report to the General Assembly.

"With a view to enhance the interaction with the External Auditor and to improve the follow-up process for the External Auditor's recommendations, the Chair of the IAOC wrote to the Comptroller and Auditor General of India, in his capacity as External Auditor, requesting consideration of certain proposals of the IAOC and a meeting with a senior official from his office.

"Later the Committee met two senior officials from the External Auditor's office and exchanged views on several aspects of the audit, *inter alia*, the classification and presentation of audit recommendations and areas to be reviewed in addition to the audit of the Financial Statements.

"The Committee has received the Audited Financial Statements for the year 2014 and the Report of the External Auditor. The Committee noted that the External Auditor had placed an unqualified audit opinion on the Financial Statements for the year 2014.

"The Internal Oversight Division: Under its ToR, the IAOC reviews the effectiveness of WIPO's internal audit function and promotes internal and external audit functions and monitors audit recommendations. The IAOC noted with satisfaction that the Internal Oversight Division's 2014 workplan was fully implemented and that the 2015 workplan was on track.

"At each of the sessions, the IAOC was informed about ongoing and planned assignments and noted that the implementation of the 2015 Oversight Plan was on time and on track, except for the planned audit of the "Ethical Framework", which has been postponed until a new Ethics Officer has been appointed and taken up his or her functions.

"The IAOC took note of the resignation of Mr. Thierry Rajaobelina, Director, Internal Oversight Division (IOD), with effect from the end of April 2015.

"The IAOC placed on record its appreciation for the excellent work done by Mr. Rajaobelina and for his close cooperation with the Committee. During more than three years of tenure, he had strengthened WIPO's internal oversight function, upheld its independence and significantly enhanced its relevance and performance.

"At the 37th session of the IAOC, the Committee met with Mr. Tuncay Efendioglu, the newly appointed Acting Director, IOD, who continued in his function as the Head of the Internal Audit Section within the IOD until the new Director of IOD has been appointed.

"The IAOC plays a role in the recruitment of the new Director of IOD and, as part of this, the Committee reviewed and commented on the job description and did take it into consideration when the vacancy announcement was prepared. Later the Director General approached the Committee to seek endorsement of a candidate and after having reviewed the requirements in the vacancy announcement, the Committee provided its response.

"In terms of the headcount of IOD, the Committee was pleased to note, except for the position of Director, IOD, all vacancies were filled.

"Over the period, the IAOC reviewed together with IOD and Management four internal audit reports: "Third Party Risk", "Asset Management", "WIPO Academy" and "Safety and Security".

“Over the period, the IAOC reviewed together with IOD and Management three evaluation reports: “Strategic Goal VI: International Cooperation on Building Respect for Intellectual Property”, “WIPO Rewards and Recognition Program” and “Chile Country Portfolio Evaluation 2010-2014”.

“The IAOC was regularly briefed on the status of ongoing investigation cases and their disposition. In several cases, the Committee provided advice to the Director, IOD, in cases with a perceived conflict of interest situation.

“The Committee discussed with Director, IOD; a Management Implication Report resulting from an investigation which showed the need to reinforce existing information and physical access controls.

“Follow-up on oversight recommendations: The Committee continued to follow up on oversight recommendation made by the External Auditor, the IOD and the JIU, and made a number of recommendations to refine and strength the follow-up process.

“The New Construction Project: The IAOC was apprised of the progress on the New Construction Project during its sessions. At its 37th session, the Committee was informed of the ongoing process of reviewing and validating invoices for works for the New Conference Hall. The IAOC took note that the final accounts and the associated additional funding requirements would be determined in the light of the outcome of the ongoing discussions with the professional parties involved.

“In order to deal with the risks posed by the decision of the Swiss National Bank to discontinue maintaining and accepting Swiss franc denominated deposits of international organizations, Management informed the Committee that the Secretariat was formulating alternative investment and cash custody approaches in consultation with experts. This was discussed in the PBC 23rd session held in July this year, and is the basis of the revised investment policy being presented to this PBC session, for consideration by Member States. The IAOC appreciates the efforts being made in this regards and will follow up on a regular basis.

“To conclude, the Committee wishes to thank the Director-General and all WIPO staff members with whom it has interacted, for their availability, openness and timely provision of documents. It also wishes who thank Member States for sharing questions and comments at the IAOC information sessions and looks forward to continued engagement and dialogue. “

25. The Delegation of Spain congratulated the Committee for the work it had done over all the years since its creation, noting great interest in its work and the contribution that it had made to the Organization, the support received from the Secretariat and the information sessions that had been scheduled for Member States. The Delegation remarked that the report had been published late and the Spanish version had not yet been available on the Internet. The Delegation recognized that the Secretariat had a lot of work to do, and that most of the documents had come out in good time and in all of the languages; however, in this case, there was a certain delay. Regarding the report, the Delegation had two comments to make: the first concerned the New Conference Hall. The Delegation recalled the interesting debate the previous year in light of the External Auditor's Report, which reflected a series of differences in information with that received from the Secretariat, noting that it had felt that had been a matter requiring some follow-up. The Committee had been asked to review that matter, above all the difference that appeared to exist between what had been said by the External Auditor and the Secretariat. The Delegation queried if there had been an opportunity for the External Auditor to look into the matter, and if it was worth going further into the issue. The Delegation praised the excellent work being done by the Committee, but felt that the report was highly descriptive and

suggested that future reports could be enriched by a more analytical approach to help Member States identify important issues, following up on recommendations in an effort to inform delegations as to what the Committee regarded as priority.

26. The Delegation of Japan, speaking on behalf of Group B, thanked the IAOC for its report, expressing its gratitude to the Committee for its essential role in the audit and oversight mechanism of WIPO for the purpose of maintaining effectiveness, efficiency and relevance of management and activities of the Organization. The Delegation appreciated its interaction with Member States, in particular through information sessions. Group B welcomed the interaction of the IAOC with the External Auditor, in light of the improvement of follow-up process for the External Auditor's recommendations and enhancement of cooperation. In that context, monitoring of the implementation of recommendations would be appreciated. Concerning internal oversight, the Delegation welcomed the information that the implementation of the 2015 oversight workplan was on time and on track and appreciated the involvement of the IAOC in the recruitment process of new Director of IOD. In that regard, Group B echoed the sentiment expressed by the IAOC on the achievements of Mr. Rajaobelina, former Director of IOD, and took the opportunity to express its appreciation and gratitude to him. The Delegation closed by again thanking the IAOC and expressed its expectation that the Committee continue to play a key and active role in the oversight and audit mechanism of the Organization.

27. The Delegation of Mexico thanked the IAOC, and in particular the Vice-Chair present, for all of the work carried out and the efforts made to ensure regular communication with Member States. The Delegation felt that all of the previous information sessions organized following the Committee's meetings were of great importance. Referring to the issue of recruitment of the new Director of IOD indicated in the report, the Delegation stated that it was aware of the involvement of the IAOC but asked if the IAOC could provide more detail on the Committee's views on the proposed candidate: this was important because of the Director's functions exercised within the overall oversight system. The Delegation also thanked the Secretariat for its efforts in light of the views and requests from Member States to maintain the independence of the Ethics Office. The annual report on ethics was to be a standard report, but the Delegation asked the IAOC if it had had an opportunity to evaluate the workplan for the ethics office as there did not seem to be any reference to the 2016 workplan on the Internet.

28. Delegation of Canada, in expressing support for the statement made on behalf of Group B, thanked the IAOC for the excellent work that it had done, referencing the very key role it played in the oversight system in WIPO. However, the Delegation supported the statement made by the Delegation of Spain inasmuch as the report of the IAOC appeared to be rather descriptive and, like Spain, the Delegation would appreciate more analysis in the report.

29. The Delegation of the Russian Federation congratulated the Chair on his Chairmanship and expressed confidence in his leadership of the PBC session. The Delegation felt that the documents prepared by the Secretariat –in particular the report of the IAOC and the External Auditor – were very important to improving management and oversight of the Organization. The Delegation supported the proposed changes in the mandate of the IAOC but asked what measures were used to ensure the independence of the Ethics Officer.

30. The Delegation of India expressed its gratitude to the IAOC for producing the very detailed and descriptive report, recognizing the hard work which went into creating it. However, as the report was not made available in a timely manner, the Delegation supported the argument put forward by the Delegation of Spain that Member States should be given sufficient time to analyze the report, further suggesting that whenever a new document was uploaded on the website, the Secretariat should find a way to notify at least the Regional Coordinators, who would in turn inform the Member States of the Group.

31. The Delegation of Turkey congratulated the Chair on his reelection, and thanked the IAOC for its significant role as one of the important pillars of the oversight mechanism at WIPO. The

Delegation aligned itself with the statement made on behalf of Group B. The Delegation appreciated that the ERP system would be closely monitored by the Committee. The rate of increase of implementation of the JIU recommendations was appreciated, as stated in paragraph 53. The Delegation would further appreciate if the Secretariat would take the necessary measures including earlier reaction to the JIU recommendations. The Delegation also welcomed the establishment of the positions of the Chief Security Officer and Enterprise Risk Manager, who made significant contributions to the efficiency at WIPO. As stated in paragraph 62, the Delegation would appreciate if the Secretariat could provide further updates on the preparation of a Corporate Risk Register and reconciliation to the internal control framework for the proper implementation of the ERM. Regarding the WIPO Academy, in line with the recommendation of the IOD, which had been deemed helpful by the IAOC, the Delegation appreciated the implementation of the relevant recommendations.

32. The Vice-Chair of the IAOC addressed the various questions posed by the Delegations, firstly apologizing for the tardy availability of the report, which was not entirely within the Committee's control. However, he assured Member States that the IAOC would make serious efforts to meet the deadlines set out in the governing documents. Regarding the New Conference Hall, the External Auditor's report and the difference of opinions, the Vice-Chair explained that as all recommendations were accepted for implementation, there was no difference in opinions. The Secretariat had added additional information for Member States to consider and to have a better understanding of the recommendations. The primary objective of the IAOC was not to clear individual recommendations by anyone: the IAOC's role was to make sure that there was, for example, and in that particular case, a clear criteria set for clearance of closure of recommendations, so that both the External Auditor and the Secretariat were aware of what should be achieved. Referring to the report, the Vice-Chair drew attention to the fact that the Committee had a meeting with the representatives of the External Auditor to make that happen. The Vice-Chair felt confident that that was working, as the external audit report of the previous year contained 20 recommendations and it would appear that, to date, only six of those were still opened. Therefore, progress was being made. As for the style of reporting, the Vice-Chair of the IAOC appreciated the feedback from the delegations, as the Committee was there to help Member States. Serious consideration would be given to avoid the very descriptive tone when preparing the next annual report. Addressing the statement by the Delegation of Mexico concerning the recruitment of the IOD Director, the Vice-Chair of the IAOC reminded that the regulations explicitly stated that the recruitment process confidential, with due reason. The IAOC played a part in the process but was not the owner of the process. Although the Committee assessed the candidates, it would not have been appropriate to disclose the result of the assessment, the reason being that it would not have been known what the opinion of the interview panel was of each individual candidate. It was quite the same concept for the matter relating to the recruitment process now being discussed. There was confidential information included in the document. The primary role of the Committee was to help the Secretariat and it wished to highlight that it did help the Secretariat, doing what was asked of it. Addressing the evaluation of the work plan of the Ethics Office, given that the Chief Ethics Officer would start working on September 15, 2015, it was more prudent to leave it to the Ethics Officer to create his/her own work plan for the future. Regarding the IAOC's Terms of Reference, as stipulated, the IAOC's involvement was that of an advisory role in the review of the work plan of the Ethics Officer, exactly what the Committee intended to do. It was a particularly special if not challenging year, as it was one in which the position was being filled. However, the Vice-Chair of the IAOC was quite confident that the whole process would be much easier during the coming year.

33. Adding to the information on the IOD Director selection provided by the IAOC, the Secretariat stated that it had taken onboard the comments and the review conducted by the IAOC. The position would be advertised again for a new selection process to follow. As far the position of Chief Ethics Officer was concerned, the Secretariat confirmed that the new officer would join the Organization on September 15, 2015, making it easier to envisage the work going forward. The Secretariat acknowledged the excellent managerial work being carried out

by the Acting Director. Addressing the question posed by the Delegation of Turkey regarding the issue of the Corporate Risk Register and how the Organization was getting along with the evolution of the ERM system and the alignment of the control framework, the Secretariat explained that the Corporate Risk Register contained different sections and included all of the Organization's program risks, some of which were already known as they were included in the Program and Budget document and were highlighted within the context of the Program and Budget and the planning process. WIPO had other program risks which were monitored and followed on a regular basis, with mitigation measures in place. In addition to the program risks, there were also organizational risks. Risk registers were also set up for the Funds-in-Trust. Certain special projects, specifically the ERP project, used the risk register for noting and keeping track of and managing risks. There also existed a separate section, which contained the information security risks. Those were being managed by the information security area. The Secretariat was in the process of implementing a project which would link risks with controls. For that purpose, the Secretariat was mapping business processes in order to consistently identify the controls, which addressed the risks that had been identified. Once this was in place, the internal control framework would be reflected in the Corporate Risk Register system which would, in turn, be linked to the risks that were in place. The third semi-annual risk report had been shared recently with the Risk Management Group (RMG), which had reviewed it. On the instruction of the Director General, it was subsequently shared with the Senior Management Team, as well as with the IAOC for information purposes.

34. The Delegation of Mexico expressed its gratitude for the responses given to its questions. Reverting to the matter of recruitment of the IOD Director, the Delegation felt that, notwithstanding the confidential aspect, the process should be started over again as the candidates that had come forward did not meet the requirements. This was important information and, in that sense, the Delegation was grateful for the answer given by the Secretariat that the process was to be relaunched. This was perhaps what the Delegation of Spain had referred to in calling for more analytical information in the report rather than narrating the facts, to ensure that Member States were quite certain of what was going on and had a better picture of the situation regarding the framework and oversight in general.

35. In the absence of further comments, the Chair read out the decision paragraph, which was adopted.

36. The Program and Budget Committee (PBC) recommended to the WIPO General Assembly to take note of the Report by the WIPO Independent Advisory Oversight Committee (IAOC) (document WO/PBC/24/2).

(A) WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)
MEMBERSHIP ROTATION

37. Discussions were based on document WO/PBC/24/3.

38. The Chair introduced the document which provided information on the membership rotation mechanism for the IAOC, as approved by the General Assembly in 2010 and 2011. As the mandate of four IAOC members would expire on January 1, 2017, the PBC was required to set up a selection panel as of 2016, in accordance with the provisions of document WO/PBC/39/13 and the IAOC's Terms of Reference.

39. The Delegation of the United States of America noted that the rotation process had been quite complex. The Delegation supported the proposal of the Secretariat for a selection panel comprised of seven members of the Member States, in line with paragraphs 18 and 19 of document WO/GA/36/13 for the purpose of selecting four new members of the IAOC who would begin their mandate February 1, 2017. The Delegation made note of the establishment of the IAOC selection panel. The Secretariat would launch a selection process with the intention to

allow the selection panel to submit its recommendation to the PBC at its September 2016 session.

40. As there were no further comments, the Chair proceeded to read out the decision paragraph, which was adopted.

41. The Program and Budget Committee (PBC):

(i) decided to set up an IAOC Selection Panel comprising seven representatives of Member States, in line with paragraphs 18 and 19 of document WO/GA/39/13; and,

(ii) took note that the Secretariat would subsequently launch an IAOC selection process, as of 2016, in accordance with the provisions contained in document WO/GA/39/13 and the IAOC terms of reference, with a view to the Selection Panel submitting its recommendations at the PBC's September 2016 session.

ITEM 4 PROPOSED REVISIONS OF THE TERMS OF REFERENCE OF THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

42. Discussions were based on document WO/PBC/24/4.

43. The Chair invited the IAOC Vice-Chair to present the document.

44. The Vice-Chair of the IAOC explained that it was the IAOC's standard practice to periodically review its Terms of Reference (ToR). There had been one big important event, which was the change in the Internal Oversight Charter and the Committee had seized the opportunity to make further changes, other than merely following up the changes in the Oversight Charter. Document WO/PBC/24/4 contained a section which showed the proposed final changed language. The document also contained a section which indicated the track change version and the different wordings. The current ToR, which were presently in force, were presented in the first column. The second column with the heading "Proposed Revisions" indicated the proposals emanating from internal discussions within the IAOC, and were annexed in the report of the 36th session of the Committee as well as provided to Member States for comments. The IAOC had received comments from the Director of the IOD and certain Member States which had been taken into consideration and eventually presented in the third column under the heading "Proposed Additional Revisions". The fourth column, without track changes, reflected the final proposals and was the same as the section seen at the beginning of the document.

45. The Delegation of Japan, speaking on behalf of Group B, thanked the IAOC and the Secretariat for the work carried out in preparing the proposed revision of the ToR and taking into account the comments provided by some Member States, so as to incorporate certain best practices and to elaborate the Committee's role in giving advice in the area of investigations. Group B felt that the revised ToR could improve the basis for the role that IAOC played, which was critical to effective management of the Organization.

46. The Delegation of Romania, speaking on behalf of the CEBS Group, thanked the IAOC for its overall activity regarding the proposed revisions of the ToR aimed at enhancing oversight function. Revising the ToR, as the amendments suggested, made them comply with the Internal Oversight Charter and brought in best practices from other similar committees. The CEBS Group felt the amended ToR would enforce the important role played by the IAOC.

47. The Delegation of Mexico thanked the IAOC for introducing the document. Noting its obvious importance, the Delegation felt it added significantly to previous discussions and was in line with the Oversight Charter. Pointing to line 22, which dealt with the composition and the

professional background of the members of the Committee, the Delegation questioned why a provision was deleted, which had been there before, that whenever members of the Committee were elected, if there were no candidates from any of the regions who met the criteria established by the selection panel, then a member would be elected that had the second best qualifications, independently of which region the candidate was from. As Mexico had formerly sat on one of the selection panels of the IAOC, the Delegation felt that it was important to keep that provision, as a situation could arise where there were very few candidates from a region. In so doing, it would not be necessary to stick strictly to the principle of regional rotation if the candidates met the requirements.

48. Responding to the question, the Vice-Chair of the IAOC pointed to pages 11 and 12, row 29, of the document, explaining there was an element of duplication which had been deleted. However, the principle was still in place. The Vice-Chair further indicated that the region from which he came did not have a representative on the IAOC prior to his nomination to the Committee, so it was a perfectly valid point.

49. There being no further comments from the floor on the document. The Chair read out the decision paragraph, which was adopted.

50. The Program and Budget Committee (PBC) recommended to the WIPO General Assembly to approve the proposed revisions of the Terms of Reference of the WIPO Independent Advisory Oversight Committee (IAOC) contained in Annex I of document WO/PBC/24/4.

ITEM 5 REPORT BY THE EXTERNAL AUDITOR

51. Discussions were based on document WO/PBC/24/5.

52. The External Auditor delivered his report as follows:

“Thank you, Chair. I would like to convey compliments from the Comptroller and Auditor General of India. It is my privilege to present, on his behalf, the results of the external audit of the World Intellectual Property Organization (WIPO) for the financial period ended 2014. The report for the year 2014 giving important audit observations and recommendations has been presented separately for transmission to the General Assembly.

“The audit of WIPO was assigned to the Comptroller and Auditor General for the financial years 2012 to 2017 in terms of the approval of WIPO General Assembly's 40th Session in October 2011. The scope of the audit is in accordance with the Regulation 8.10 of the Financial Regulations, and the principles set out in the Annex to these regulations.

“The audit was conducted in accordance with the international standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, the auditing standards of the International Organization of Supreme Audit Institutions and Regulation 8.10 of the Financial Regulations of WIPO and the additional Terms of Reference governing the audit of WIPO as set out in the annex to the Financial Regulations.

“We had carried out a detailed risk analysis before taking up the audit for the year ended December 2014. Risk-based execution strategy was formulated to add value to the performance of WIPO while providing independent assurance to the WIPO management.

“Our audit report contains 21 recommendations. The recommendations were finalized after obtaining the response of management on our audit findings and we are happy to report that WIPO has accepted most of our recommendations and the implementation of the recommendations is being monitored periodically.

“In addition to expressing an opinion on the financial statements of WIPO, our audit coverage included areas on economy, efficiency and effectiveness of financial procedures, the accounting system, and in turn financial controls and general administration and management of WIPO. The areas covered by us in this cycle of audit were the Enterprise Resource Planning (ERP) system and Human Resource Management Department (HRMD).

“Audit of the financial statements for the financial period 2014 revealed no weaknesses or errors which we considered material to the accuracy, completeness, and validity of the financial statements as a whole. We have placed an unqualified audit opinion on WIPO's financial statements for the financial period ended December 31, 2014

“I shall now briefly dwell on the significant findings of our audits conducted during the year and our recommendations flowing from them.

“On financial matters, we observed that the balance under Taxes receivable includes claims pertaining to old periods and reconciliation between claims and reimbursements was not done. We recommend that WIPO expedite the process of outstanding claims. In accordance with the United Nations framework for IPSAS the UN will not recognize heritage assets but will include a high-level description of the assets in notes to the Financial Statements. We observe that WIPO did not disclose details of heritage assets in their Financial Statements and also noted that physical verifications were conducted in 2014 which reported that some of the items classified as works of art were missing. We have recommended that WIPO disclose details of heritage assets in the Financial Statements and take steps for strengthening the security systems to prevent further loss of such assets.

“On the ERP system, WIPO started the implementation of the ERP system in 2010 with four streams which was to be over by the end of 2015. As per the revised timeline given to the Member States in the 2014 ERP progress report, the ERP system would now be completed by the second quarter of 2016. The current status of portfolio of projects indicated that, out of 19 projects listed under the ERP, one project was completed and seven projects have gone live.

“As there have been delays in the completion of some projects and the ERP system consisted of interlinked projects, it was not possible to assess the overall benefits derived by WIPO from the ERP system. WIPO also maintained that it was not possible to assess the overall benefits from the ERP system as the portfolio was still in progress. We have recommended that WIPO may continue exploring ways to limit the delay at the project level as well as the portfolio level of implementation of the resource planning system so that the project will be completed as per the revised timeline.

“WIPO did not have a Document Management System for projects undertaken under the ERP system. In the absence of repository for the project related documents, the WIKI was used to share documents. We have recommended that WIPO assess management systems so that the project documents are maintained in one place.

“We observed that WIPO has not put adequate details in deliverables and services under each milestone of the contract with the external implementing partner. In the monitoring mechanism, weekly progress report of projects did not include sufficient details for monitoring the progress of issues, deliverables/services, contractual obligations and review of contractual performance of the contract. We have recommended that WIPO must strengthen its contract management and monitoring mechanism for smooth and timely delivery of deliverables under defined milestones and augment documentation relating to contract modification. We test checked the Weekly Project Status Report related to ERP HR project phase 1 and found that several issues remained open for long

periods up to 83 weeks. Further, ERP Project Management Office project teams were not doing any sensitivity analysis of the issues to understand their importance in the overall project governance and prioritize their mitigation. We have recommended that WIPO may consider carrying out a sensitivity analysis of the issues raised during the EPMO Project Board meeting based on their criticality.

“The ERP progress report submitted to the PBC annually contains the expenditure towards implementation partners and there were no details of evaluation of their performance. We have recommended that WIPO may consider reporting the performance evaluation of the external implementing partner to the Assemblies of the Member States as a part of the progress report on the implementation of the comprehensive ERP system.

“On the Human Resource Management Department, we noted that WIPO subsidized the premium of insurance related to non-service incurred accidents. While we appreciate that it is a staff welfare measure, we are of the view that these payments were not supported by explicit provision in the regulations. We have recommended that WIPO may stop subsidizing the premium of insurance for non-service incurred accidents.

“The amount of spouse’s allowance was being determined based on salary scale applicable in Geneva, irrespective of the spouse's place of work though regulations prescribe otherwise. We have recommended that the practice of determining the limit of gross occupational earnings for spouse dependency allowance may be reviewed to be made compliant and satisfy regulations and rules.

“In cases of rental subsidy, we found that provisions of Office Instructions have not been consistently followed. We have recommended that the provisions of Office Instructions in the case of rental subsidy may be followed in a timely manner.

“We observed that, in respect of language allowance, provisions of the relevant rules were not being followed. We have recommended that WIPO may undertake further examination to demonstrate continued proficiency of staff members in receipt of language allowance and review the continued granting of language allowance when the staff member is transferred or appointed to a new position that requires a staff member to be fully proficient in the language as per his or her appointment.

“We noted that, in the cases of overtime, the requirements of Office Instructions were not being complied with. We have recommended that internal controls may be strengthened to ensure that requirements of the Office Instructions related to overtime are fully complied with.

“We observe that there was non-adherence to the regulations related to payment of Special Post Allowance. We have recommended that WIPO needs to follow the regulations while authorizing the extension of special post allowance beyond 12 months under exceptional circumstances.

“In conclusion, on behalf of the Comptroller and Audit General of India and all my colleagues who conducted the audit of WIPO, I wish to place on record our appreciation for the cooperation and courtesy extended to us during our audit by the Director General, the Secretariat and the staff of WIPO. I thank the honorable Chair and the Distinguished Delegates for providing us the opportunity to present our report before you. Thank you.”

53. The Delegation of Japan, speaking on behalf of Group B, thanked the External Auditor for the report on financial statements, financial management, financial issues, the Enterprise Resource Planning (ERP) system and the Human Resource Management Department. It added that the timely submission of the report this year, which responded to concerns expressed at the 22nd PBC session, was also highly appreciated. Group B also thanked the

Secretariat for its responses to the External Auditor's recommendations. Group B welcomed the findings that financial statements for the year 2014 had been improved. With respect to the ERP system, it expected the Organization's efforts to comply with the revised timeline including through the enhancement of contract management and monitoring mechanism, while it shared the sentiment that cost and quality ought to be prioritized in this context as was observed in the management response. Turning to the Human Resource Management Department, Group B welcomed management responses stating that some recommendations had already been implemented and others would be implemented. Taking account of the structure of the Organization, Group B believed that an appropriate allocation of human resources was critically important to healthy operations and urged the Secretariat to guarantee that all internal regulations were duly observed.

54. The Delegation of Romania, speaking on behalf of the CEBS, expressed its appreciation for the work undertaken by the External Auditor and thanked it for the presentation of the conclusions with respect to the financial year 2014. It added it was satisfied to see the positive conclusion with regard to the Financial Statements for 2014. At the same time, it took note of the findings of the External Auditor on a number of other issues and of the specific recommendations made to the management of the Organization, and said it was looking forward to seeing the implementation of these recommendations by the Secretariat, with a view to achieving a more secure and efficient functioning of the Organization.

55. The Delegation of Mexico thanked the Comptroller and Auditor General of India for the report, which had given the opportunity to analyze the financial situation. Secondly, it congratulated and thanked the Secretariat because the financial statements, in accordance with the opinion of the External Auditor, reflected the correct application of IPSAS. The Delegation welcomed the good news with regard to the financial health of the Organization. It added that it also had taken due note of the different recommendations made by the External Auditor with regard to the financial management and other aspects of the Organization. Referring to the comments on this during the discussions on the Human Resources report and also on the institutional resource planning discussion, the Delegation urged the Secretariat to take due note of these recommendations. Mentioning that IPSAS did not require the inclusion of works of art in the financial statements, the Delegation said that the idea of whether it was convenient or not to record heritage assets in the financial statements had been discussed in various organizations for some time. The Delegation wished to know what the opinion of the External Auditor was with regard to this recommendation. Although IPSAS did not stipulate it, the Delegation mentioned that some losses were registered in the heritage assets and asked the Secretariat what these losses consisted of, or if they were registered, or how they were ring-fenced.

56. The Delegation of the United States of America supported the statement made by Japan on behalf of Group B and thanked the Comptroller and Auditor General of India for its work and audit for 2014. It stated that the financial report was transparent and thorough and had not hidden important facts. It added that reviews by the External Auditor were an important part of WIPO's oversight structure to assure that funds were used in the most efficient and effective manner. The Delegation trusted that the Secretariat would fully implement all the Auditor's findings and recommendations. WIPO was in an extraordinary position given the ample reserve funds with which to finance projects. Nevertheless, this did not mean that WIPO could relax project oversight. In fact, WIPO's financial position allowed it to increase oversight mechanisms.

57. The Delegation of China thanked the External Auditor for its work, and added that it had noted the External Auditor's mention of the delay in fees transmittal by China. The Delegation explained that the State Intellectual Property Office of the People's Republic of China (SIPO) had always been cooperating with the International Bureau (IB) to reduce the cycle of transmittal mentioned in the report. It added that SIPO had made constant improvements in this regard. Since the beginning of 2015, the transmittal cycle had been remarkably reduced to

three months. In the meantime, to help the IB reduce the loss in exchange rates due to the currency exchanges since February 2015, SIPO had switched from the U.S. dollar to the Swiss franc. In addition, SIPO had collected international filing fees in the Chinese currency, renminbi. All losses in exchange rates had been borne by China. SIPO had coordinated the e-PCT system as well as the fee collecting system which had resulted in the slight delay in transmittal of the fees. After constant testing and adjustments, the problem had been resolved and the transmittal cycle had been effectively reduced. The Delegation further stated that in the future, it would maintain coordination and communication with IB to further reduce the transmittal cycle.

58. The Delegation of Spain thanked the Secretariat and the External Auditor for a very interesting report. First of all, the Delegation thanked and congratulated the Secretariat for the unqualified auditor's opinion on the financial statements and believed that this was a proof of the great professional work done by the Secretariat. Like the Delegation of Mexico, it asked the Secretariat about the works of art that had been lost, which it imagined were works of art of a minor importance, adding that the issue must have been tackled by other international organizations. However, the Delegation said it would be interesting to know what was referred to by the loss of these assets. The Delegation stressed that the report outlined many cases where the External Auditor had highlighted the lack of strict compliance or strict application of the rules in respect of the personnel. Many of the latter had had important implications for the budget and financial implications for WIPO because these expenses would not have occurred if the rules had been strictly observed. It congratulated the External Auditor for having analyzed these cases and encouraged the Secretariat to look into this lack of strict compliance and correct it rapidly. It added that it was still concerned that the External Auditor had discovered these cases and wished to ask the Secretariat to give guarantees that the other internal rules of WIPO, especially those that had financial implications, could be complied with strictly so that there would be no cases such as the ones discovered by the External Auditor. Finally, the Delegation requested a follow-up question to last year's report made by the External Auditor on the construction of the New Conference Hall. In that report, some information and some differences of opinion with the Secretariat had been provided. For example, the report indicated that surplus payments had been made and that a penalty for delays without justification had been paid. Although the Secretariat had provided additional information, which appeared to be very convincing, the Delegation believed that most of the points had been solved and thanked the Secretariat for confirming that information. The Delegation nevertheless added that these points had been outlined in the report and was hoping that the Secretariat and the External Auditor would have had time to compare differences and would be able to state if these had been cleared or were still pending. As the last year's report had given a certain amount of concern because of this difference of opinion with the Secretariat, the Delegation requested to know if there had been a follow-up and if not, suggested it would be a good idea to do that in the next report.

59. The Delegation of India thanked the External Auditor for the presentation of the report contained in document WO/PBC/24/5 on the financial statements of WIPO for the year 2014 and the recommendations made on the basis of audits carried out in 2014 and 2015. The Delegation added that the report was comprehensive and had been submitted on time, providing ample opportunity for Member States to deliberate on it. It further stated that it had gone through the observations to implement, concerning financial management, operation of the ERP system and HRMD, and also carefully studied the recommendations made by the External Auditors to the WIPO Secretariat. The Delegation added that the reports by the External Auditor had been an invaluable tool for the work of the PBC. Moreover, it was confident that the reports from the current External Auditor, who had undertaken the standard audit of the World Health Organization (WHO) and several other organizations during the past years, would be of immense value. The degree of competence, credibility and trustworthiness of the Supreme Audit Institution of India had been recognized by other UN and international bodies. The External Auditor had observed that the financial transactions by WIPO had been in accordance with WIPO's Financial Regulations and Rules (FRR) and, on this account, WIPO's Secretariat deserved commendation. The report pointed out that, of the 19 projects listed under

the ERP system, one project had been completed and seven projects had gone live. The External Auditor had not been able to assess the overall benefits derived by WIPO from the ERP system given a delay in interlinkages among the projects. As had been brought out in the last audit report, the present definition of development expenditure did not mention the nature of development activities covered and their intended impact on the development of countries through IP tools. While assessing the development share under substantive programs, the External Auditor had found that regular expenses like travelling allowance and daily subsistence allowance were also shown as development shares. The Delegation reiterated that there should be a precise definition and that there was a need to formulate a method of determining the development share under each program and activities so that the effectiveness of the mainstreaming exercise could be assessed objectively by Member States. It was hoping that Member States could reach consensus on it and finalize a definition during this meeting. The monitoring of the implementation of the recommendations made by the External Audit was an important part of the accountability process. Most of the recommendations made in the report were at various stages of implementation. The Delegation complimented the WIPO management for the response to the recommendations made by the External Auditor and measures taken by the Secretariat for improvements in different areas. It further urged the latter to take action to implement the pending recommendations. It impressed the need to implement the 21 recommendations made by the External Auditors in a timely manner. Finally, the Delegation placed on record its appreciation to the External Auditor for the diligent work and for its timely presentation of the report which would become the basis for the PBC's recommendation.

60. The Delegation of the Russian Federation expressed its gratitude to the External Auditor for its report and for the recommendations in it. It was satisfied with the positive findings in the report. However, the Delegation pointed out that the work of the External Auditor was a serious managerial element which was important for the operation of WIPO and the Committee as a whole, because it increased the efficiency of the Organization in risk management and helped to carry out the corresponding controls. The Delegation thanked the Secretariat for the responses to the auditor's report. The Delegation also stated that the Organization should be trying to reduce the time for providing answers to the recommendations of the External Auditor, including risk management, and appealed to the Secretariat to promptly carry out the recommendations of the External Auditor and to continue its fruitful cooperation with it.

61. The Delegation of Cameroon thanked the Chair for the way he was managing the deliberations and thanked the Secretariat for the documents submitted. Having looked at the required documents as well as the series of changes compared to the past records, it was thankful to the External Auditor for the quality of the report that had been submitted to the present session.

62. The External Auditor thanked Member States for the appreciation of its work. These comments were perceived as an encouragement to work better. It then addressed the question of the Delegation of Mexico. The management had already responded to this and, given its response in the long-form report, would be able to answer afterwards. Concerning the specific question from the Delegation of Spain, it confirmed it had been in continuous engagement with WIPO management all this year on the construction project, and had made good progress in relation to its recommendations. The management had also given additional information. The External Auditor added it was very hopeful that any divergence of views, as well as the implementation of the recommendations, would achieve a conclusion very satisfactorily, assuring it had a very positive interaction with the WIPO management on this, and was hoping to come to a mutually satisfactory conclusion on all the issues. Responding to the Delegation of China, it stated that it had just had an update from the Secretariat just before the meeting and as the Delegation had mentioned, the transmittal cycle had been reduced to three months which, according to WIPO management, was an acceptable time limit. Therefore, it was considering the recommendation closed, and expressed its appreciation both to SIPO and to WIPO's management for the very good progress which had been made on this.

63. In response to the questions on works of art, the Secretariat stated that 13 items were originally missing, and believed that three of those had now been found. Updated information on the missing balance had been requested. The Secretariat added that it thought this was a question of works of art having been moved from one room to another which nobody had tracked. The Secretariat promised to share the update when available. In response to the bigger question on works of art which went back to the recommendation as to whether a list of all of the works of art should be included as an attachment to the Financial Statements, this was something that the Secretariat was going to raise with the IPSAS Task Force at its meeting in early October in Madrid. As far as the Secretariat was aware, there was only one agency that did this and that was UNESCO where the works of art held were probably somewhat different to the works of art that WIPO held. This was an interesting point and it would be raised with the Task Force to see what colleagues in other agencies thought of this as a recommendation. The Secretariat added that there had been a request for assurances on the internal control system and the control framework of the Organization. From some of the issues that were identified in respect of the HR audit, Member States' attention was drawn to the fact that a very comprehensive accountability framework had been established with their help. The entity level controls of the Organization were now actually being documented very rigorously in the Enterprise Risk Management system and this was part of the enterprise resource planning set of projects and was well underway. Compliance with the Financial Regulations and Rules was the responsibility of the Office of the Controller and all issues of non-compliance were rigorously pursued through documented follow-up and feedback to Program Managers. In collaboration and consultation with our very comprehensive audit and oversight architecture, WIPO had been advised about the merit of the three lines of defense model and Program Managers were sensitized to their responsibility in terms of controls. The second line of defense was the Controllers' Office and all of the central teams that facilitated the control system to operate properly for the Program Managers and, of course, the end point was the audit and oversight bodies themselves who were continuously looking at the Organization through a lens of risk and controls. All of this had helped over the last few years to establish a very strong and continuously strengthened control system. All of the issues identified through internal audits, by the IAOC as well as by the External Auditor were systematically followed-up internally by each of the program departments as well as within the Controller's Office, as many of the recommendations were actually assigned to the latter. There was a very strict follow up mechanism including an ongoing continuous dialogue with the Internal Oversight Division which helped to establish closure criteria events that would satisfy the auditors that open recommendations could be closed. This provided assurance to those Delegations requesting information on the operation of internal controls.

64. Seeing that there were no more comments, the Chair read the decision paragraph, which was adopted:

65. The Program and Budget Committee (PBC) recommended to the General Assembly and other Assemblies of the Member States of WIPO, to take note of the Report by the External Auditor (document WO/PBC/24/5).

ITEM 6 ANNUAL REPORT BY THE DIRECTOR OF THE INTERNAL OVERSIGHT DIVISION (IOD)

66. Discussions were based on document WO/PBC/24/6.

67. The Chair invited Mr. Efendioglu, the Acting Director of Internal Oversight Division (IOD) to present the Annual Report of the Director IOD (document WO/PBC/24/6).

68. The Secretariat (the Acting Director of IOD) thanked the Chair and the Committee for the opportunity to provide a summary of the main activities undertaken by the IOD. The Secretariat recalled that the main change over the last year was the revision of the Internal Oversight Charter that had been approved at the last General Assembly and that the changes aimed at

enhancing further clarity and transparency in the Organization oversight activities. The Secretariat explained that the internal oversight plan was prepared on the basis of IOD's risk assessment considering WIPO's corporate risk register, where possible, and feedback received from WIPO's Senior Management Team (SMT) and the IAOC. It outlined that in implementing its oversight plan, IOD had completed most of the assignments planned for 2014 and 2015. The Secretariat specified that IOD's oversight work with respect to the audit and evaluation reports during the reporting period (July 1, 2014 and June 30, 2015) had covered the following key operational areas: Third Party Risk Management, Events Management, Asset Management, WIPO Academy, Safety and Security, and Strategic Chile Country Portfolio Evaluation as well the Strategic Goal VI: International Cooperation for Building Respect for IP and Rewards and Recognition Program. The Secretariat stated that during the reporting period the IOD had recorded 26 new investigation cases and that IOD had closed 20 cases in the same period. As of June 30, 2015 there were 18 open cases. The IOD had issued eight investigation reports and two Management Implication Reports. Complaints of alleged harassment, discrimination or abuse of authority as well as alleged abuse of work time constituted a major part of IOD's investigation activities, almost 50 per cent. The average time to complete an investigation was about 5.5 months. The Secretariat was pleased to note that the work of IOD had been assessed by their colleagues very satisfactorily. Last year the combined analysis of surveys that had been sent out after each oversight activity, in terms of audit and evaluation, had received a satisfaction rate of 83 per cent. Some of the suggestions made to further improve IOD's work had already been taken on board. The Secretariat stressed that the follow up of outstanding recommendations continued during the reporting period, as a recurrent IOD activity in line with Office Instruction 16 that had been in place since 2010. As stated in the Annual Report, there were 184 open recommendations, of which 119 were of high importance and the rest were of medium importance recommendations. The IOD organized regular meetings with WIPO Program Managers to discuss the progress made in management actions taken to implement open recommendations. It noted that this dialogue was continuous, meaning that all updates on the status of open recommendations were made in TeamCentral in an interactive manner and verified by IOD throughout the year. The Secretariat mentioned that one of the IOD's major activities was to provide the management with sound advice on governance, risk management and compliance issues as part of their advisory services. The IOD provided comments on a number of policies/procedures and guidelines ensuring that the stated process had embedded proper controls and that relevant risks were mitigated before the final implementation. The related regulatory framework documents were indicated in Annex 3 of the full report. The IOD participated as an observer to the Investment Committee sessions and attended various *ad hoc* Committees as and when required. The Secretariat announced that, after having gone through two successful External Quality Assessments (EQA) for its audit and evaluation functions in 2014, the IOD had planned an EQA for its investigation function and that the exercise was expected to be completed by November 2015. This would complete the External Quality Assessments for all IOD functions. External Quality Assessments would provide assurance to Member States as well as to internal and other external stakeholders that IOD undertook oversight activities in line with the International Standards, UN and other best practices. The Secretariat added that the recommendations made by external evaluators had been fully implemented for the audit function while the majority of recommendations made for the evaluation function would be addressed by the revision of the evaluation policy which was then in progress. With respect to the IOD resources, the Secretariat underlined that the level of resources, which corresponds to 0.76 per cent of WIPO's budget and almost 1 per cent of the Organization's workforce, might be considered as low compared to certain standards such as those recommended in the reports of the Joint Inspection Unit in the past. However, it was emphasized that the IOD had managed to cover the areas identified as high risk or priorities in its work plan within its current resources and that this had been accomplished through effective coordination of oversight plans with the external auditors and operational efficiency gains achieved through increasing the use of information technology tools in conducting all oversight activities. The Secretariat added that the IOD's strategy was to acquire and retain staff with the right skill set and competencies and in that regard, conversion of temporary professional

positions into posts in a phased manner would further enhance staff motivation and retention and would enable to maintain the institutional knowledge and experience within IOD to effectively achieve its mandate. Furthermore, the IOD maintained an excellent working relationship with the External Auditor, with whom the IOD had met regularly to exchange views on the oversight issues and risks facing WIPO. The IOD and the External Auditor had shared the oversight plans with a view to using the available resources in the most efficient way in order to minimize duplication of oversight activities and oversight fatigue in the operational areas subject to external/internal audit activities. The Secretariat said that IOD had continued to have a constant dialogue with the IAOC on a regular basis and benefits from continuous support of the IAOC aiming to further improve the IOD overall function and qualities of its work.

69. The Delegation of Japan, speaking on behalf of Group B, appreciated the efforts of the IAOC, IOD and the External Auditor for their cooperation to ensure effective internal controls and efficient use of resources in WIPO. In this regard, Group B thanked the IOD for the Annual Report and welcomed the fact that the first evaluation of the Strategic Goal VI (International Cooperation on Building Respect for IP) resulted in a positive outcome, without any recommendations. Under this Strategic Goal, it expected that the Secretariat continue its efforts to remain effective, efficient and relevant. Group B also welcomed the fact that the country portfolio evaluation of Chile produced positive results. It was expected that this aspect would be further improved taking into account recommendations made by the IOD. With respect to the WIPO Academy, the Delegation mentioned that the avoidance of overlaps within the Organization was one of the critical components for effective and efficient training and capacity building. The Group expected that that would be realized in due course and that the improvement of current operational issues in the WIPO Academy referred to by the IOD would provide the appropriate basis to achieve its new mandate, once formalized.

70. The Delegation of Romania, speaking on behalf of the CEBS, thanked the Secretariat for the Annual Report put forward. The CEBS welcomed the various types of activities undertaken by the division and appreciated the positive conclusions reached in relation to some of the programs of WIPO. It also acknowledged that a number of activities deployed by the Secretariat required further improvements; such reporting could contribute to the improvement of the management of various activities of the Organization. The CEBS was looking forward to noting the implementation of those specific recommendations.

71. The Delegation of Canada thanked the IOD for its thorough reports and wanted to briefly discuss certain specific elements. First, the Delegation welcomed the IOD's assessment of strategic goal 6 as a very good practice that provided Member States with a novel and broader perspective on and in the assessment of WIPO activities. The Delegation also wished to commend the IOD on the breadth and depth of this assessment and particularly the engagement of an array of internal and external stakeholders. The Delegation would certainly encourage the IOD to conduct further strategic goal level reviews. With regard to the specific findings of the corresponding evaluation report, the Delegation commended the Secretariat on conclusion 1, whereby internal and external stakeholders noted "the excellent cooperation with management and staff of program 17". The shortcomings identified by the IOD and primarily regarding the need for enhanced implementation of results based management principles and the design in monitoring of program activities, accorded with Canada's general and previously expressed views regarding the importance of results based management in all aspects of WIPO's work. In particular, the Delegation fully supported the IOD recommendation for the use of specific output targets linked to SMART Performance Indicators to measure direct deliverables. While the Delegation acknowledged that the Secretariat had worked hard to achieve progress in the design of indicators and targets, it also encouraged WIPO to ensure continuous improvement in this regard. Moving on, the Delegation welcomed the very encouraging and positive results of the Chile Country Portfolio Evaluation and fully supported the IOD's recommendations. The Delegation also welcomed any information from the Secretariat as to whether and how it planned to seek to proactively apply these lessons learned to other Country Portfolios *mutatis mutandis* as well as whether and how the Secretariat

assessed and monitored Country Portfolios beyond the IOD's review cycle. Third and final area of particular interest for Canada was third party risk management. The Delegation said it would like to register some general concerns such as the IOD's finding that third party risk was still managed intuitively at WIPO as well as some more specific concern regarding for example, the lack of evidence that temporary personnel had signed confidentiality statements. The Delegation specified that it fully supported the IOD's recommendations on third party risk, some of which IOD had ranked as high priority. The Delegation said it would be grateful therefore for any information that the Secretariat would have on their implementation including the role of the IOD and in general on the monitoring and mitigation of third party risk management. The Delegation added it would welcome any information from the Secretariat as to whether and how it managed fourth party risks, such as those that could arise from outsourcing by vendors.

72. The Delegation of Turkey thanked the Secretariat for preparing the document and the IOD for the report and the recommendations therein. The Delegation aligned itself with the statement made on behalf of Group B. Regarding the recommendations made for further improvement of effectiveness and relevance of WIPO support for Member States (paragraph 14), the Delegation fully agreed with all of the four recommendations that coordination between WIPO and the beneficiary countries should be developed before the cooperation started and the roles and expected duties and responsibilities of each partner should be clearly defined. The Delegation welcomed the Secretariat's response to the recommendation regarding the Rewards and Recognition Program that it believed would help increase motivation and efficiency at WIPO. It highlighted that the External Auditor's report and the IOD addressed the issue of management of works of art and that it looked forward to the implementation of relevant recommendations on this issue. As regards the WIPO Academy, it agreed with the observation of the IOD that sometimes there were overlaps in training activities and that it looked forward to a formal revision of the Academy's new role, in line with its repositioning as the core entity for training and capacity building activities for development.

73. The Delegation of the United Kingdom appreciated the report and its content. It was particularly pleased with the scope of the activity that the IOD was involved with, in particular regarding the ethics and investment work. The Delegation considered it as a good sign, and wished to see IOD involved in this wider breadth of activity. The Delegation requested additional details on the outstanding priority recommendations. It was concerned about the number of high priority recommendations that were still outstanding, particularly the two that were a number of years old; one of them was four years old. The Delegation asked whether it was a priority since it had taken four years, and wished to know what the problem was. It asked if there was anything that the present PBC could do to support addressing those. It wondered if there was an escalation process for when these recommendations were not actually getting addressed in a timely manner.

74. The Secretariat answered that, on the number of outstanding priority recommendations, it was reporting on all recommendations including the ones made by the External Auditor. It mentioned that, with regard to the number of high risk outstanding priority recommendations, as they had agreed in the past, all External Audit recommendations had been given high priority by default. It noted that a discussion with the External Auditor was ongoing and that it could be possible to clarify this matter with the External Auditor and that the new rating structure was going to be high, medium, or low in the future. Thus far, as one quarter of all high recommendations came from the External Auditor, and they were all high, it had a role in the number of high risk open recommendations. The Secretariat continued that there were 119 high risk recommendations coming out of the oversight work and this could be assessed normal where, in its professional opinion, internal controls either needed further improvement or were not in place. The Secretariat specified that all those recommendations had been agreed upon and were implemented by the management. The IOD was verifying the implementation status on a quarterly basis and was providing a report to the DG and to the Independent Advisory Oversight Committee. The two recommendations that were spotted in the report no longer existed as, after the issue of that report as of June 30th, 2015, they were closed

sometime after. The Secretariat noted that the escalation process was discussed with IAOC and that it had already revised its TeamCentral manual where it described in details how the follow up of recommendations was done. It noted that an escalation process would be described whereby high risk recommendations after a certain time would be escalated to a higher level so that the manager responsible was aware of what was going on. It stated that normally recommendations were owned at the highest level in most cases and that escalating it, might be addressed to the Director General again, who received a report on a quarterly basis. The Secretariat questioned if there would be recommendations that would really needed to be escalated; since the person responsible in its capacity as Program Manager was already in the loop. The Secretariat reiterated that it took all recommendations very seriously, that it had a follow up mechanism and that it had a continuous dialogue with IOD. The Secretariat recalled that the Director General also took oversight recommendations very seriously and sent reminders to all the SMT for further follow up for the timely implementation of these. In this respect the Secretariat added that the IAOC had been very helpful because it had helped the Secretariat dialogue when it went through the reports with the IOD in order to ascertain some of the risks associated with the recommendations made. As the IOD had already said, these high recommendations sometimes were from the past, where everything was “high” and those then needed to be looked at. The second aspect was that in some cases recommendations were converted into “high” because management indicated an implementation action by a particular date and that date was passed. In that linkage, the Secretariat commented that sometimes the recommendations took time. One of the recommendations mentioned was about access control in the PCT envelope and that took time because systems had to be put in place and that required infrastructure, cabling, systems, security, etc., until implementation was complete. The Secretariat considered that the recommendations might have taken time to implement and as a result, they got in to the red category. The Secretariat repeated that the pace of work of WIPO’s oversight bodies outpaced it in terms of the way it closed its recommendations. In terms of outstanding recommendations some are very new. The Secretariat assured that it did monitor, it did try to close and it did try to reduce those numbers. The Secretariat confirmed that it had a positive dialogue with both the IOD and the IAOC.

75. The Chair read out the proposed decision paragraph, which was adopted.

76. The Program and Budget Committee took note of the Annual Report of the Director of the Internal Oversight Division (IOD) (document WO/PBC/24/6)

ITEM 7 PROGRESS REPORT ON THE IMPLEMENTATION OF JOINT INSPECTION UNIT (JIU) RECOMMENDATIONS

77. Discussions were based on document WO/PBC/24/7.

78. The Chair invited the Secretariat to present the document WO/PBC/24/7, “Progress Report on the Implementation of the Joint Inspection Unit (JIU) Recommendations for the Review of WIPO Legislative Bodies” which dealt with the implementation of recommendations for the Legislative Bodies resulting from the reviews of the JIU during the period 2010-2014.

79. The Secretariat introduced the document reporting that the progress report on the implementation of the JIU recommendations: (i) provided an overview of the status of the implementation of the recommendations to the WIPO Legislative Bodies, resulting from the reviews of the Joint Inspection Unit during the period of 2010 to 2014; (ii) provided detailed updates on new and outstanding recommendations addressed to the WIPO Legislative Bodies; and (iii) included the recommendations addressed to the WIPO Legislative Bodies resulting from the Joint Inspection Unit’s Review of Management and Administration in WIPO. As had been indicated in the Report, over the past five years the JIU had issued a total of 57 Reports, Notes and Management Letters, ranging from 7 to 17 per year. Of these 57 documents, 47 were Reports, of which 30 were applicable to WIPO. WIPO had made good progress over the last three years in closing JIU recommendations, including those addressed to the Executive Head

as well as to the Legislative Bodies. At the end of 2013, 29 per cent of all JIU recommendations addressed to WIPO were implemented, with a further 33 per cent in the process of implementation. At the end of 2014, 55 per cent of all recommendations were implemented with a further 10 per cent under implementation. Recommendations under consideration had also decreased from 31 per cent at the end of 2013, to 29 per cent at the end of 2014. The Secretariat highlighted, for the Member States' attention, certain improvements which had been made in the current report, including the introduction of charts and statistics on the evolution of JIU recommendations and their status, as well as newly introduced comment boxes which indicated whether specific recommendations were new, updated or unchanged from the previous report, making tracking progress easier. As in the previous Report, in order to focus on outstanding recommendations, those which were reported on as implemented or not relevant in the previous report no longer appeared in the updated table. There had been 12 such recommendations in total last time and these no longer appeared in the document. An Annex to WO/PBC/24/7 gave details of the outstanding recommendations as of the date of the Report. Seven new recommendations had been incorporated into the Report, bringing the total number of recommendations in the Annex to 20, of which 11 had been accepted and implemented; one had been accepted and was in progress and eight remained under consideration.

80. The Delegation of Japan, speaking on behalf of Group B, welcomed the progress report on the implementation of the JIU Recommendations which helped Member States understand the progress of efforts made by the Secretariat to that effect. The newly-introduced comment boxes appearing in the tables were welcome from this perspective. Group B expected that the recommendations made by the JIU would continue to be considered and implemented as appropriate. Additionally, Group B would welcome if in the near future the JIU Recommendations addressed to the Executive Secretariat could also be included in the Report. From the explanation by the Secretariat at the briefing for the Regional Group, Group B understood that they were able to find those recommendations addressed to the Secretariat on the JIU website. However, the Group felt the inclusion of those recommendations in the report in the future would be useful.

81. The Delegation of Romania, speaking on behalf of the CEBS, thanked the Secretariat for providing a document which helped the Group better track the implementation of the Recommendations addressed by the JIU in the period 2010 to 2014 to the Legislative Bodies of WIPO. In general, the Group believed that the number of outstanding recommendations remained quite high and considered that efforts should be made to accelerate their implementation. The Group was also aware that in the case of some recommendations, discussions between Member States were still needed. The Group supported the holding of such debates in the appropriate framework.

82. The Delegation of Canada supported the statement made on behalf of Group B. The Delegation acknowledged that while the recommendations set out were addressed to the Legislative Bodies and thereby to the Member States, some were still too recent to have been examined by WIPO and therefore not much detail was available on the implementation. The Delegation gave the example of the Recommendation on the resource mobilization function of the UN system, to be found on page 6 in the French version of the document. The report indicated that the recommendation was accepted and implemented. However, that recommendation had been addressed to the Bodies which had not had an opportunity to examine this in WIPO. The Delegation found it incongruous that the Secretariat could provide the status of the implementation before the recommendation could have been examined by the relevant bodies. The Delegation was aware that the Secretariat provided high quality information so as to enable assessment of the implementation of the recommendations. The Delegation felt, however, that it would be better to clarify that the report, at that stage, showed the contribution of the Secretariat to the implementation rather than the status of the implementation itself. The Delegation therefore suggested that paragraph 2 of the decision paragraph be revised to read that the Committee welcomed and supported the Secretariat's assessment of the implementation of the recommendations etc., and invited the legislative

bodies to participate. That was not a matter of changing the way in which the reports were presented and the delegation would be satisfied with the information showing that that was actually a necessary step to take.

83. The Delegation of Mexico expressed appreciation to the Secretariat for the presentation of the report and in particular the new tables which enabled Member States to more easily follow the implementation of the recommendations of the JIU and which had been requested of the Secretariat on repeated occasions. With respect to the assessments before Member States, the Delegation wished to comment, above all, on the question of the 2014 Review of Management and Administration, on which the Delegation's position was well-known. Member States would not be surprised to hear requests which the Delegation had made on a number of occasions. In order to address Recommendation 6 on geographical distribution, the Delegation requested not only statistical information in terms of geographical distribution in WIPO, but also policy elements with respect to coordination to review the current policy and implement a new policy on geographical distribution. The Delegation made this request to the Chair and fully supported the Delegation of Brazil speaking on behalf of GRULAC. The Delegation welcomed the fact that in a number of previous recommendations the Secretariat had changed the status of recommendations and, instead of being under consideration, many recommendations had now been accepted and in some cases implemented. However, the Delegation was concerned that, with respect to the 2012 report, there had been a suspension of the amounts that were paid to staff members and measures had been brought into effect in order to align WIPO's travel policies with those of the UN. The Delegation urged the WIPO Secretariat, instead of having a review of this recommendation, to accept it and implement it as quickly as possible.

84. The Delegation of Spain congratulated the Secretariat for the report, which it found clear, well presented and which facilitated following the status of the recommendations. As indicated by the Coordinator of Group B, the Delegation was also very much interested in knowing whether there could be an inclusion in the recommendations directed not just to the legislative bodies but also to the Executive Heads. The Delegation, as the Mexican Delegation, emphasized the fact that it wished to see greater speed in the implementation of the recommendation on the payment of daily subsistence allowance. The Delegation spoke about the importance of implementing the recommendations strictly and as quickly as possible in order to make these additional savings.

85. The Delegation of the United States of America expressed appreciation for the most recent status report regarding WIPO's implementation of the recommendations of the JIU dating back to 2010 and made a few suggestions. The Delegation felt that it would be helpful for the Secretariat to prioritize the recommendations in terms of level of risk to the Organization. A catalogue of all recommendations could be listed and prioritized. Also, analysis should be conducted to discern broader thematic areas of management focus that resulted from the work of the internal audit function at WIPO. The Delegation hoped to see continued progress in the implementation of the JIU recommendations and looked forward to further updates at the next PBC meeting. The Delegation also voiced its support for the Delegation of Canada's suggested change to the decision paragraph.

86. The Secretariat thanked delegations for their questions and their appreciation of the improvements which had been made. The Secretariat, going forward, would try to make more improvements in order to facilitate matters even more. With regard to the JIU recommendations made to the Executive Head, the Secretariat felt that it was important that work was not duplicated. These recommendations were reported on to the IAOC as part of the annual reporting on the JIU recommendations. They then became part of the set used by the IAOC to review IOD recommendations, JIU recommendations, as well as the External Audit recommendations. Therefore, the Secretariat would not want to replicate or duplicate the process in any way. Those recommendations were reported on and were dealt with by the IAOC and had been given to the IAOC at their last meeting. With regard to the recommendation on travel, as the Secretariat had mentioned in the past, this was a

recommendation which it wished to review. The Secretariat clarified that the reason it wished to review this was because it had discovered that the Secretariat at WIPO went further than even the United Nations did in many respects and, as had been previously explained, the Secretariat would have to examine this in the context of the WIPO business model, in terms of how the recommendation was implemented and what made sense and what did not. The Secretariat elaborated by giving examples of what WIPO was carrying out, which was not being carried out by many of the other agencies and which actually generated more savings than the recommendation listed therewith. The Secretariat did not wish to look at one item to the exclusion of the others. That one item, so that Member States were aware, represented a saving, which if it was there, would cause travelers to come back with individual invoices for items such as taxis, official business center usage, printing, extra luggage, photos, visas, etc. which, at the end, would entail extra administrative work and result in a net cost saving effect which was insignificant. Therefore, the Secretariat was still looking at whether this made economic sense, or created efficiencies, in order to assess whether to accept this particular recommendation. The Secretariat continued by explaining that an Online Booking Tool had been implemented since the previous year, which had reduced transaction costs and had saved WIPO approximately 180 thousand Swiss francs per year. Cheaper fares were used through more advance bookings and low cost airlines were used, which many other organizations did not allow. The amount of travel for staff and third parties had been reduced and had resulted in an approximate 18 per cent travel expenditure reduction in the first quarter of 2015. The Secretariat reported that it was looking at this matter with a holistic rather than a piecemeal approach, because, at the end of the day, the business model needed to make sense. The Secretariat would not wish to implement something which it found to cost more in transaction and administrative costs than the potential savings to be realized. The Secretariat awaited the revised decision paragraph from the Canadian Delegation.

87. The Chair reminded delegations that a copy of the decision paragraph, put before all delegations, was needed before Member States could move forward.

88. The Delegation of Spain explained that their request to the Secretariat concerning the speeding-up of the implementation of this particular recommendation, had been put forward because the Delegation had thought that a number of recommendations were aimed at all of the United Nations organizations and believed that WIPO should not be an exception to that. Also, on the implementation of these same recommendations and on effective efficiency measures to be taken through all organizations, WIPO had been making great efforts. Other organizations were doing so as well. The Delegation did not feel that the response of the Secretariat was in contradiction to that. Although it was, as the Secretariat had pointed out, a good idea to take into account the overall policy, the Delegation believed that there may be justification for speeding up the implementation of this recommendation.

89. The Chair suspended discussions on this agenda item at that point and asked for copies of the new proposed changes to be made available to all Member States before a decision could be made. These changes were put forward by the Delegation of Canada with the support of the Delegation of the United States of America.

90. The Chair resumed discussions on item 7 and asked if delegations had reviewed the proposed text. The Chair read out the decision paragraph, which was adopted.

91. The Program and Budget Committee (PBC):

- (i) took note of the present report;
- (ii) welcomed and endorsed the Secretariat's assessment of the status of the implementation of recommendations under JIU/REP/2014/8 (Recommendation 2); JIU/REP/2014/6 (Recommendation 3 and 4); JIU/REP/2014/3 (Recommendation 2); JIU/REP/2014/1 (Recommendation 1 and 2);

JIU/REP/2012/10 (Recommendation 8); JIU/REP/2011/4 (Recommendation 12); JIU/REP/2011/1 (Recommendation 2); JIU/REP/2010/3 (Recommendation 6 and 8) as set out in the present report; and

(iii) called on the Secretariat to propose assessments for the open recommendations made by the Joint Inspection Unit (JIU) for Member States' consideration.

ITEM 8 ANNUAL FINANCIAL STATEMENTS 2014; STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2015

92. Discussions were based on documents WO/PBC/24/8 (Annual Financial Statements 2014) and WO/PBC/24/9 (Status of Contributions as at June 30, 2015).

93. The Chair opened the discussion on the Annual Financial Statements for 2014 and passed the floor to the Secretariat for the introduction of the subject and of document WO/PBC/24/8.

94. The Secretariat explained that the Annual Financial Statements for 2014 included the Annual Financial Report and Financial Statement for end year December 31st, 2014. They had been prepared in accordance with IPSAS standards and had received a clean audit report. They provided, firstly, a discussion and analysis of the results for the year as well as a detailed explanation of the constituent parts of the Financial Statements themselves. There was an overview of the Financial Statements on page 3 of the English version of the document. The statements themselves were followed by a number of tables which were non-obligatory for IPSAS compliance purposes but which provided additional useful information. The first two statements provided details of the financial position and the financial performance of the Organization by business unit while the third table provided details of income and expenditure related to special accounts, otherwise known as Funds-in-Trust. The Organization's results for 2014, as indicated by the Director General, showed a surplus of 36.97 million Swiss francs. The total revenue was 370.2 million Swiss francs and total expenditure equaled 333.2 million Swiss francs. The net assets of the Organization as of December 31, 2014, amounted to 245.79 million Swiss francs. The largest source of revenue was derived from the PCT system fees which accounted for 75.3 per cent of the total revenue. Madrid system fees represented the second largest source of revenue, accounting for 14.9 per cent of the total revenue. The largest expense was personnel expenditure, which amounted to 216.4 million Swiss francs. The second document under this agenda item was related to the status of payment of contributions. Discussions were based on document WO/PBC/24/9, the Status of the Payment of Contributions as at June 30, 2015. This document contained information concerning the arrears in annual contributions and payments towards the Working Capital Funds as of June 30, 2015. However, in accordance with standard practice and since the time of the preparation of this document, a number of payments had been received. Hence, the Secretariat proceeded to read out the list of the payments, specifying that these would be included in the report to the Assemblies in October. So the contributions received from July 1 to September 11, 2015, were from: Bolivia, amount received of 2,849 Swiss francs, Chile 1,340 Swiss francs, Costa Rica 5,171 Swiss francs, Cote d'Ivoire 99,582 Swiss francs, Dominican Republic 11,542 Swiss francs, Greece 85,460 Swiss francs, Honduras 13,914 Swiss francs, India 1,523 Swiss francs, Indonesia 45,579 Swiss francs, Iraq 5,697 Swiss francs, Israel 91,158 Swiss francs, Italy 48,294 Swiss francs, Jamaica 2,849 Swiss francs, Kuwait 11,395 Swiss francs, Maldives 2,767 Swiss francs, Mali 88 Swiss francs, Nepal 1,424 Swiss francs, Niger 166 Swiss francs, Poland 34,188 Swiss francs, Saint Vincent and the Grenadines 2,849 Swiss francs, Tunisia 2,849 Swiss francs and from Vanuatu 1,424 Swiss francs.

95. The Delegation of Japan welcomed the Organization's revenue of 370.2 Swiss francs, a 5.3 per cent increase as compared to the previous year and the surplus of 37 million Swiss francs, which was more than double the surplus of 15.7 million Swiss francs in 2013. The

Delegation recalled the need to bear in mind the significant increase which related to the increase of PCT. Given the further growth of the system at least until 2017, it would be wise to stand on the safe side given the changeable situation which had a great impact on patent applications.

96. The Delegation of the United States of America welcomed the presentation of the 2014 financial report and financial statements and was pleased to see that the 2014 financial statements for WIPO were once again prepared in compliance with the International Public Sector Accounting Standards, IPSAS. In the same way as for the budget, the Delegation wished to see increased transparency in the financial statements with respect to the Lisbon Union, pointing out that there was no discussion on the Lisbon Union and that most tables accounted for this system using labels such as “other” or “miscellaneous”. It appeared that all of these line items only accounted for Lisbon but this was not indicated clearly enough. The Delegation noted and preferred the clear representation in the table on page 74 entitled “Revenue, Expenses and Reserves by Segment”. That table was the only audited table that transparently displayed revenue and expenses related to the Lisbon System. In that regard, the Delegation also noted that there was a negative balance of 531,000 Swiss francs for the reserves and Working Capital Funds and asked that this be addressed and every effort made to make the Lisbon System sustainable.

97. The Delegation of Turkey thanked the Secretariat for the report and statements. The Delegation aligned itself with the statement made by Japan on behalf of Group B and expressed its satisfaction in respect of the sound financial situation of WIPO which had been confirmed by the External Auditor as well. The first question related to contractual services, specifically to the commercial translation services which were the only services contracted and for which the money spent had increased as compared to 2013. This increase was linked in part to an increase in the average length of translation time for patent reports. The length of such reports would increase in the future given the increasing technological complexity of patent applications. The Delegation wondered about the possible use of automated tools such as in-house machine translation or contractors in commercial translation services. Secondly, as stated in paragraph 67, the Delegation wondered how the increase of over 60 per cent in the restricted cash amount as compared to 2013 with respect to the financing of after-service employee benefits and liabilities had been determined.

98. The Secretariat mentioned that their PCT colleagues were not present but that, in response to the first question related to contractual services on translation, it believed that every effort had been made to improve the productivity and cost effectiveness of the commercial use of translation services. More details could be provided to the Delegation of Turkey by the Secretariat’s PCT colleagues during the week. In respect of the second question, related to after-service health insurance, the Secretariat specified that, subsequent to a decision made in 2013, 50 per cent of the liability as at the end of that year was set aside in a separate bank account. At the end of 2013 this amount was approximately 80.5 million Swiss francs. Part of the amount remaining from the 6 per cent which was put aside each year as a percentage of personnel costs was used for insurance premiums payable for retirees. Whatever was left of the 6 per cent was added to the 80.5 million Swiss francs already set aside. Amounts were therefore set aside for 2014 which lead to the current balance.

99. Seeing that there were no more requests for the floor, the Chair gavelled the decision paragraph in respect of the annual financial report and on the status of contributions, as followed.

(a) ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2014

100. The Program and Budget Committee (PBC) recommended to the General Assembly and other Assemblies of the Member States of WIPO to approve the Annual Financial Report and Financial Statements 2014 (document WO/PBC/24/8).

(b) STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2015

101. The Program and Budget Committee took note of the Status of the Payment of Contributions as at June 30, 2015 (document WO/PBC/24/9).

ITEM 9 ANNUAL REPORT ON HUMAN RESOURCES

102. Discussions were based on document WO/PBC/24/INF.1.

103. The Chair introduced this agenda item and invited the Director of the Human Resources Management Department to introduce document WO/PBC/24/INF.1 (Annual Report on Human Resources).

104. The Secretariat stated that the report covered the period from July 2014 to June 2015 and would be presented to the Coordination Committee in October 2015. It mentioned that staff continued to be WIPO's most important asset and significant achievements had been accomplished by staff during that period. Innovation and improvements in IT infrastructure were continuously implemented, improving service delivery to global clients, whilst process improvements were made to deliver faster and better services internally to staff and managers. The HR strategy of careful planning and re-alignment had served the Organization well, remaining stable while new jobs in priority areas had been created through re-alignment, which enabled the Organization to do more with the same number of staff. The Secretariat also increased the flexible component of its workforce, enabling it to become an agile and flexible Organization, which was able to respond quickly to new requirements. Staff turnover continued to be low, with around 44 staff expected to retire in the coming biennium. There also remained a high proportion of staff with permanent contracts and long-term contracts for whom investment in training and continuous skills development were particularly important. Geographic diversity was focused upon in the reporting period, with several outreach initiatives being undertaken to attract more applications from poorly represented Member States or from unrepresented Member States. Interview boards attached particular attention to unrepresented countries, and a roster of potentially qualified applicants from these countries had been created and such candidates received information of WIPO vacancies on an ongoing basis. Furthermore, support was being provided to applicants to improve the quality of applications as well as in representing themselves better at interviews and tests. Gender diversity was another area where progress had been made. While gender balance had been achieved with the overall staff in the Secretariat, work remained to be done with regard to representation at senior levels. The Organization was part of UN-SWAP, and reported on a UN system-wide basis on gender mainstreaming. In 2015, a pilot program had been launched aimed at giving comprehensive and personalized support to female staff in grades where gender balance had not been achieved, in order that they would be able to better compete for upcoming vacancies. A number of important reform initiatives had been completed, and new and improved systems were up and running. Contract reform had been fully implemented, the internal justice systems, the WIPO Appeal Board were operational and the status of long-serving, short-term employees was no longer an issue. A new Joint Advisory Group, which was a consultative group on staff matters, had started its work and had already made some important contributions, and its recommendations to create a harmonious and respectful workplace were already being implemented. By the end of October, more than 600 WIPO staff would have completed training in conflict management. In terms of HR process improvements, the integrated payroll system was fully operational, whilst the first phase of the staff self-service system had gone live a short while back. A second more substantive self-service module was planned to be implemented by the end of this year, to be followed by a new and improved electronic recruitment system, a new learning management system and an improved performance management system. The completion of these matters in the biennium 2016/17 would enable the Secretariat to close most of the pending audit recommendations relating to Program 23. Staff costs remained an area of concern, although the proposed budget for 2016/17 foresaw a slightly lower estimated staff component of 67.6 per cent on the overall budget. Savings from a change in rules in home

leave travel had been reflected in the budget and, by the end of 2015, a number of changes would bring certain entitlements in line with the UN system, which would engender further reductions. In 2016/17, the Secretariat intended to continue to implement strategies on improving gender and geographic diversity as well as further integrated planning and re-alignment, which would enable WIPO to further modernize its workforce and ensure that the Organization had staff with the right skills and competencies. With regard to gender balance, the new pilot program for staff was planned to be reviewed early the following year with a view to improving and expanding it into 2016 and 2017. This, in addition to continuing outreach, would enable the Secretariat to reach gender balance, which it had undertaken to achieve by the end of 2020. Other focus areas would include support for organizational resilience and business continuity and the implementation of a mobility policy relating to External Offices. It intended to continue to contribute to the UN system reform, in particular, the implementation of changes to the UN compensation system, which might be decided by the UN General Assembly in the coming months.

105. The Delegation of Japan, speaking on behalf of Group B, thanked the Secretariat for the Annual Report on Human Resources and welcomed the continuous improvements, which had been established as key resources for Member States. While it looked forward to further discussion during the October 2015 session of the WIPO Coordination Committee, it stated that human resources were the most critical part in achieving the Organization's mandate and objectives, and that fact was reflected in the percentage of personnel expenditure of the Organization. Hence, the appropriate administration of human resources was especially important to the Organization given its aforementioned structure. It also understood that the convergence of WIPO as a global service provider in a fast-changing environment and the demand of cost containment from Member States were challenging. In this regard, it appreciated the Secretariat's efforts to respond to such challenging demands by recognizing the stability and flexibility in its workforce through non-staff contracts and outsourcing mechanisms. It added that, in this context, the development of the complementary policy on individual contractual services in 2014 was an important step. With respect to recruitment, which formed the basis of human resources and therefore important to this Organization, Group B reiterated the importance of recruitment being conducted and based on merit, the highest standards of efficiency, competence and equity, whilst taking into account the very technical nature of the Organization and the reality of the services, which WIPO provided in order to achieve the unique mandate, in the UN context, of this Organization. Group B also appreciated the Secretariat's continuous efforts, as indicated in the report, on geographical diversity and gender balance.

106. The Delegation of the United States of America supported the statement made by the Delegation of Japan on behalf of Group B and thanked the Director General and the HR Director for the very detailed and informative report and welcomed the progress that had been made on the new internal justice system, organizational planning, performance management and recruitment. It commended the Organization for its revised and robust performance appraisal system that includes methods to address underperformance, enhanced communication between supervisors and their staff and linked individual performance to organizational performance and objectives. The Delegation was interested in learning more about how issues of underperformance were addressed and resolved. With respect to the internal justice system, it sought to hear more about the new WIPO Appeal Board and how it has contributed to reforming and strengthening dispute resolution mechanisms.

107. The Delegation of Canada supported the statement made on behalf of Group B and had a question with respect to the wording in paragraph 35 of the report, which read "staff availing of part-time work arrangement." and queried whether this implied that staff in positions classified as full-time were somehow availing of part-time arrangements. The Delegation sought clarification as to the exact approach on the issue and what arrangements were being referred to and whether this was a portion of staff that were working in part-time positions or something else.

108. The Delegation of Mexico thanked the Secretariat for submitting the report on human resources to the PBC, which would also be discussed by the Coordination Committee. It stated that its comments had more to do with the budget and supervision rather than with human resources and, since the HRMD Director was present, mentioned a number of the comments that the External Auditor had made about human resources. The Delegation was aware that the External Auditor's report would be discussed by the PBC the following day, but wanted to highlight that the External Auditor did not refer to the lack of controls. The Delegation appreciated WIPO having taken note of these recommendations, for example with respect to accident premiums, benefits such as overtime or subsidies for special functions, and it hoped that the Organization would implement these recommendations for the proper management of human resources. The Delegation concluded by repeating its request to the Director of the HRMD to submit analytical information and alternatives so that Member States would be able to discuss and revise the current policy on geographical distribution, as recommended by the JIU, at the next session of the Coordination Committee.

109. The Delegation of Japan appreciated the Secretariat's ongoing activities and initiatives related to human resources in the Organization and believed that the appropriate management of human resources was essential for sound organizational administration, and even more so as personnel expenditure accounted for approximately two-thirds of WIPO's annual expenditure. It was keen for the Secretariat to continue improving HR management in order to achieve effective services, meeting the demands of the management, the staff and the users. Regarding geographical diversity of WIPO staff, it stated that the aim of the Organization was to provide better services to users and that the financial foundation of this organization was revenue generated from its global IP services, hence geographical diversity should take into account the geographical distribution of international applications, users and the languages used in international applications as well as the individual abilities of candidates.

110. The Delegation of China thanked the Secretariat for providing this detailed report, which gave the Member States an opportunity to better learn about the initiatives and planning of human resources in WIPO. It appreciated the positive achievements made so far on human resources, strategy implementation as well as the efforts by the Organization to improve geographical diversity. It understood that there was no plan to increase the number of new posts in 2016/17, which meant that recruitment would rely solely on openings due to retirement and post separation, and this would prove to be a great challenge to WIPO in order to satisfy WIPO's ever increasing business needs, to improve human resources and to increase geographical diversity. The Delegation therefore appealed to WIPO to establish a long-term human resources diversity strategy, in order to holistically plan new posts and posts left vacant, and to also consider to gradually increase the number of posts in order to increase diversity. It stated that, at the same time, WIPO should further strengthen outreach and promotion of posts, increase transparency of human resources during selection by combining business needs and regional representation as well as increase geographical diversity in order to better satisfy the needs of Member States and customers.

111. The Delegation of Ecuador congratulated the Secretariat on the update of the document and stated that, with respect to geographical diversity, the Organization had very modest results in 2014/15, and that it did not see better results being foreseen in 2016/17 according to information provided by the Secretariat. It stated that, at the last PBC session, Member States had been informed that there would be a plan of action to increase geographical diversity among professional staff and that actions had been taken to promote geographical diversity (such as in various universities) and that the Delegation had requested more information on the plan of action in which Member States were involved. The Delegation sought clarification on a specific sentence in the report, which stated the following in Spanish "additional resources have been allocated for activities on geographical diversity and gender balance.", and requested information on how big that increase would be.

112. The Delegation of the Russian Federation thanked the Secretariat for the HR report and for the information presented, and took note of the steps taken by WIPO to improve actions in that area. On the basis of the report of the External Auditor, it supported measures implemented by WIPO to align itself with other UN organizations, noting that the implementation of these recommendations would entail an additional burden on the HRMD, and that it would be advisable, therefore, to prioritize programs in this area and implement oversight measures. It mentioned that HRMD should get rid of any irregularities in entitlements, for example, as regards to the accident insurance, dependency allowance and so forth. It felt the need that the recommendations from the ICSC be respected and pointed out that there was still some overlap among staff at present. The Delegation viewed favorably the steps taken by WIPO to correct the situation and stated that more active measures should be taken to increase the productivity of staff and to recruit on a wider geographical basis, and that it would support such efforts.

113. The Delegation of Brazil, speaking on behalf of GRULAC, stated that the latter attached great importance to balanced geographical representation and gender diversity in WIPO's workforce. It requested the Secretariat to incorporate a comparative analysis in the report, which would show how these topics were being dealt with within the Organization so that Member States could assess the results of this policy. It understood that this analysis could not be incorporated during the present PBC session, but could be done in time for the session of the Coordination Committee, in order for that Committee to be able to discuss the comparative analysis. It stated that geographical balance among the members of the Organization was a fundamental condition and in order to reach this objective, the Secretariat should be in a position to implement Recommendation 6 and requested that a report be submitted to the Coordination Committee which reflected the present principles of geographical distribution in order to ensure broader geographical diversity within the wider WIPO workforce. It mentioned that this request had also been voiced by other members of GRULAC during the session. With respect to statements already made on the nature of the Organization, the Delegation reiterated, on behalf of GRULAC, that it was their understanding that WIPO was first and foremost a multilateral organization from the UN family and that it was surprising to hear some members stating that it was something different from that.

114. The Delegation of Spain thanked the Secretariat for the report and wished to underscore the quality of the report and the abundant information therein. As it had previously stated in past PBC sessions, and which was of particular interest to the Delegation, the financial and budgetary part of human resources had not been picked up in the report. It reiterated that the report was very good and that it was informative and established general lines and objectives, but that the Delegation was more interested in receiving detailed information on the more important budget lines of human resources expenditure, to know what the evolution was, the budget repercussions of the increase of managing posts, the organization of the temporary posts, which have occurred in the past couple of years, as these issues were highly relevant to the PBC, in order to analyze the evolution instead of future trends from the expenditure point of view. It mentioned that it had already received an answer to this question as this was part of the Program Performance Report of WIPO, but added that the inclusion of a simplified part would be relevant and would complement this report, and suggested that a brief paragraph be included in the future version of the report.

115. The Delegation of United Kingdom thanked the Secretariat for the report and stated that, while it supported WIPO's various outreach activities and endeavors to the most suitable candidates for WIPO posts, and that those activities included paying extra attention to the underrepresented regions, it firmly believed that experience and merit ought to be the primary considerations when assessing candidates for WIPO professional workforce.

116. The Secretariat responded that, with respect to geographical distribution, it had prepared a document that would be shared with the Chair of the Coordination Committee and which included background information that would enable Member States to discuss the 1975 Accord and how they wished to carry this issue forward. With respect to part-time work, it clarified that

the Organization did not really have posts which were only part-time posts, that the statistics reflected the fact that the large majority of part-timers were staff who worked 80 per cent. It added that this arrangement responded to the needs of the local education system, where schools were closed on Wednesday afternoon, which meant that many of the Secretariat's female staff took time off in order to attend to family obligations. It also conveyed that that arrangement was not an entitlement, *per se*, but that the Organization attempted to accommodate those requests to the extent possible and that, in most cases, managers were able to re-allocate the work in such a way that those staff members could work 80 per cent. It also mentioned that the possibility of working at 90 per cent had been recently introduced which had also helped the Organization in areas where it had been difficult to accommodate somebody being away a whole day. It also clarified that when staff worked 50 per cent, the Organization was actually able to hire someone to fill in for the missing 50 per cent, whereas that was not possible when it was 80 per cent. The Secretariat added that part-time working arrangements were a tool that allowed women, mainly, to deal with work-life balance issues and that very often the arrangement was requested for temporary periods while children were small or of a certain age, and that most often staff members came back to work at 100 per cent after a certain period of time. With respect to the query on underperformance, the Secretariat stated that there was a requirement to create work improvement plans if there was an instance of underperformance. The supervisor had to sit down with the underperforming colleague and explain exactly what was expected and then give the staff member an opportunity to respond to those requests. Furthermore, the Organization supported this process with training or with coaching in order to bring the staff member back to fully satisfactory performance. It added that when someone had less than satisfactory performance for two years in a row, the annual salary increment ceased to be granted and that, in most cases, staff members were able to address the problems and obtain a fully effective performance in the second year. With respect to the WIPO Appeal Board, the Secretariat explained that the latter had issued a report, details of which were not available yet, and that the Board had two parallel teams, composed of an external chair and an external deputy chair, along with staff members, to manage the load of cases. The two teams had enabled the Board to respond to appeals much quicker than in the past. With respect to the Audit recommendations, the Secretariat mentioned that it had accepted all recommendations of the External Auditor, most of which would be implemented at the beginning of 2016, especially those where changes to Staff Regulations and Rules had to be made, which impacted some of the benefits and entitlements in order to bring them in line with the UN system. As to the accident insurance premium, staff members would be able to continue to avail of the services of having this non-service-related accident insurance, but they would have to pay the whole premium themselves. With respect to the statements made on geographical diversity, in line with the geographical realities of the Organization and the filings received from certain regions, the Secretariat confirmed that there were no plans to create new posts for the time being and that the strategy of re-alignment would continue to be implemented, and that when posts became vacant, they would be brought in line with the needs of the Organization. On the additional resources that were allocated to geographic diversity, the Secretariat said that this would enable the Organization to advertise in targeted regions and conduct more outreach, similar to the outreach activities undertaken in Asia, where IP offices had been consulted and universities visited to inform and ensure that vacancies actually trickle down to the staff in those offices and to university graduates. Those outreach activities would also enable the Organization to encourage qualified applicants to take an interest in the work of the Organization and to apply for jobs, with the aim that such activities would bring about an improvement in geographic diversity. With respect to the query from the Delegation of Spain, the Secretariat indicated that further details of personnel expenditure could be found in the Financial Statements, which contained a comprehensive analysis, notably paragraphs 41, 42, 43, 44, and which were all related to information on the expenditure analysis for personnel expenditure, including the breakdowns of the totals by net base salary, post adjustment, the UNJSPF payments, after health insurance contributions and other costs. It added that, with respect to expenditure related to staff in temporary positions, information was available in the Financial Statements in the table of paragraph 43.

117. The Delegation of Spain agreed that information on expenditure could be found in other documents, and only partly, and echoed that there was a lack of basic information in the Annual Report on Human Resources relating to the details of staff expenditure, which would enable the Delegation to look into the evolution of expenditure. It added that Member States had been informed that the number of staff had remained the same and that staff expenditure was well controlled, nevertheless a simple table on human resources-related expenditure should be included in the report to make it more to the point, which would also be beneficial to the report, and that this request had already been made by the Delegation for the past three years. It mentioned that it would look into the relevant paragraphs contained in the Financial Statements indicated by the Secretariat, but that it was of the view that these would not be sufficient to respond to its queries.

118. The Secretariat stated that it had tried to avoid duplication of identical information in two different reports and proposed that an informal discussion take place between the Delegation and the Secretariat in order to ascertain how the latter could better respond to the Delegation's needs.

119. The Delegation of Ecuador thanked the Secretariat for its response to the Delegation's query and added that part of the question, with respect to the additional resources allocated for activities relating to geographic diversity and gender balance, had not been fully answered. The Delegation repeated its request for the percentage of increase of additional resources allocated for these activities.

120. The Secretariat informed the Delegation that it was not yet in a position to provide the percentage increase and how these additional resources would be allocated, and that it would provide the information to the Delegation once available.

121. The Chair thanked the Secretariat for the presentation of the Annual Report on Human Resources and conveyed that this report would be discussed again in October 2015, at the forthcoming session of the Coordination Committee.

ITEM 10 PROPOSED PROGRAM AND BUDGET FOR THE 2016/17 BIENNIUM

122. Discussions were based on documents WO/PBC/24/11, WO/PBC/24/16 Rev. and WO/PBC24/INF.3

123. The Chair opened discussions on the proposed Program and Budget for the 2016/17 biennium and noted that three documents had been prepared for this item. Document WO/PBC/24/11, which was basically the revised Program and Budget proposal containing amendments requested by the PBC in its July session. The second document for consideration under this agenda item was WO/PBC/24/16 Rev, presenting options for the financial sustainability of the Lisbon Union. The third one was document WO/PBC/24/INF.3, which was an update on the proposal of the PCT Working Group concerning the hedging strategy for PCT income. The Chair invited the Secretariat to introduce an additional paper for this agenda item containing the list of changes made to the draft Program and Budget proposal.

124. The Secretariat explained that the Index of Changes listed all the changes agreed during the July PBC session. The Secretariat had been guided by the 23rd session decisions in carrying out revisions to the proposed Program and Budget document. In addition to the agreed changes three other corrections had been made, which were also listed therein. The Secretariat then referred to the document already mentioned by the Director General in his remarks, i.e., the document setting out the current available options for the financial sustainability of the Lisbon Union, which would facilitate Member States' discussion on the matter. The third paper was the update on the implementation of the hedging strategy in the PCT. In the July session, the PBC had requested the Secretariat to update the 24th session on the progress made in respect of preparations for the adoption of the hedging strategy for

PCT income. The Secretariat added that it had been working with external consultants and the in-house IPSAS specialists on how to proceed in terms of accounting as well as on the analysis of the various aspects of hedging. The Secretariat had also been consulting with other UN agencies. The analysis had raised many significant issues, of which one was related to forecast accuracy. There were other aspects, e.g. those related to the information systems. All those were set out in the document WO/PBC/24/INF.3 before the Committee. The Secretariat added that it was seeking the PBC's guidance on how to proceed with the hedging strategy at this stage.

125. The Delegation of Japan, speaking on behalf of Group B, opened by thanking the Chair for the efficient and organized chairmanship during the discussions on the Program and Budget at the previous PBC session, which had clearly identified programs that should be further discussed at the present session, as well as those which were acceptable to all Member States. In this regard, Group B believed that such methodology was critical in order to take advantage of two formal sessions of PBC to the maximum and added that Member States should respect such methodology by not introducing new issues or repeating the same arguments. According to the list of decisions (WO/PBC/23/9) the subject for further discussion at the present session were Programs 3, 6 and 20. With respect to Program 3, Group B continued to believe that necessary interaction between the Secretariat and Member States would be secured under the current language for the TAG project. The introduction of language leading to micromanagement of the Secretariat should be avoided. Group B remained open to discussing a language which could accommodate other delegations' concerns as far as it maintained such principle. Concerning the issue of new external offices in Program 20, Group B echoed the sentiment on the necessity of the Guiding Principles, as expressed by GRULAC and the Asia and the Pacific Group at the last session. Therefore, Group B supported the current approach by the Secretariat i.e., using the category "unallocated" in the budgetary context. Turning to Program 6, Group B believed that frank discussion could be held by Member States and under the Chair's wise guidance. The ultimate goal was the approval of the Program and Budget for the coming biennium. Last but not least, regarding the update on the hedging strategy for PCT income, Group B recognized some challenges which should be tackled before the implementation of the hedging strategy. From that perspective, Group B thought that more time would be necessary to tackle those challenges before the actual implementation of the hedging strategy. In particular, in view of the uncertainty of the economic situation, and in order to allow more time for the consideration of those challenges, Group B proposed additional language for the decision under this item. The proposed language read: "With regard to the recommendation of the PCT Working Group contained in document PCT/WG/8/15, the PBC has been informed through document WO/PBC/4/INF.3 of several issues regarding the implementation of a hedging strategy for PCT income. After careful consideration of the issues contained therein, the PBC recommends to the Assemblies of the Member States, each as far as it is concerned, to allow for more time for the Secretariat to further analyze these issues in detail, in order to properly assess all the challenges associated with the implementation of such a hedging strategy. Therefore, the PBC recommends to postpone this decision until sufficient analysis has been undertaken".

126. The Delegation of Romania, speaking on behalf of the CEBS Group, expressed its support for the current draft of the Program and Budget for the 2016/17 biennium, as amended following discussions held at the previous PBC session. The CEBS reiterated its particular interest in Programs 10 and 30. As for the remaining contentious issues, the Group provided the following comments. On the TAG project, the CEBS Group was supportive of the draft text as it believed that the Secretariat should be able to develop projects in response to requests from Member States, including the drafting of best practice studies. As regards Program 6, the Delegation of Romania thanked the Secretariat for the additional information provided in the updated Q&A document and the document concerning options for the financial sustainability of the Lisbon Union prepared in response to the call for more transparency in relation to the Lisbon Union. The Delegation expressed the wish that an acceptable solution could be found that would not be detrimental to either of the Unions covered by Program 6. In relation to the

External Offices, the CEBS supported finalizing the Guiding Principles before taking any specific decision on the numbers and locations of the Offices. With regard to the hedging strategy, since members had just acknowledged that more time was needed for consideration of the proposal, the CEBS would consider the proposal made by Group B.

127. The Delegation of Brazil, speaking on behalf of GRULAC, referred to some issues that were still pending from the previous session and understood that perhaps, with more discussion, members could find solutions for each and every one of them. As mentioned by Group B, agreement needed to be found on them. The Committee had heard some very important information from the Director General that could guide the membership towards agreement on Program 3. On program 5, GRULAC stated that it had requested additional information at the twenty-third session of the Committee on how PCT fee reductions could be planned in the budget for the forthcoming biennium to demonstrate how the Organization could deal with any new fee reductions that might be envisaged. On Program 15, GRULAC had requested more information. The previous week the Group attended a very interesting briefing with the Secretariat during which it had been informed that the Program manager responsible for Program 15 would be providing more information during the session. Regarding Program 20, the position of GRULAC was well known, and the Group was ready to discuss and to find a common solution. GRULAC emphasized that its position was that members could find solutions to each and every one of the problems. There was sufficient time as the session ran ahead of schedule. GRULAC proposed revisiting each of the programs on which there was no agreement to find very specific solutions to the problems and questions raised. GRULAC was ready to come back to the discussion after it received more information from the Secretariat on the specific issues in the programs still open for discussion.

128. The Delegation of the United States of America, while endorsing the statement made by the Delegation of Japan on behalf of Group B, especially in respect of the hedging proposal for the PCT, welcomed the revised Program and Budget document and expressed its appreciation for the detailed answers to many questions provided in the updated Q&A document. The Delegation also valued the contribution of the PBC to the governance of the Organization by providing an opportunity for Members to agree upon budget priorities and performance metrics for future years. The Delegation strongly supported the important work of WIPO and recalled that the United States of America placed the utmost importance on the principles of transparency, accountability and good governance throughout the UN system, including WIPO. The Delegation was of the view that the proposed Program and Budget could be further improved to better enshrine those principles, by reporting the expenses and income more accurately and by reporting the expenses in a more transparent manner by using less aggregation. In that regard, the Delegation pointed out that, for example, the costs of the Madrid and Lisbon Systems were overly aggregated and that there was insufficient transparency as to the premises and maintenance costs for the floor space for each program and parts of programs, such as External Offices. The Delegation then briefly recalled the six conditions that had to be met before the United States would be in a position to recommend the adoption of the Program and Budget for the 2016/17 biennium. Referring to the first condition, concerning the separation of accounting, the Delegation recalled that in 2003 a decision to amend the WIPO Convention had been taken to, among other things, create one budget for the Organization that would be reflected in a fair and transparent manner, thus departing from the two separate budgets which had existed until then, namely the budget of expenses common to the Unions and the budget of the Conference. The Delegation went on to say that the amendment had been intended to implement the unitary contribution system for the six Contribution-Financed Unions, namely Paris, Berne, IPC, Nice, Locarno and the Vienna Unions. In other words, neither the original WIPO Convention nor the 2003 amendments addressed the budgets of the four Fee-Financed Unions, namely the PCT, Madrid, Hague and Lisbon Unions. The Delegation further recalled that the examination of the contribution system to fund the Organization had been a lengthy process and that Members had not been able to agree on a unitary budget as such, in particular because some Members wanted the registration Unions to continue to have independent budgets. Hence, instead of accepting that all of the expenses of

the Unions be combined, it was agreed that the income and expenses would be reflected in a fair and transparent manner. As a result, both before 2003 and after, the budgets of the Fee-Financed Unions had been shown in the Program and Budget separately. However, although the budget of each Fee-Financed Union was reflected in Annex III and the budget of the PCT Union and the Hague Union were elaborated in more detail in Programs 5 and 31 respectively, the budget of the Madrid and Lisbon Unions were comingled in Program 6. For example, the performance metrics II.6 and II.7 under 'Expected Results' combined the results of the Madrid and the Lisbon systems, even if those systems were governed by two very different treaties. The Delegation pointed out that, since both treaties were capable of providing protection for geographical indications, advocacy for wider use of the Lisbon System might result in less use of the Madrid System, so that it would be illogical to have the two Systems evaluated with the same Expected Results. Hence, the Delegation was not in a position to agree that these two diverse Systems be comingled and would continue to insist that there should be a clear separation of the two Systems, so that the budget of each Union would be reflected in a fair and transparent manner, as was already the case for the PCT and Hague Systems. While thanking the Secretariat for the visual presentation shown in Annex 1 of the Q&A document, the Delegation noted that the Madrid and Lisbon Performance Indicators were still combined under Program 6, as the costs seemed to be related to the numbers shown in the resources by object of expenditure as well as the budgets of the two Unions shown in Annex III of the proposed Program and Budget. Furthermore, the Delegation noted that the resources for the Madrid System included numbers for the 2014/15 biennium whereas that was not the case as far as the resources for the Lisbon System were concerned. Referring to the second condition, namely that the Lisbon System expenses be fairly reflected, the Delegation expressed the view that if the resources by result and resources by object of expenditure under Program 6 were to be revised, as they clearly had to be, that would be a significant step towards reflecting the income and expenses of the Lisbon Union in a fair and transparent manner. Nevertheless, the proposed budget would still fall short of being fair and transparent as to what costs of the programs would go towards the operating expenses of the Organization. As explained by the Secretariat, even though each program had a line item for finance costs and operating expenses, those line items did not reflect the true costs of the operating expenses for the program, because many operating expenses were spread over Programs 21 through 30. For the Fee-Financed Unions, these costs were reflected as direct Union, direct Admin, indirect Union and indirect Admin expenses. However, although paragraph 3.1.2 of Annex III explained that the cost of Program 1 in respect of patent law was partially part of the PCT Union's budget, in addition to the entire cost of the PCT System, and, similarly, paragraph 3.1.3 of Annex III showed that part of the cost of Program 2 'Trademarks, Industrial Designs and Geographical Indications' was included in the Madrid Union's budget, on the other hand, paragraph 3.1.5 of Annex III showed that the Lisbon Union bore none of the costs of Program 2. It was, therefore, not clear how the cost of Program 6 was split between the Madrid and Lisbon Unions. To further demonstrate the unfairness of the allocation, the Delegation referred to the allocation described in paragraph 4 on page 182 where certain expenses had been allocated according to the ability to pay. In that regard the Delegation expressed the view that allocating according to anything other than the expense that was utilized by the Union would be neither fair nor transparent, and therefore the allocation according to the ability to pay had to stop. Referring to their third condition, namely that the Lisbon budget had to be balanced, the Delegation recalled that the Lisbon budget had to be balanced as required by the Lisbon Agreement itself. Normally, when the budget of a non-Contribution-Financed Union failed to be balanced, the Union would have to utilize its reserve or working capital fund, but the Lisbon Union had neither a reserve nor a working capital fund and because its income was not sufficient to cover its expenses, the deficit had, except for one advance in 1971 from the Government of Switzerland, largely been subsidized by the Organization. Such practice had gone on for over 50 years. Even though the Delegation understood that, for a period of time, the Union might have experienced some financial imbalance, for which there might have been a role for the Organization to play in providing stability, 50 years was too long and, therefore, the time had come for the Lisbon Union's budget to comply with the Lisbon Agreement and WIPO's Financial

Regulations and Rules. Furthermore, it was not clear either from the budget or the Financial Statements precisely how both the Lisbon and Hague Systems continued to operate at a deficit, particularly with no reserve or working capital fund to cover the shortfall. Similarly, the Contribution-Financed Unions were projected to have a deficit. The Delegation insisted that the budget and Financial Statements had to be clear about what funds were being used to keep those Unions operating and concluded by saying that, given that the Contribution-Financed Unions were projected to spend more money than contributions received, it would appear that deficits were covered by Madrid Union and PCT Union surpluses. Referring to the fourth condition, namely the study on Lisbon's financial sustainability, the Delegation was of the view that a study on Lisbon's financial sustainability would help the Lisbon Union to make the appropriate decisions as to how the Lisbon System could achieve a balanced budget. The Delegation further recalled that, in a separate paper, it had proposed a work plan for the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) to review the work of the Lisbon Union. In that regard, the proposed study could also be a valuable contribution to the work of the SCT. Referring to the fifth condition, namely that all WIPO diplomatic conferences be open to all WIPO members, the Delegation recalled that in May of the current year the Lisbon Union had held a Diplomatic Conference that was restricted to Lisbon Union members only, in spite of the fact that, for over 20 years, the Organization had held open diplomatic conferences to better enable any agreement negotiated within WIPO to be adopted by its wider Membership. However, as had been recognized by many, a closed Diplomatic Conference was necessary for the Lisbon members because the revision sought changes that could not and would not be accepted by the wider WIPO Membership. The Delegation agreed that a group of countries was certainly free to negotiate agreements among themselves. However, the exclusion of other WIPO Members also meant that the result could not be considered a WIPO Agreement or Treaty without acceptance of the WIPO Assemblies, the Berne Union Assembly and the Paris Union Assembly, as provided for in the WIPO Convention. WIPO had to remain an institution where all Members would be able to negotiate on an equal footing and in an open and inclusive manner. To emphasize the strong interest of the Organization in inclusive norm setting, the Delegation insisted that the Program and Budget had to reflect that the proposed and budgeted Diplomatic Conference would be open to all WIPO Members. Whether the Diplomatic Conference would be held for the Design Law Treaty, a new instrument for broadcasting or one relating to the work of the IGC, such a Diplomatic Conference had to be open to all WIPO Members. As regards the sixth condition, the Delegation indicated that Annex III of the Program and Budget had to be revised and pointed out that the budget of the Contribution-Financed Unions currently exceeded the anticipated contributions and that the budget for the Contribution-Financed Unions also included expenses that were not related to the Contribution-Financed Unions. As the Contribution-Financed Unions were the Paris, Berne, IPC, Nice, Locarno and Vienna Unions, it was not clear why the expenses of Program 4 were fully included within the Contribution-Financed Unions budget. The same applied with regard to Program 12. The Delegation said that the Annex had been the same for many years and believed that it was time to update it. As the Delegation had already explained, the allocation of expenses according to the ability to pay was neither fair nor transparent. Moreover, there was another long-standing unfairness in the Program and Budget that had to be changed, namely the allocation of miscellaneous income. In that regard, the Delegation pointed out that WIPO assets, such as buildings, had been largely paid for by the PCT and Madrid Unions. Consequently, for the WIPO budget to be fair and transparent, miscellaneous income had to be allocated to the Unions that generated that income, which very clearly was not Lisbon Union.

129. Another representative of the Delegation of the United States of America addressed the concerns regarding how the overall budget could be further improved to reflect fairness and transparency. The delegation said that it was not clear from the Program and Budget what the cost of each program was. For example, the floor space used for each program was not reflected in the line item, "premises and maintenance", for each program. Instead, all administrative costs were spread across Programs 21 to 28 with premises and maintenance costs mostly part of Program 24. The budget would be more fair and transparent if it was clear

that the administrative expenses of Programs 21 to 28 were properly apportioned to the remaining programs or Unions. That table also attempted to apportion administrative expenses according to various methodologies, including headcount as well as capacity to pay. The Program and Budget did not reflect what the cost was for each External Office or the WIPO Coordination Office in New York in Program 20. The Delegation appreciated the response in the Q&A as to the questions from the United States and many other WIPO members regarding Program 20, and that WIPO was exploring whether a more cost-effective model could be used other than the WIPO Coordination Office, but it would appreciate more information as to the costs being considered. The current Program and Budget did not appear to demonstrate that the WIPO Coordination Office was less effective than External Offices or even what the cost was for each office. It was explained that the cost of premises for External Offices were included under Program 20 and that the amount of 0.7 million Swiss francs pertained to the rental of office space. The Delegation had understood that the cost for floor space for programs was included in Program 24 and inquired whether Program 24 included any of the costs of the New York Coordination Office and External Offices. From the explanation given, the premises and maintenance line of 662,000 Swiss francs, shown in Table 20, was only for External Offices. Since the New York Office was not an external office, the Delegation asked where the premises and maintenance costs for the New York Office were provided. The Delegation also noted that Question 5 and Answer 5 (in the Q&A document), provided the non-personnel expenditures by External Office and the WIPO Coordination Office in New York. The Delegation asked if the non-personnel expenses included the full cost of the premises and maintenance for each office. It also asked if any other offices had premises that were rented specifically for that Program. If so, was the cost reflected in the part of the budget for that Program or was it the cost shown in Program 24. The Delegation appreciated the opportunity to provide its views, and looked forward to the Committee's continued discussions. In conclusion, the Delegation reiterated that it was not in a position to support the proposed Program and Budget 2016/17 absent increased transparency, accountability and good governance in its presentation.

130. The Delegation of Italy thanked the Secretariat for the timely preparation of the PBC documents and particularly for providing several clarifications and additional information in the Q&A document. The Delegation was of the view that the Q&A document was a very useful tool, as it provided explanations and answers to many important points raised by Delegations during the July session. Therefore, in light of the detailed content of the Q&A document, the Delegation hoped that a solution to some of the pending issues could be found, following a pragmatic approach and in a spirit of collective collaboration and mutual understanding, to the benefit of the entire WIPO Membership. Referring to Program 6, the Delegation pointed out that it would not be in the interest of WIPO Member States to make their agreement on the budget of an Organization with an estimated surplus of over 20 million Swiss francs in the next biennium dependent on a divide in the assessment of an estimated deficit of 1.5 million Swiss francs in the same biennium. Referring to the WIPO Convention, the Delegation recalled that WIPO's mission was to lead the development of a balanced and effective international intellectual property system and pointed out that, according to Article 3 of the WIPO Convention, the objectives of the Organization were 'To promote the protection of intellectual property throughout the world through cooperation among States and to ensure administrative cooperation among the Unions'. The Delegation went on to say that Article 4(i) of the WIPO Convention stated that 'WIPO shall promote the development of measures designed to facilitate the efficient protection of intellectual property throughout the world and to harmonize national legislation in this field'. Hence, all Member States should cooperate in good faith in order to reach those goals. Following this mandate, it would therefore be coherent and in the interest of WIPO as a whole to promote the Lisbon System and its development under the Geneva Act of the Lisbon Agreement. Moreover, the Geneva Act adopted at the Diplomatic Conference last May was in line with international law and, more specifically, with the Vienna Convention. Promotion of the Geneva Act at the international level would be crucial for the future growth and development of an international system for the registration of appellations of origin and geographical indications and represented an essential pre-condition in order to make progress towards the financial self-sustainability of the Lisbon System. The Delegation reiterated that the

commitment of WIPO in that field was fully consistent with the objectives of the WIPO Convention and would have a positive impact on current Lisbon members as well as on potential new members, in particular developing and least developed countries. The Delegation expressed the view that the provision of technical assistance for a clear understanding of the Geneva Act and the international registration of geographical indications and appellations of origin would also be in line with the Development Agenda goals. According to the principle of equal treatment, not only equal situations were to be treated in an equal manner, but also different situations were to be dealt with in a different manner. In other words, Lisbon Member States were entitled to specific rights and duties connected to their status and enjoyed prerogatives which were directly connected to the obligations they were subject to as a result of their commitment to be part of the Lisbon Union. The Delegation was therefore of the view that any decision considering the budgetary aspects of the Lisbon Union would have to be dealt with by the members of the Lisbon Union only, all the more since that would be in line with Regulation 3.10 of the Financial Regulations and Rules. The level of the fees payable to the Organization for services rendered under the PCT, Madrid, Hague and the Lisbon Systems was determined by the Assembly of the corresponding Union. Referring to the issue as to how the Lisbon System was presently financed, the Delegation pointed out that, in Question 10 of the Q&A document, it was clearly indicated that the Lisbon System was financed by Lisbon fee income, income from the Arbitration and Mediation Center and a share of other income that was equally distributed to each Union in accordance with the methodology on the allocation of income and expenditure by Unions, such as income resulting from credit notes or exchange rate differences and rental income. The Delegation further indicated that in the Answer to Question 1, on page 24 of the Q&A document, it was clarified by the Secretariat that PCT and Madrid fees were not attributable to the Lisbon Union. In that regard, it was evident from the figures provided that the main costs of the Lisbon Union were connected to the costs of human resources at WIPO and that the main income of the Lisbon Union derived from a share of other WIPO income which was equally distributed to each Union according to the WIPO Financial Regulations and Rules. It therefore had to be recognized that the Lisbon Union was not financed by the fees generated from the Madrid Union or the PCT Union. The Delegation further recalled that, since 2014, the Italian Government had been supporting the work of the Lisbon Registry by providing financial support for a WIPO staff post. Referring to the issue of more budget transparency, the Delegation favored the provision of specific information and figures pertaining to the Lisbon System, for the benefit of all interested Delegations, even if, in its view, the Q&A document had already fully achieved the objective of providing more transparency regarding the Lisbon Union. Finally, the Delegation was of the view that there was no need to conduct a study on the financial sustainability of the Lisbon System, since the Secretariat had already provided a very clear picture of the past and present budgetary situation of the Lisbon Union and its evolution over time. Moreover, such a study would represent an additional cost for the Organization and it was unclear how much the cost of such a study would be and how it would be financed. In conclusion, the Delegation said that it could approve the current draft document WO/PBC/24/11.

131. The Delegation of Croatia endorsed the statement made by the Delegation of Romania on behalf of the CEBS Group. Regarding Program 3, as a general remark, the Delegation proposed considering, in the future, supplementing the current traditional developing countries, transition countries and developed countries programming approach by a more nuanced and targeted approach based upon the performance in the field IP. As a specialized UN agency, WIPO should support development in this particular field, which did not necessarily correspond to the general level of economic development of Member States measured by the economic parameters. This particularly related to the middle-income countries where development of particular aspects of the IP system was more related to the general legal and social background of the country rather than to the current economic performance expressed in general economic parameters. Recent WIPO work in the field of economic studies and IP-related statistics provided a solid and valuable base for such sophisticated approach. Regarding Copyright and related rights, the Delegation had noticed some inconsistency between planning and implementation - in 3.1 it was rightly stated that fundamental changes had occurred in the global

environment for creative works which reduced challenges and opportunities for WIPO. This was most evident in the area of Copyright and related rights where digital technology, the Internet and mobile applications were profoundly changing the culture and creative industry. The same applied to point 3.5 which stated that in a rapidly changing world, which was increasingly dependent upon digital technologies, the biggest infrastructure challenge would be to ensure that rights holders receive their full due and that rights users had easy legal access to the copyright content of their choice. However, it was not quite clear how the digital technology revolution would be addressed by mentioned activities, which seemed to deal with rather conventional Copyright issues. The Delegation hoped that the Member States and the Secretariat would consider its remarks in future work.

132. The Delegation of France thanked the Secretariat for the documents prepared and for the clarity of the responses in the revised Q&A document. The delegation wished to remind Delegations of some elements that were perhaps not familiar to Member States that were not familiar with appellations of origin. The Lisbon System currently managed the Lisbon Agreement for the protection of appellations of origin, which constituted a specific legal category of intellectual property and which took the form of a distinctive sign that was used to highlight the very strong link between a given product and its place of origin. As the Lisbon Agreement, following its adoption in 1958, had attracted only a limited membership, namely 28 Contracting Parties, the decision had been taken to revise the Agreement, so as to make it more attractive for users and potential new members and also to extend the protection to geographical indications, an intellectual property right which included appellations of origin while being based on a link that was somewhat less strong than that required for appellations of origin. The Delegation pointed out that the revision of the Lisbon Agreement had been carried out in conformity with international law, since the Agreement itself stated that it could be revised by its Contracting Parties, which in turn echoed Article 39 of the Vienna Convention on the Law of Treaties. The Lisbon Agreement had been revised after six years of work in various sessions of the Working Group on the Development of the Lisbon System, in which all WIPO Member States had been able to participate. The same applied in respect of the Diplomatic Conference that had been convened for the adoption of the revised Lisbon Agreement, as observer WIPO Member States attending the Diplomatic Conference had proposed amendments, of which several had been incorporated in the Geneva Act of the Lisbon Agreement on Appellations of Origins and Geographical Indications. Turning to the issue related to the financing of the Lisbon Union, the Delegation wished to recall some figures. Prior to the revision exercise, the Lisbon Union had expenditures of about 800 thousand Swiss francs per year. Since then, the expenditure had increased considerably and the estimate proposed by the Secretariat for the next biennium was approximately 1.1 million Swiss francs per year. This had to be put into the perspective of the total budget of WIPO, which amounted to more than 350 million Swiss francs per year, with a surplus of several million Swiss francs. The Delegation also wished to recall that the budget of WIPO was established per Program. It was a single budget which, in a spirit of solidarity, enabled the financing of activities which did not benefit from allocated earnings, such as development activities or the WIPO Academy activities, for example. The Delegation went on to say that the single budget enabled the smooth running of WIPO as well as the conduct of the missions entrusted to the Organization in its constitutional charter. Moreover, the establishment of the budget in a cross-cutting and unique way over the past 20 years had benefited all the Unions and all the activities of WIPO. By way of conclusion, the Delegation expressed its satisfaction with the proposed Program and Budget for the 2016/17 biennium, which accurately reflected those principles. The Delegation recalled that the discussion related to the financing of the Lisbon Union would be undertaken during the Assembly of the Lisbon Union, at its upcoming session in October 2015.

133. The Delegation of Chile referred to Program 3 and insisted on the importance of guaranteeing transparency and inclusivity of all the member countries in the decision making that would directly affect or impact them. The Delegation took note of the activities which had been announced at the beginning of the session, particularly the seminar which would take place in Colombia in December. However, the Delegation considered that this was a topic

which members should work on during the session as was expressed by GRULAC Coordinator. Regarding Program 6, the Delegation supported the proposals to clarify the information provided on the budget of the different Unions. Transparency was a value for the benefit of Member States. The delegation expressed the hope that the draft of the Program and Budget in respect of Program 6 could be approved, which was the main objective for the session of the PBC. Regarding Program 15, the Delegation recalled that it had various bilateral conversations with the Secretariat during the previous session regarding this program. The Delegation commended the Secretariat for the clarifications provided in the Q & A document. The Delegation indicated, however, that it would continue upholding the importance of the submission of information which distinguished the different elements included in the Program, specifically what was understood as “business solution” and under business solutions. It hoped to find a way of incorporating this clarification in the budget in the future.

134. The Delegation of Iran (Islamic Republic of) expressed its support for the statements made by the Delegations of Italy and France on Program 6. The Delegation said that the Working Group on the Development of the Lisbon System had always made great efforts to involve all interested States and non-Members of the Lisbon Agreement and encouraged greater participation by these countries in the sessions of the Working Group since its establishment. The deliberations in the Working Group and the Diplomatic Conference in May 2015 had always been inclusive and transparent. Observer Delegations had been in a position to contribute significantly to the discussions. All members of the Lisbon System had shown a high level of openness and tried to incorporate the ideas and concerns of all in the process of its negotiations. The Delegation recalled that any treaty could be amended in accordance with the corresponding provisions provided in the treaty itself or in accordance with the general rules on the amendment of the treaties elaborated in the relevant articles of the Vienna Convention on the Law of Treaties. In particular, Article 39 of the said Convention emphasized that a treaty could be amended by agreement between the parties. The Delegation further stressed that Article 13(2) of the Lisbon Agreement stated that the Agreement could be revised by conferences held between the delegates of the countries of the Special Union and stated that the Diplomatic Conference had legally and legitimately approved the Geneva Act of the Lisbon Agreement in May 2015. The Delegation indicated that the main objectives and functions of WIPO were to promote the protection of intellectual property throughout the world in accordance with Articles 3 and 4 of the Convention Establishing the World Intellectual Property Organization. Geographical indications and appellation of origin were intellectual property rights just as was the case for copyright, trademarks, patents and designs and WIPO was committed to promote the protection of all types of intellectual property, including geographical indications and appellations of origin. The Delegation welcomed and supported transparency, clarity and openness in the Organization, in particular on the budgeting process. The Delegation indicated that it was ready to consider all options for the financial sustainability of the Lisbon Union, as elaborated in the Lisbon Agreement, including increasing registration fees and establishing working capital funds. Referring to the proposal of the Delegation of the United States of America on Program 6, the Delegation of Iran (Islamic Republic of) said that, as also indicated by other Delegations, consideration of that proposal was not only within the mandate of the PBC but also required, as a prerequisite, that WIPO would first be restructured and its Financial Regulations amended. The Delegation said that it was not in a position to go along with the proposal, which seemed to be contrary to some constituent elements of the Paris Convention for the Protection of Industrial Property and the WIPO Convention. The proposal was also not acceptable because it was contrary to the unitary contribution system and eliminated the discretion of the Director General with respect to the Lisbon Union budget. The Delegation also supported the statement made by the Asia and the Pacific Group and the CEBS Group in that finalizing the Guiding Principle for External Offices was a prerequisite to taking any decision on the locations and the numbers of those offices, in accordance with the 2013 recommendation of General Assembly.

135. The Delegation of Mexico expressed satisfaction with proposals on Programs 9, 19, 18, 25, 28 and 30. The Delegation said that it could not go along with the proposal made by the

Delegation of the United States of America to amend the presentation of Program 6 in the proposed Program and Budget. The Delegation was of the view that, first of all, the proposal would have a negative impact on the functioning of WIPO and, particularly, for all those programs which did not generate income but were of particular importance for Mexico and for many other countries. In this regard, the Delegation referred, in particular, to copyright issues, the WIPO Academy, the Development Agenda, the Marrakesh Treaty and technical assistance. Secondly, the Delegation of Mexico could not support this proposal since its implications and nature ran counter to the decision adopted by the Assemblies of WIPO in 1993, where a single contribution system had been established, and the practices followed since then. As the Secretariat had rightly pointed out, this system simplified the administration of contributions. Moreover, it created an incentive for WIPO Members to adhere to those Unions of which they were not yet members. Finally, the unitary contribution system corrected the previous system which was not sufficiently fair, as far as the majority of Developing Countries were concerned. The Delegation considered that it was important to separate the issue of the sources and methodologies of financing the Lisbon System regarding the unitary contribution system of WIPO and the methodology of allocation of expenditure of all the programs of the Organization. As to the financing of the Lisbon System, the Delegation was grateful for the document submitted by the Secretariat, in which details of different alternatives for a sustainable Lisbon System were provided. The Delegation stated that it was ready to assume its responsibility as a member of the Lisbon Union and would act accordingly during the discussions that would take place in the upcoming session of the Assembly of the Lisbon Union. Regarding Program 20, the Delegation supported the intervention made by the Delegation of Brazil on behalf of GRULAC. The Delegation reiterated its concerns regarding the plans to close the Coordination Office in New York as it was essential to retain the link with the United Nations systems, which would ensure consistency in the ability to deal with implementation and follow up of the sustainable Development Agenda 2030. The Delegation considered the functioning of the high level forum under the ECOSOC as a space where there would be an overall follow up on the development goals. In that space, active participation to follow up on the whole UN system, including the specialized agencies, would be essential. WIPO was no exception. Because of the strategic importance of the New York Office, the decision to close it could not be based only on budgetary considerations. The Delegation could see that the supposed savings from the said closing were minimal and of token value.

136. The Delegation of Sweden said that, as regards Program 6, it would like to see the budget and reporting of the Lisbon System clearly separated from the Madrid System. The Delegation said that it did not have an opinion on whether this should be within the existing program structure or separated into two programs. The Delegation was of the view that the Lisbon System should be self-financed and balanced. Therefore, the Delegation of Sweden considered it important to have separate, transparent auditing and reporting for the Madrid and Lisbon Systems.

137. The Delegation of Hungary said that it supported the budget proposal for the 2016/17 biennium as it had been presented. The Delegation supported the statement delivered by Romania on behalf of the CEBS Group and aligned itself with the views and arguments presented by the Delegations of Italy and France as regards Program 6 on the Madrid and Lisbon Systems. The Delegation recalled its position at the last session of the PBC. It believed that the fact that the two Unions constituted a single Program did not stand in the way of presenting their own individual budgets in a fair and transparent manner. The Delegation did not share the view that the Lisbon and Madrid Systems were two very different registration systems with very different subject matter and different users. They both concerned products and business identifiers or, in other words, distinctive signs used in trade. Appellations of origin and other geographical indications were closely interlinked and there were a number of interactions between their protection systems. There were cases where a trademark could not be registered or could not be used because of a geographical indication and there were cases where a geographical indication could not be protected because of an earlier trademark. In addition, there were cases where these rights coexisted alongside each other. The current

Lisbon Agreement already dealt with all these situations. However, the recently adopted Geneva Act went even further in this regard and contained more elaborate, explicit and balanced provisions on the relationship between trademarks and geographical indications. Moreover, there was a specific school of legal thought according to which it was trademark law that could best protect geographical indications, in particular through collective and/or certification marks. Neither the present Lisbon Agreement nor the Geneva Act of the Lisbon Agreement excluded this type of protection for geographical indications. Thus, among the registration systems administered by WIPO, the Madrid and Lisbon Systems were by far the most closely interrelated systems and the systems with the most in common. Regarding Document WO/PBC/24/16, the Delegation noted that it was well known that the financial situation of the Lisbon Union was determined basically by two main factors. Firstly, it had been rightly pointed out by the International Bureau in its proposal to update the fee schedule of the Lisbon System that, as appellations of origin and other geographical indications were based on geographical names, there was an inherent limit to the total number that might ever exist. In any event, unlike in other registration systems in respect of intellectual property rights, there would never be a continuous and major flow of new applications in respect of appellations of origin and geographical indications. Secondly, the recently increased costs of the Lisbon Union were primarily attributable to the review of the Lisbon System, a process serving the interests of the whole Organization. According to the estimates of the International Bureau, about 70 percent of the total workload of the Lisbon Registry consisted of the services it had provided in respect of the revision of the Lisbon System. Another significant expenditure was related to the introduction of up-to-date electronic tools for running the Registry. These were one-off costs, i.e., expenses that were unlikely to be incurred periodically or permanently. As to the options presented by the International Bureau, the Delegation of Hungary was not in favor of departing from the unitary contribution system of WIPO as established in 1993, legally confirmed in 2003 and consistently applied ever since 1994. The Delegation believed that any decision of that kind would have to be applied horizontally to all Unions and Programs of the Organization. The Delegation said that WIPO Member States could not depart in a discriminatory manner from the unitary contribution system only in respect of the Lisbon Union. The Delegation would be ready to consider a modest increase in the Lisbon fees, especially in view of the fact that they had not been changed since 1994. However, the proposed increase was extremely sharp, as, in the case of the two main fees, it would result in amounts that would be six or seven times higher than the current fees, which might shock users and have a freezing effect on the whole System. The Delegation advocated a more gradual approach. The Delegation further wondered why the document did not consider the precedent set by the transfer or loan provided by the Madrid Union to the Hague Union, by assuming up to three million Swiss francs for the financing of the IT modernization of the Hague international registration system, an amount that was only slightly less than the current accumulated deficit of the Lisbon Union. That investment was also a one-off measure, like those that had generated the overwhelming part of the Lisbon Union's recent expenditure and the assumed deficit. The Delegation believed that it was wrong to state that, with the exception of the Lisbon System, all the other Unions were self-financing. In fact, the Hague Union had generated a deficit that was 20 times higher than that of the Lisbon Union, while its membership was only around double that of the Lisbon Union. This made the whole anxiety about the Lisbon Union's financial situation hardly understandable, especially when WIPO had a surplus of 37 million Swiss francs at the end of 2014. As regards the relatively small amount of deficit of the Lisbon System, the Delegation stressed that it should be borne in mind that handling the deficit and making possible steps fell under the competence of the Lisbon Union Assembly. The Delegation stated that it was convinced that the Geneva Act had been negotiated in an open and inclusive manner. Never in the history of WIPO Diplomatic Conferences had observer delegations been able to play such an active role and contribute to the negotiations to such a large extent as in the Diplomatic Conference where the Geneva Act of the Lisbon Agreement had been adopted. The Delegation concluded by saying that it supported the revised proposal for the Program and Budget and hoped that a compromise solution with regard to Program 6 could be found, so that the PBC would be in a position to

recommend the approval of the Program and Budget for the 2016/17 biennium to the Assemblies of WIPO.

138. The Delegation of Canada fully supported the statement by the Delegation of Japan on behalf of Group B. On Program 3 and the issue of the TAG of excellence quality assurance program, and more specifically the role of Member States in this and other normative initiatives, Canada wished to recall the importance of fully recognizing the Member State-driven nature of WIPO. The Delegation also recognized that providing the Secretariat with some degree of flexibility when developing and implementing non-normative activities was advisable and practical depending, of course, on the breadth and scope of these activities and the implications for the Secretariat. These were the two concerns that Member States needed to balance. Regarding Program 6, the Delegation said that it continued to have concerns with regard to the transparency of the Lisbon System finances, as presented in the documents regarding Program 6 for the proposed Program and Budget for the 2016/17 biennium. The Delegation valued transparency in all WIPO budgetary matters, as it allowed Member States to engage in fact-based discussions and reach informed decisions through the provision of clear information. As part of a broader concern for the Organization's financial sustainability, the Delegation recalled the issues outlined in the Secretariat paper on the Options for the Financial Sustainability of the Lisbon System, which outlined that the Lisbon System was experiencing financial difficulties that would continue, unless the Lisbon Union would implement important and swift adjustments and reforms. The Delegation said that the Lisbon Agreement provided the framework through which the Lisbon Union could put in place such changes and stressed that concrete, practicable options did exist. The Delegation indicated that its interest for WIPO sustainable finances extended to the Lisbon Union as well. Therefore, in a spirit of cooperation, the Delegation of Canada urged parties to the Lisbon Agreement to put the Lisbon Union back on track, as required by the Lisbon Agreement itself. Regarding Program 20 and the relationship between opening new External Offices and the adoption of guidelines, the Delegation said that any decision on new External Offices should be subordinated to a policy framework and a decision by the Assemblies and rigorous analysis under the management framework. Regarding the Secretariat's proposal to shut the Coordination Office in New York, the Delegation noted the information in the Q & A but added that some questions about this proposal remained. First of all, what were the UN specialized agencies that did not have a coordination office in New York. And, second, whether the Secretariat intended to carry out similar reviews such as the one for the Coordination Office in New York for other External Offices and whether it proposed to close down some of these External Offices. The Delegation noted that the JIU, in its 2007 report on External Offices, had issued a number of recommendations for the heads of Secretariat. Relating to the review of External Offices in this context, particularly the replacement of what they did by teleconferencing, et cetera, the Delegation asked whether the Secretariat had taken this into account in considering its action as regards the WIPO Coordination Office in New York.

139. The Delegation of Australia thanked the Secretariat for the prepared budget proposal and, like all Member States, wished to see approval of the budget for the coming biennium. The Delegation, as a general principle, supported transparency in WIPO reporting. Therefore, it supported the proposal to separate the accounting for the Lisbon System from the Madrid System, as this would increase transparency of accounting and be consistent with reporting for other WIPO global IP systems. The Delegation would like the draft view of separated accounting for the two Systems, as provided by the Secretariat in the updated Q&A document, to be reflected in the final Program and Budget. The Delegation also supported the implementation of member obligations and expected the Lisbon Union to implement the terms of the Agreement regarding the financing and costs of the Lisbon System. It welcomed the Secretariat's study on Lisbon's financial sustainability and expressed its concern about the projected annual deficit of the Lisbon Union for the 2016/17 biennium. The Delegation supported the proposal suggested in paragraph 23 of document WO/PBC/24/16, that the Director General should propose to the Lisbon Union Assembly a working capital fund for the Lisbon Union. This was consistent with the Lisbon Agreement and the approach taken in other

Unions for over 30 years. The Delegation did not see why this approach would not be practical and sensible for the Lisbon Union and expressed its wish to work with other Delegations to find a compromise that would allow the budget to pass at the present session.

140. The Delegation of Switzerland referring to document WO/PBC/24/16, Options for the Financial Sustainability of the Lisbon Union, noted that the title suggested that it contained options for the fronting of the Lisbon Union deficit. However, whereas Sections A and B contained such options, i.e., registration fees and contributions by Member States, Sections C and D did not, as a trust fund or advances by the host State were not sources of funding. They were advances in the case of a lack of cash liquidity. Such advances, as provided for in various WIPO-administered treaties, were temporary and ad hoc. They were aimed at making up for any lack of liquidity. They were not income that could be included in planning for future spending and were not part of a budgetary process. Hence, they were not funding options as suggested by the document. The Delegation attached great importance to the respect of the international treaties to which it had acceded and it took seriously its responsibilities as the host State. The Delegation expressed its support for the statement made by the Delegation of Mexico and stressed that the unitary budget of the Organization was essential for its smooth running as a unitary Organization, not just as a collection of Unions created by a number of treaties. WIPO was a lot more than that, as was quite clear from the proposed Program and Budget, which reflected a wide range of activities proper to the Organization. The delegation wished to clarify that the unitary budget was for the whole Organization. This was a fact and not just an accounting exercise, as was clear from the constitutional reform text of 2003, adopted by the WIPO Assemblies and consecrated by a long-standing practice of about 20 years. The term "Union budget" had been replaced by the term "Organization" or "budget of the Organization" and the references to the actual Unions had been deleted. For the details, the Delegation referred to the amendments made at that time, as contained in document A/39/3. By way of example, subparagraphs (a) and (c) of Article 11(1) of the Lisbon Agreement had been modified and subparagraph (b) deleted. Therefore, it was quite clear that the unitary budget was a single budget for the whole Organization. The other treaties contained similar changes. Consequently, it was erroneous to say that the unitary budget was introduced only for the Contribution-Financed Unions. The unitary budget had been introduced for all the Unions, which made sense for a unitary Organization. Finally, the Delegation drew the attention of delegations to the fact that challenging the unitary budget would be a dangerous development for this Organization and would take Members 20 years back in time. Wishing to only briefly refer to the proposal made by Group B on the PCT hedging, the Delegation thanked the Secretariat for the information document (WO/PBC/24/INF.3) and hoped the Committee would attach due importance to that matter. The Delegation of the Czech Republic expressed its support for seeking solutions for ensuring full transparency and long term financial sustainability of the Lisbon Union. The Delegation attached great importance to the adoption of the WIPO Program and Budget for the 2016/17 biennium. The Delegation was strongly against abandoning the unitary contribution system as approved by WIPO in 1993 and applied since then. It should also be applied in the future. The Delegation welcomed all potential measures to minimize expenses and increase efficiency of the Lisbon procedures. The Delegation was not against a responsible increase of Lisbon fees and was prepared to examine the relevant proposal. However, this increase should not be detrimental for users. The Delegation was ready to consider and support the proposal by the Director General on the establishment of a working capital fund for the Lisbon Union, similar to those of the Madrid, Hague and PCT Systems. The Delegation continued to support the existing structure of the WIPO Program and Budget as proposed, but, in a spirit of compromise, would be ready to accept a justified separation of the Lisbon and Madrid budgets as well as to consider temporary loans or transfers of financial means aimed at achieving a balanced budget for the Lisbon System and further improving transparency.

141. The Delegation of the Republic of Korea said that it was the right time to take appropriate actions for setting up the foundations to realize the financial viability of the Lisbon System. For this purpose, the Delegation supported the proposal for separation of the Madrid and Lisbon

Systems in the Program and Budget, as this was necessary for transparency purposes and constructive progress in WIPO.

142. The Delegation of the United States of America, referring to the comments following its initial intervention, said that the WIPO Convention set out the objectives of the Organization in Article 3: (1) to encourage the protection throughout the world through cooperation among Member States and, where appropriate, in collaboration with any other international organization; and (2) to ensure administrative cooperation among its Unions. This required that one Union could not act fully independently of the entire Organization or other Unions. One Union could not draft a revision of a treaty that was essentially a new treaty and have it administered by the Organization or funded by the Organization without the Organization's consent. In deciding to forego the advice of the Coordination Committee in 2014, members of the Lisbon Union Assembly had specifically argued that their actions to conclude a new geographical indication treaty were of no interest to other Unions. However, financial self-sufficiency of the registration system was clearly of interest to the other Unions and the Organization as a whole because, inter alia, other Union fees income funded the effort to create a new geographical indication registry. The Delegation added that other Unions clearly had an interest in the subject matter of geographical indications and on whether or how the Organization administered such an international registration system containing substantive protection standards. The Lisbon Union should not be able to, or should not have been able to, have it both ways: using the general revenue of WIPO to fund a closed Diplomatic Conference. It was clearly an institutional concern that WIPO rules and practice allowed one Union to spend the resources of the Organization and refused to allow other Member States with a real and significant interest in their activities to participate. As to the contention of the Delegations of France and Italy that 1.1 million of the 350 million annual budget was essentially a drop in the bucket and something that should not hold up the approval of the Organization's budget, the Delegation of the United States of America noted that its concerns were not merely quantitative but also based on fairness and transparency. As to the statements of the Delegations of Mexico, Hungary and the Czech Republic about not changing the unitary contribution system, the Delegation of the United States of America asked these delegations to read its room document that had been circulated earlier that day. The unitary contribution system was intended to fund the non-revenue financed Unions. By its very nature of being a registration system, the Lisbon System was and always had been considered a Fee-Financed System. If there was further confusion over this issue, the Delegation requested that the Legal Counsel provide advice on what Unions fell under the contributions funded umbrella. Referring to the statement of the Delegation of Italy that the Lisbon System did not rely on PCT or Madrid fees, the Delegation of the United States of America believed that this was an incorrect reading of the Q&A document. Question 10 was not fully answered by Answer 10. Answer 10 provided that the income allocated to the Lisbon Union comprised certain sources. The Answer did not explain the sources that covered the deficit shown in Table 11 in Annex III. Since the Contribution-Financed Unions were projected to spend more money than the total of the contributions, clearly the only additional revenue was from PCT and Madrid Systems. The Delegation requested the Controller to clarify this point. The Delegation appreciated the efforts by the Secretariat in preparing document WO/PBC/24/16, which offered sensible options for the Lisbon members on how to finally reach financial sustainability of the Lisbon System. The Delegation also appreciated the Director General's offer, as mentioned in paragraph 23 of the document, to prepare and submit a proposal to the Lisbon Union Assembly for the establishment of a Lisbon Union working capital fund. As a member of the Coordination Committee, the Delegation was ready to objectively review and provide thoughtful advice on such proposal. However, the Delegation noted that, while the establishment of a working capital fund was a step in the right direction, it was just a temporary solution to a long-standing systemic problem. The Lisbon Union Assembly would need to carefully design from the options listed in WO/PBC/24/16 a solution that would provide permanent financial sustainability for the existing Lisbon Union. Finally, referring to the Secretariat's explanation of contributions in WO/PBC/24/16, the Delegation stated that contributions by the Lisbon contracting parties or advances from the host government, as provided for in the Lisbon Agreement, would in no way

undermine the unitary contribution system adopted in 1993, which was never intended to fund income producing Unions, especially those like the Lisbon Union, whose treaties required them to be self-financing. Moreover, the Geneva Act of the Lisbon Agreement might or might not enter into force during the next biennium. The Delegation proposed that the question of the administration of this treaty be placed before the full Membership of WIPO and its appropriate organs during the annual meeting of the WIPO Assemblies in October 2015.

143. The Delegation of Argentina supported the statement made by the Delegation of Brazil on behalf of GRULAC. As regards Program 6, the Delegation of Argentina said that it attached great importance to transparency. The Delegation therefore considered essential to separate the components of Program 6, so as to have clear information on each of the two Systems, the Lisbon System and the Madrid System. The Delegation was grateful to the Secretariat for the preparation of the Study on Options for the Financial Sustainability of the Lisbon Union, WO/PBC/24/16 and trusted that this document would be of use when taking decisions on the contributions, fees and other alternatives that would lead to the sustainability of the Lisbon Union. The Delegation expressed its preparedness to work constructively with a view to achieving a satisfactory solution to outstanding issues and, thus, allowing adoption of the Program and Budget.

144. The Chair summarized that the issues that remained open were related to Program 3, 6 and 20. Regarding Program 3, it was about the role of Members in the TAG project. Some delegations also mentioned concerns about the digital economy. Regarding Program 6, the Chair proposed to deal with the issues as a group, one by one, organized in terms of the six specific requests that the Delegation of the United States of America had made. The Chair noted that there was a general sort of agreement and flexibility shown in the proposal of increasing the transparency, the acknowledgment of the effort of the Secretariat in providing the Q&A and the information on the specific numbers relating to each one of the two Unions, the Madrid Union and the Lisbon Union. Statements on Program 20 centered on the importance of setting the Guiding Principles before moving forward on the decision on the External Offices. Also, concerns were raised regarding the proposal to close the New York office. Regarding Programs 5 and 15, the Chair invited the respective Program Managers to respond to Delegations' questions and concerns. In respect of hedging, the Chair was looking forward to a proposed draft decision that Group B was going to put forward. The Chair invited Delegations to comment on his assessment of the discussions.

145. The Delegation of Brazil was in favor of the Chair's proposal on how to proceed with further discussion.

146. The Secretariat, in response to the request from the Delegation of Brazil, recalled the discussions that had taken place at the eighth session of the PCT Working Group, held in May 2015, on possible PCT fee reductions for universities and public research organizations, either from all Member States or from developing countries only. Although there had been general sympathy for such fee reductions, no agreement had emerged on this issue. The Working Group had also raised the question of how such fee reductions could be introduced in a budget neutral manner and, although not expressly stated in the summary by the Chair nor the report of the meeting, it appeared fair to say that there had been broad agreement that any new proposal on this matter, whether from the Secretariat or a Member State, would need to show how such reductions could be funded in order to compensate for losses in revenue to WIPO. Several possible funding options were on the table, as had been discussed in the PCT Working Group in earlier discussions which eventually led to agreement on new eligibility criteria for fee reductions for natural persons from certain countries, notably from developing countries. In summary, the proposed Program and Budget for the 2016/17 biennium had not provided for a possible decision of the PCT Assembly to reduce fees for universities and public research organizations for two reasons. First, there was no concrete proposal under consideration by any Member State at this stage, and second, any future proposal would need to be presented in a budget neutral manner so as not to affect overall PCT fee income.

147. The Delegation of Brazil, speaking on behalf of GRULAC, in reaction to the response by the Secretariat, stated that the Delegation had understood the question that had been raised in the Working Group to have been a question about how the Organization would be affected by any possible decline in fee income, rather than requiring any proposal for fee reductions to be budget neutral. Thus, the information that the Group of States of Latin America and the Caribbean (GRULAC) had requested related to the question as to how possible fee reductions could be envisaged in the Program and Budget, noting that the issue was related not to expenditure but rather to a reduction in income. Perhaps Program 5 would not be the right place to provide such information, in which case the information on possible scenarios on fee reductions for universities, whether or not limited to developing countries, could be provided elsewhere in the budget. Referring to earlier discussions about Program 6, especially the surplus of more than 20 million Swiss francs, the Delegation requested that information on the impact of fee reductions and the availability of other resources in WIPO that could be available to support such reductions could help guide the discussions in the PCT Working Group. Finally, the Delegation referred to the invitation to Member States to come forward with proposals for fee reductions for universities and public research organizations, as set out in paragraph 19 of the Summary by the Chair of the PCT Working Group. Information on how WIPO could deal with possible fee reductions in the next biennium would therefore be important for discussions that could take place in this body.

148. The Secretariat, responding to the intervention made by the Delegation of Brazil, emphasized that the drop in income by applying fee reductions for universities and public research organizations would depend on the extent of the discount and number of applications subject to such a discount. Referring to the study led by the Chief Economist of WIPO that was presented to the PCT Working Group (document PCT/WG/8/11), the Secretariat recalled that, as had been set out in that document, a fee reduction of 50 per cent for universities from developing countries would result in an estimated loss of income of about 1 million Swiss francs, but applying this reduction for all universities could bring this loss to about 8 million Swiss francs. However, the reductions applied under the Schedule of Fees for certain applicants in certain countries were 90 per cent. There was therefore a wide spectrum of possible impacts on the overall income from the PCT and therefore of the Organization.

149. The Delegation of Japan, speaking on behalf of Group B, referred to the statement that the Delegation had made on behalf of Group B at the PCT Working Group. That statement had underlined that financial sustainability and income neutrality should be a prerequisite for introducing any fee changes. The Delegation therefore stated that it agreed with the interpretation of the Secretariat on the outcome of the discussions at the PCT Working Group in that any future proposal would need to be presented in a budget neutral manner so as not to affect overall PCT fee income.

150. The Delegation of Brazil, speaking on behalf of GRULAC, referred to the information on estimated losses in fee income given by the Secretariat and requested that this information be provided to Member States to assist discussions on the Program and Budget for the forthcoming biennium. However, the statistics presented to the PCT Working Group had referred to previous years, calculating the reduction in revenue if fee reductions for universities had been in place. The Delegation therefore also requested estimates for how such reductions would affect income if they were applied in future years, since those estimates would be relevant for the next biennium.

151. The Secretariat, in response to the request made by the Delegation of Brazil, pointed out that the estimates of loss of income due to fee reductions for universities had been stated by the Chief Economist during discussions at the eighth session of PCT Working Group and were included in the full verbatim report of the session (document PCT/WG/8/26 Prov.), which had been made available on the WIPO website. For reductions in fee income in future years, the Secretariat stated that it was willing to provide such estimates, to the extent possible, for example, in the Q&A document relating to the proposed 2016/17 Program and Budget.

152. The Delegation of Brazil, speaking on behalf of GRULAC, stated that GRULAC would be satisfied with the proposal made by the Secretariat. Information on how PCT fee reductions for universities would affect income in future years would be important to guide decision making in the next biennium. The Delegation also indicated that a similar approach should apply to other subjects related to fee reductions so that Member States could be better informed about the impact of any reductions on the budget.

153. The Chair underlined the need to focus on approval of the next Program and Budget and to agree on concrete solutions to the issues raised by delegations in the document in order to present the Program and Budget to the Assemblies. In this regard, the Chair requested clarification whether GRULAC would be satisfied with the additional information relating to PCT fee reductions being provided in the Q&A document.

154. The Delegation of Brazil, speaking on behalf of GRULAC, stated that it was in favor of the proposition made by the Chair, subject to checking the information which was proposed to be added to the Q&A document.

155. The Delegation of Spain expressed interest in the subject of PCT fees and believed that, despite the discussions in the PCT Working Group as the main body considering the issue of PCT fees, the Program and Budget Committee could also examine this matter, given the wide scope of this subject. The Delegation believed it had been demonstrated that the PCT fee system was sound, but it was appropriate to continue analyzing PCT fees, as doubts about the financial sustainability of the system might arise in the future as many countries already benefited from 90 per cent fee reductions. The Delegation believed that the request made by the GRULAC to try to extend fee reductions to universities of developing countries had merit and additional resources might need to be found. One idea in this regard could be to consider the countries with per capita gross domestic product levels slightly below the 25,000 United States dollars maximum to qualify for fee reductions. The current system did not distinguish between these countries and those with per capita gross domestic product income far below this figure. Instead, a more progressive system could be envisaged, with smaller fee reductions applying to countries close to the 25,000 United States dollars threshold.

156. The Chair indicated his intention to draw the discussion on the draft of Program 5 in the document to a close, subject to agreement on the text for the Q&A document requested by GRULAC.

157. The following day, the Committee was later presented with a draft text, to be included in the Q&A document, setting out, in response to the question "How would the introduction of a fee discussion for university applicants affect PCT income in 2016 and 2017?" a proposed text clarifying that possible effect.

158. The Delegation of Brazil, speaking on behalf of the GRULAC, stated that it was satisfied with that text.

159. The Chair invited the Secretariat to respond to the inquiries regarding Program 15.

160. The Secretariat responding to questions on Program 15, in particular the question by GRULAC, stated that information on resources allocated to Program 15 and the breakdown of resource allocation by activity had previously been given and appeared in a table on page 15 of the Q&A document. The Secretariat recalled that GRULAC had requested a further breakdown because it appeared that the figures given in the table were aggregated and several different software systems were being provided to Member States. The Secretariat clarified that more than 70 offices were using systems provided by the IB for IP office administration, of which most were using the core IPAS system (Industrial Property Administration System). However, some offices also requested support with digitization, online filing or other services, and so specific software modules were provided to those offices. Therefore, the different software systems did

not represent different programs for different offices but rather offices were using at least one and often several of the available software systems.

161. The Delegation of Chile thanked the Secretariat for the information provided and requested that similar information should be provided in future budget documents, not merely in Question and Answer documents.

162. The Delegation of Brazil, speaking on behalf of GRULAC, also thanked the Secretariat for the information provided and stated that the information would be further analyzed during Group consultations the following day before discussion on the Program could be closed

163. The following day, the Delegation of Brazil, speaking on behalf of GRULAC stated that, following in-Group consultations, GRULAC was satisfied with the answers provided the previous day but requested the Secretariat to include the information provided in the Q&A document in the presentation of the next Program and Budget.

164. The Chair said that the Secretariat would do that for the next session of the PBC and closed discussion on Program 15. The Chair opened discussion on Program 3.

165. The Delegation of Brazil, speaking on behalf of GRULAC stated that, following the Chair's advice, it had had a fruitful exchange of information with the Secretariat and was very close to having an agreed text. However, since some concerns had also been raised by other Regional Groups, it might be useful to have informal consultations prior to discussing the new text to be prosed by the Secretariat.

166. The Delegation of Nigeria, speaking on behalf of the African Group on Program 3, stated that its concerns and proposal for the changes in the text made at the previous PBC had not been reflected. The Group had discussed this informally with the Secretariat. It appeared that there was no agreement and the matter needed to be discussed further. The African Group was uncomfortable with the text on the TAG of excellence, including in the results framework and in Strategic Goal III. The group believed that it was for Member States to process and work out the modalities of activities that would ensue from this project. The Group would continue to consult informally with the Secretariat.

167. The Chair re-opened the discussions on Program 6, taking up the six specific elements raised by the Delegation of the United States of America, one by one.

168. The Delegation of the United States of America said that the first specific element concerned its proposal for separation of the accounting for the Lisbon and Madrid Systems and sought the views from the Secretariat on how that could be accomplished. The Delegation was of the view that it would be a relatively easy thing to do, if the Committee decided to agree to go along with the proposal.

169. The Chair sought the initial reaction of the Secretariat on the viability and the implications of separating the accounting of the two Systems.

170. On a general note, the Secretariat first wished to place on record that it attached the highest importance to the principles of transparency, accountability and good governance. WIPO had made tremendous efforts over the years to further improve transparency through financial reporting. In that connection, the Secretariat recalled that WIPO had been one of the earliest adopters of the International Public Sector Accounting Standards (IPSAS). Moreover, the progressive and successful implementation of RBM had resulted in greater transparency of results, performance indicators and targets to be achieved as well as resources deployed to achieve those results. In addition, the adoption and embedding of risk management, together with a comprehensive accountability framework – again, in dialogue with the Member States – had ensured a continuous improvement by the Organization in the implementation of its work governed by those key principles. Additionally, the WIPO Secretariat was subject to one of the

most comprehensive oversight and audit architectures in the system, which comprised the Internal Oversight Division, the Independent Advisory and Oversight Committee, and the External Auditor, in addition to being subject to JIU review studies, including a management and administrative review in the recent past. Lastly, the Secretariat recalled that comprehensive reporting to the Organization's Governing Bodies included Financial Statements, which were audited, biennial Financial Management Reports, and annual and biennial Program Performance Reports. On the very specific issue related to the separation of accounting for the Lisbon System, which had been raised in many different ways, the Secretariat said that the Systems that were currently budgeted under Program 6 could be separated into two different Programs. Each Program would provide full details of the Results Based Framework, budget by result and budget by object of expenditure. In that regard, the Secretariat pointed out that Annex 1 to the Q&A document provided a full illustration of how that separation would look like, in response to the request received at the previous session of the PBC. The Secretariat stood ready to implement the proposed separation, subject to receiving such guidance from the PBC. WIPO's current Program and Budget methodology budgeted for premises and maintenance under Program 24. This approach ensured that resources related to premises and maintenance would be under the authority and responsibility of a single Program Manager, who would be responsible for such activities. It also ensured that the responsibility, accountability and authority would be well aligned in WIPO's Organizational structure. The same was applicable in respect of other administrative and management costs budgeted under Programs 22, 23, 25, 27 and 28. The Secretariat wished to state, however, that alternate methodologies could be considered, based on cost allocation keys that would need to be determined. Any changes would need to be consistent with the Union allocation methodologies and take into consideration the detailed implications on all administrative and management systems within the ERP. The Secretariat recalled in this regard that WIPO had just completed a comprehensive implementation of the integrated ERP systems for Finance, HR procurement and RBM. Referring to another point raised by the Delegation of the United States of America in respect of the Results Based Framework, and in particular the question as to why Annex 1 did not separate the Expected Results under paragraphs II.6 and II.7 into two separate sets, the Secretariat said that it would have no difficulty in doing so, should the Committee so decide.

171. The Delegation of Mexico, while acknowledging that the separation of the Programs in terms of accounting would not create any problem for the Secretariat, sought confirmation from the Secretariat that, nonetheless, the allocation of administrative resources, and the methodology for such allocation, constituted a different matter altogether.

172. The Secretariat confirmed that there were two different concepts: one concept concerned the visual or structural split of current Program 6 into two Programs – one for the Lisbon System and the other for the Madrid System – and the second concept was related to the methodology that was currently used in the program structure, where administrative and management costs, such as premises and maintenance, and centralizing the cost of a number of languages, for example, were all incorporated in the Program and Budget under Strategic Goal IX. The Secretariat indicated that the programs it had listed in its earlier response were centrally budgeted simply to ensure that they would all fall within the responsibility, accountability and authority structure of the Organization. However, the allocation of those program costs to the different Unions had been done through the Union allocation methodology.

173. The Chair invited the Delegation of the United States of America to present the second specific element.

174. The Delegation of the United States of America indicated that the second specific element concerned the accurate presentation of the Lisbon Union's income and expenses for purposes of achieving a fair and transparent budget overall.

175. The Secretariat said that the second specific element was related to the Union allocation methodology and more specifically to the issue of how direct and indirect costs would be

allocated. The Secretariat recalled that indirect costs concerned administrative expenses as well as costs related to other Unions that did not generate revenues, as explained in Annex III of the Program and Budget document, which had always been an integral part of the Program and Budget proposals. The methodology had last been updated as part of the proposed Program and Budget for the 2008/09 biennium. Upon recalling that a review of the methodology had been requested, both at the previous session as well as in the present session of the PBC, the Secretariat said that it would be pleased to undertake such a review and come back with proposals on how best the Union allocation methodology should work in WIPO. In that respect, the Secretariat indicated that the aspect of capacity to pay was indeed a principle enshrined in Annex III and in the methodology that had been put into practice since 2008. Hence, a review of the methodology including such principle would need to be undertaken to come up with alternatives of how to allocate costs, in particular of those programs that did not generate any revenues to the different Unions. The Secretariat indicated that it would be ready to undertake such a review but added that it would need a bit of time to do so and to come back with clear principles and proposals for the consideration, selection and approval by the PBC. Referring to the allocation of miscellaneous income, the Secretariat confirmed that the allocation methodology addressed both allocation of income and allocation of expenditure and further clarified that the primary sources of revenue for the five Unions were basically contributions made by Member States to the Contribution-Financed Unions and fees for the PCT, Hague, Madrid and Lisbon Unions. The Secretariat went on to say that, as part of WIPO's activities, there were also other sources of income, but these were very small in comparison to the fee income and the contribution income. In any event, those other sources of income were also allocated as per the methodology that was described in Annex III.

176. The Chair requested clarification from the Secretariat as to the duration of the previous review of the Union allocation methodology and the process that had been undertaken for making such review at the time.

177. The Secretariat indicated that the revision had been part of the Program and Budget proposal for the 2008/09 biennium. The review had been conducted internally and had resulted in the changes in the methodology proposed as part of the Program and Budget at the time.

178. The Delegation of the United States of America said that it had always been its understanding that the Lisbon Union was not one of the Contribution-Financed Unions. More specifically, the Contribution-Financed Unions that did not generate revenue were the Locarno, Vienna, IPC and Nice Unions. There was a clear need for Member States to contribute to those specific Contribution-Financed Unions. Meanwhile, the Lisbon Union was a Fee-Financed Union that did not fall under the specific category of Contribution-Financed Unions.

179. The Secretariat (the Legal Counsel) confirmed that there were six Contribution-Financed Unions in addition to the WIPO Convention, which was also contribution-financed. More specifically, there were a total of seven treaties that were contribution-financed, namely the WIPO Convention and six other treaties: the Paris Convention, the Berne Convention, the Strasbourg Agreement, the Nice Agreement, the Vienna Agreement and the Locarno Agreement.

180. The Delegation of Australia sought further clarification about how the current budget shortfall for the Lisbon Union was supported. It was not clear from the Program and Budget document how the deficit was supported at the moment.

181. The Secretariat referred to the proposed Program and Budget document for the 2016/17 biennium, which mentioned that the PCT and Madrid Unions were expected to contribute positively with a surplus, while the Contribution-Financed Unions, the Lisbon Union and the Hague Union were expected to contribute negatively with a deficit. However, the overall situation for the Organization would result in a surplus. Logically, it would derive that the PCT and Madrid surpluses would be compensating for the deficits in the other Unions.

182. The Delegation of Mexico asked whether it had understood correctly that, in order to be able to comply with the second specific element, there would need to be a revision of the entire methodology, for the entire program of work and for all Unions.

183. The Secretariat indicated that, within the current methodology, the cost for the Lisbon Union was made as transparent as possible. The costs associated with the Lisbon System in the past had been counted under the Lisbon Union by apportioning a percentage of the cost of Program 6 because internally there was not a separate budget unit for the Lisbon System. The representation of all costs under the Lisbon Union was currently much clearer and more accurate. However, if the Lisbon and Hague Unions should also absorb indirect administrative costs, the fundamental elements of the entire methodology would need to be changed, which would affect the whole allocation process.

184. The Chair noted that the viability and type of procedures to be followed were becoming clearer and suggested to move to the third specific element.

185. As regards the third specific element, the Delegation of the United States of America said that the Lisbon Union's budget should be balanced without the use of other Unions' income.

186. The Secretariat drew the attention of the delegations to document WO/PBC/24/16, which provided Options for the Financial Sustainability of the Lisbon Union and was intended to facilitate discussions for arriving at a balanced budget. In that context, several options had been outlined, including increased fee levels. The International Bureau had submitted a proposal for an increase of the fees to the Lisbon Union Assembly (document LI/A/32/2), which contained, in its paragraphs 9 to 13, detailed information on the forecasts for the registration activity under the Lisbon System, which had been used as the basis for the proposal.

187. The Legal Counsel confirmed that the decision-making in respect of the various options was in the hands of the Lisbon Union Assembly, on the basis of document LI/A/32/2.

188. The Chair noted that the Secretariat had made every possible effort for providing information, not only on the different options but also on the forecast of the income of the Lisbon Union.

189. The Delegation of the United States of America said that it was clear to everyone that fees alone could not cover the deficit or create a financially sustainable system for the Lisbon Union. Referring to the options paper, the Delegation noted that the Director General had made an offer to come up with a proposal for some type of working capital fund. However, this would obviously require work by the Lisbon Union Assembly to decide how to fund that working capital fund. In addition, as a working capital fund would only be a temporary fix, the Lisbon Union Assembly had to look at the longer term so as to make the Lisbon System financially sustainable in the future. The Delegation stated that it was open to hear suggestions by the Lisbon Union members.

190. The Chair requested the Delegation of the United States of America to present the fourth specific element.

191. As regards the fourth specific element, the Delegation of the United States of America said that the Secretariat should conduct a study on the financial sustainability of the Lisbon System. The Delegation considered this a logical step in assisting the Assembly of the Lisbon Union as to how it could make a financially sustainable system over the long term.

192. The Secretariat recalled that document WO/PBC/24/16 laid out the options for the financial sustainability of the Lisbon Union. More detailed information in respect of one of the options was contained in document LI/A/32/2, as submitted to the Lisbon Union Assembly. The Secretariat believed that the answers on how the Lisbon System could be made sustainable lay in discussing and assessing these different options.

193. The Chair asked the Delegation of the United States of America if it thought that something else was needed in addition to the two documents already provided by the Secretariat.

194. The Delegation of the United States of America considered that those two documents were a step in the right direction. However, the Delegation said that it needed feedback from the Lisbon Union Assembly as to the route it wanted to take and that the Secretariat should assess the feasibility in the long run of that route.

195. The Delegation of France supported the analysis of the Delegation of the United States of America that the two documents provided by the Secretariat were a step in the right direction. The Delegation believed that they offered a comprehensive overview of what could be done as regards budgetary issues pertaining to the Lisbon Union. The Delegation recalled that the Geneva Act was adopted mainly to attract more members and would, thus, allow the Lisbon System to have additional financial resources in the long term.

196. The Chair requested the Delegation of the United States of America to present the fifth specific element.

197. The Delegation of the United States of America said that the fifth specific element concerned the earmarking of funds for any Diplomatic Conference in the 2016/17 biennium. Such earmarking should be conditional on full participation by all WIPO Members. This specific element was meant to prevent the injustice that had happened in May 2015 from ever happening again in the Organization. At no time should WIPO Members be excluded from the negotiation of any international agreement when they had a stake in it. The Delegation called upon the PBC and the General Assembly to make sure that all future WIPO diplomatic conferences would be open and inclusive for all WIPO Member States.

198. The Chair requested the Legal Counsel to indicate who could make such a decision and on what terms.

199. The Legal Counsel said that a final decision on that matter was in the hands of the General Assembly and that the PBC was competent to make a recommendation to the General Assembly in that regard.

200. The Chair requested the Delegation of the United States of America to present the sixth specific element.

201. The Delegation of the United States of America indicated that the sixth specific element requested the Secretariat to review Annex III of the proposed Program and Budget for the 2016/17 biennium and make it more accurate.

202. The Secretariat recalled that the current methodology could be revised based on the approval and guidance of Members. However, modification to the proposed Program and Budget would not be feasible in an immediate timeframe in the absence of a review of the methodology.

203. The Chair commented that the discussion had clarified the implication of the specific requests by the United States of America. Some of the comments were political, some would require additional work and time, especially the union allocation methodology. The Chair invited delegations to analyze the received information and pass it on to their respective capitals, and encouraged them to start building a compromise. The Chair closed the discussion on Program 6 for the day and opened discussion on Program 20 and paragraph 33.

204. The Delegation of Nigeria, speaking on behalf of the Africa Group, reiterated its request from the 23rd session of the PBC to include two External Offices in Africa in the Program and Budget, including in the expected results, performance indicators, baselines and targets. It

observed that the draft Program and Budget had already made allowance for three External Offices though they had not been assigned to particular countries or regions.

205. The Delegation of Brazil, speaking on behalf of GRULAC, stated that in order to agree on new External Offices it was imperative to adopt the Guiding Principles first. In this context GRULAC reiterated its interest in hosting a second External Office in its region. It was also interested in receiving additional information related to the WIPO Coordination Office in New York. Concerning the proposed closure of that Office, GRULAC considered that WIPO's relations with the UN system must be reinforced once the 2030 Sustainable Agenda was adopted. GRULAC believed that the work of the Coordination Office to the UN could be particularly relevant during the implementation process of the Agenda and follow-up mechanisms in the high-level political forum. Bearing this in mind, GRULAC believed that more information on the proposed closure of the New York Office was needed before any decision on the matter was taken. GRULAC reiterated its interest in receiving additional information, including on the number of UN agencies that did not have offices in New York.

206. The Delegation of Mexico supported the statement made by GRULAC and added that it did not support closing the New York Office. It was a political decision that would give a negative impression of WIPO's involvement in the UN issues. It was clear to the Delegation that closing that Office was a budgetary decision, however, the savings were minimal compared to the importance of the message of WIPO's involvement with the UN. In the upcoming meetings of the Committee on IP and Development there should be an item on WIPO's involvement in supporting sustainable development. Member States should engage in a substantial discussion on this matter and on the type of presence that they wished for WIPO in New York.

207. The Secretariat, responding to the questions on the External Offices, said that the premises' costs for the WIPO Office in China, the Russian Federation and Singapore were born by the host countries. Japan office costs were subsidized by the Japanese government. WIPO paid the premises' costs only for the WIPO Office in Brazil and the WIPO Coordination Office in New York. Explaining why those costs were budgeted in Program 20 instead of Program 24, the Secretariat said that the reason was that the responsibility and accountability for the rental contract and management of premises lay with the head of the respective office. It was management's preference to align the resources to the accountability and responsibility of the officials concerned as much as possible.

208. The Delegation of the United States of America said that it had been trying to emphasize its questions whether or not the proposed Program and Budget could be improved to be more fair and transparent. In that the Delegation had pointed to Program 20 as an example of where the matters were not clear. The Delegation thanked the Secretariat for the explanation. The Delegation noticed that in the Q&A document (page 18, question and answer 5) the non-personnel expenses column was not the same as the total of non-personal resources in Program 20. The Delegation asked for the explanation of the difference between the 2.8 million in the Program and Budget and the Q&A document. The Delegation clarified that it was trying to understand whether or not Program 20 included all expenses for the various offices, especially given that there was the apparent decision from the Organization that the New York Coordination Office was not efficient and the Delegation was trying to understand how that efficiency calculation was made.

209. The Secretariat opened by reminding delegations that Program 20 also included the Department for External Relation and the NGO section. That was why there was a difference between the total of personnel and non-personnel resources as could be seen in the Q&A document and what was presented as the totals in Program 20. It confirmed that the latter covered all the costs related to the External Offices, including the rental cost for Brazil and the New York Coordination Office. Responding to the Delegation of Mexico on the New York Office, the Secretariat drew the delegations' attention to the answer to question 3 (page 16 of the Q&A) providing the details of the proposal which were taken, in fact, as a cost effective

operating model moving forward. That answer explained very clearly what the Secretariat thought was a much more cost effective way of supporting and providing the interaction with the UN in New York. It stressed that the Office in New York was a coordination office, not an external office as such. In that same answer there were a number of elements, including how the Secretariat proposed to tackle the post-2015 Development Agenda implementation along with a series of measures. The Delegation of Mexico raised an issue of WIPO's image and presence which might override that cost effective operating model proposed should the membership decide to provide language to change that position. The Secretariat reminded the Member States that in the proposed Program and Budget the budgetary provision covered for one year of operation of the New York Office. If there was a decision changing that position, the Secretariat would have to find the equivalent amount for another year in the budget.

210. The Delegation of Spain thought that the argument was political in nature and felt that the Program did reflect the costs of the External Offices and in particular the rental, which in New York was probably quite high. On the other hand, the Delegation was concerned by the significant message being sent. It was quite difficult to close an external office despite the fact that the Secretariat was saying that it was not really necessary to continue with that office. Nonetheless, that increased the Delegation's fears of opening new External Offices because they might eventually be closed for reasons of lack of efficiency. Good coordination with the UN headquarters and good participation in the debates there could be ensured without necessarily having an office located in New York. However, the Delegation wanted it to be clear that this debate could have an impact on discussions concerning the opening of future External Offices.

211. The Chair invited the Delegation of Iran (Islamic Republic of) to remind the Committee of its expectations regarding the drafting of paragraph 33 in the Program and Budget document relating to this matter.

212. Delegation of Iran (Islamic Republic of) said that in line with the interventions made by the Asia and the Pacific Group and the CEBS, the Guiding Principles should be decided upon before any decision on numbers and also the locations of new offices. The Delegation had already proposed new language for paragraph 33, bullet two, at the July session. The proposal would be that, at the end of this paragraph, it should be added that this did not prejudice the ongoing discussions on the principles, and their outcome, which were the prerequisite for any decision to be taken by the General Assembly on the numbers and locations of new External Offices. Further, the Delegation stated that during the informal consultations regarding the principles and the functions of External Offices, there had been consensus that functions performed at WIPO headquarters, like norm setting, could not be entrusted to the External Offices. Certain activities should be done by headquarters only. In paragraph 33, the third line mentioned "all aspects of the functioning of the Organization". The Delegation requested that it be changed to "relevant aspects".

213. The Chair recalled that one specific element of agenda item 10 was the hedging strategy for the PCT income for which Group B had put forward a decision proposal that had been worked out with the Secretariat. The text had been distributed and there had been no objections against encouraging the Secretariat to continue working on the hedging proposal and postponing the decision on it until the requested analysis had been undertaken. The Chair read out the proposed decision text, which was adopted (*reproduced as part of decision on item 10*).

214. The following afternoon the Chair invited GRULAC to report on the progress of consultations regarding Program 3.

215. The Delegation of Brazil, speaking on behalf of GRULAC, reported that the Secretariat had presented a proposal to amend Program 3 that was discussed within the Group and was being discussed by Group B as well. The Delegation added that the proposal still needed to be fully discussed among the Groups, which would require another day.

216. The Delegation of Japan stated that Group B was still examining the proposed language and, at the same time, kept discussion with some relevant Groups, including GRULAC. It added that it needed more time for consultations.

217. The Chair recalled that, regarding Program 20, two elements were outstanding: the African Group's request for important changes to the draft text on External Offices and one Delegation's request for an explicit language regarding the approval of the Guiding Principles before that. Regarding Program 5, the Chair said that the updated Q&A document, as requested by GRULAC, had been distributed. The updated Q&A had been prepared by the Chief Economist and now indicated the effects of changes in PCT fees on the overall income.

218. The following day the Chair reopened item 10 and inquired about the status of discussions on Program 3.

219. The Delegation of Brazil, speaking on behalf of GRULAC, reported that following consultations, GRULAC would be inclined to support the proposal of the Secretariat. Nonetheless, the Group had had informal discussions with other delegations which had expressed concerns regarding that proposal. At the present point there was no consensus.

220. The Chair invited Group B to present its point of view on that matter.

221. The Delegation of Japan, speaking on behalf of Group B, said that it had consulted with GRULAC and other interested Groups and following that had had in-Group consultations. The Delegation planned to transmit the results of Group B discussions to the other Groups. The Delegation added that the discussion with GRULAC and the African Group was proceeding positively. The Delegation thought that discussion should continue in the present informal format before it could be brought to the plenary.

222. The Chair inquired about the status of consultations regarding Program 6.

223. The Delegation of Chile was very pleased with the consultations that had taken place. Regarding document WO/PBC/24/16, the Delegation thought that it might be important to refer to the questions put to the Legal Counsel about the various types of Unions in WIPO. Some paragraphs in the document were confusing, e.g. about the impact of special contributions. The Lisbon Union was not included among those Unions. The Delegation suggested including a clarification on this matter in the document itself.

224. The Delegation of the United States of America, following up on the Delegation of Chile's statements suggested removing paragraph 16 from document WO/PBC/24/16, which would clarify matters and dispel a lot of the confusion.

225. The Secretariat (the Legal Counsel) responded to the question raised by the Delegation of Chile and said that paragraph 16 tried to make the point that under the current practice, under the unitary contribution system, every country paid a contribution once irrespective of the number of WIPO Treaties to which it was a party. Paragraph 16 sought to make the point that should the Lisbon Union members decide to introduce a separate contribution system (only under the Lisbon Union), which would be separate from the current unitary contribution system, it would imply that, e.g. a Lisbon Union member would pay a contribution under Lisbon and then as a member would pay an additional contribution under the current unitary contribution system. The Secretariat confirmed that the Lisbon Union was not one of the six contributions-financed unions. In response to the points raised by the Delegation of the United States of America, it was clear that paragraph 16 had brought in confusion and the Secretariat would have no problem in removing paragraph 16 in a revised document if that was what the PBC requested.

226. The Delegation of France commented that removing paragraph 16 did not remove the question. It was a relevant question. The Delegation asked whether creating a specific contribution system for the Lisbon System would set a precedent which was going to be

requested by other unions. From a legal point of view, how would the Secretariat respond to this question because it was something which was going to make one union different from a budgetary point of view. It could set precedent that might be followed by other Unions.

227. The Secretariat (the Legal Counsel), in response to the question raised by France, confirmed that what was proposed in paragraph 16 was not a new suggestion. In the sense that this was already provided in the Lisbon Agreement itself. The Lisbon Agreement did provide for a type of contribution which was currently not done because of the unitary contribution system. The Secretariat's understanding was that the members of the Lisbon Union were trying to look into options through which they could sustain the Lisbon Union financially. Thus this simply provided one of the options but the provided option was already in the Lisbon Agreement itself and yes, to the extent that it would be a different practice from the other agreements, it would create a precedent. However, it was not creating a precedent that did not exist in the Treaty. It did exist in the Treaty but the practice had been different.

228. The Delegation of the United States of America wished to clarify that the fact that the Lisbon Union members did not pay a contribution had nothing to do with the fact that the Lisbon Union Assembly was a contribution-funded union. It was not. The failure to pay had to do with something entirely different.

229. The Chair closed the discussion on Program 6 for the day and encouraged delegations to continue consultations.

230. The following day the Chair provided a short status report regarding agenda item 10: Program 3, delegations continued consultations on drafting the text; Program 6, the Secretariat had updated document WO/PBC/24/16, which was going to be distributed. The Chair invited the Legal Counsel's office to present the revised document.

231. The Secretariat in presenting the revised document WO/PBC/24/16 Rev., said the revisions in the document did not affect the substance of the document in any way, but reflected more accurately, in particular, the questions raised on paragraph 16 and its discussions on contributions as they were provided for in Article 11 of the Lisbon Agreement and as distinguished by the separate issue of contributions under the unitary contribution system.

232. The Chair referred to Program 20 and said that he had asked the African Group Coordinator to consult within the Group to find a way forward regarding the specific elements on External Offices. Regarding the New York Coordination Office, the Chair invited the concerned delegations to describe the proposal that they had discussed.

233. The Delegation of Mexico said that there was a tentative proposal which sought consensus amongst the various opinions expressed during the plenary on the Coordination Office in New York. In general terms, it called for extending, during 2016/17, the current status of the Office, and also asked the Secretariat to maintain a cost-efficient policy with respect to the External Offices. At the request of the Secretariat, the proposal indicated that resources for maintaining the New York Office should come from savings. A minor change with respect to that latter point had been made to the original text to clarify it. Despite the fact that a number of delegations were in favor of the Delegation's proposal, they had not yet seen the last change made to the draft. The Delegation would continue consultations on this point.

234. The Delegation of Belarus, speaking on Program 3, requested that the new text worked out with the Secretariat on Program 3 be sent to all Regional Groups.

235. The following day, the Chair invited the Secretariat to present the changes made to Program 3.

236. The Secretariat explained that text had been revised in paragraph 3.11, there was an additional indicator in the results framework and a revision of the target for a second indicator,

with an additional footnote. The Secretariat wondered as to the reaction of the delegations to the proposed revisions.

237. The Delegation of Nigeria, speaking on behalf of the African Group, said that the new language that had been agreed by the African Group and GRULAC i.e. paragraph 3.11 and the expected result III.2.

238. The Delegation of Japan, speaking on Behalf of Group B, accepted the proposed text although it felt it unusual to have a footnote regarding CMOs, which the Group was reluctant to accept. However, for the sake of compromise and in light of reducing the outstanding issues relating to the Program and Budget 2016/17, Group B decided to accept the proposal.

239. The Delegation of Brazil, speaking on behalf of GRULAC, referring to the consultation on the text for the TAG said that many in the Group had been concerned whether the number of only 25 engaged organizations (listed in the results framework) would allow for the participation of all members, since GRULAC alone had more than 30 members. It was a strong position of the Group that all CMOs would like to be consulted in this process. GRULAC sought additional information before closing this item on how this consultation would take place, whether in meetings or through circulars or in other ways.

240. The Secretariat referred to the request of GRULAC and emphasized the reassurance given by the Director General in his opening statement, in which he had said: "the Secretariat will intensify consultations with respect to the TAG initiatives to ensure that there is an adequate level of consultations, in particular in relation to the Latin America region. In this respect I draw your attention to the fact that there is a sub-regional workshop on Copyright which is planned for early December this year in the Latin America region. It will be held in Colombia for six national copyright offices. We will be certain to address the TAG initiative in this context. That is not the only activity that seeks negotiations on TAG. There is an event in Ghana next week that will kick off regional meetings in which TAG will be used for a benchmarking communication and we propose that negotiations take place in all the regions." The Secretariat confirmed that there would be a dedicated regional event held in the Latin American region on TAG in the year 2016.

241. The Delegation of Brazil, speaking on behalf of GRULAC, thanked the Secretariat for the information and clarification. It was very important for GRULAC to have an inclusive discussion of the topic. The Delegation stated that following a very long discussion on Program 3, with the agreed narrative and the objectives, and also with the clarification provided by the Secretariat, GRULAC would be able to join the consensus and close discussion on Program 3.

242. The Delegation of Chile thanked the Secretariat for the clarification and additional information regarding a regional meeting in 2016. It pointed out that the Chilean Delegation had been one of the delegations which highlighted the Director General's words spoken in his opening statement. The Delegation confirmed that it agreed with the consensus solution to Program 3. It also emphasized that all offices wishing to be consulted should be involved in the consultation process because the workshop in question only referred to six offices.

243. The Chair closed discussion on Program 3 and addressed the Lisbon members and the Delegation of the United States of America and asked whether they had made any progress in their consultations that could be shared with the rest of the membership.

244. The Delegation of France announced that the Member States of the Lisbon Union, at least those which were members of the PBC, which was 10, had weighed out the proposals on the table on this item and the expectations of certain States and realized their responsibility to deal with those proposals in the most thorough way possible. They had held a working meeting that morning with the United States Delegation and had made the following points. What was important to the Lisbon members was that the 18 Member States of the Lisbon Union that were not members of the PBC should also be able to obtain all the information available and be

aware of the proposals on the table so that the Lisbon Union which would meet during the Assemblies would be a useful Lisbon Union meeting. That was useful to the whole of the Organization. It had been agreed to schedule a meeting with the Secretariat and the 28 members of the Lisbon Union the following week, Tuesday at 10 o'clock in the Uchtenhagen Room. The Delegation would inform the members of the Lisbon Union that were not members of the PBC. It would be an information meeting laying out the implications for each Member State of the financial options that were on the table and on which members would have to decide in October. A second meeting was planned for September 24, 2015 for the 28 members. After those two information meetings, the Delegation hoped that the 28 capitals would analyze all the information sent in by the Missions so that they could issue instructions in time for the General Assembly, in particular for the Lisbon Union Assembly. The Lisbon Union Assembly was going to be held on the Thursday of the first week, instead of Friday. The Delegation would not mind if that meeting was advanced by a day, so that delegations would have enough time to take into account the decisions taken by the Lisbon Union Assembly so that they could refine their positions. For now, the Delegation proposed coming back to the PBC the following day with the draft conclusions for the PBC on Program 6. The Delegation was working on those as a member of the Lisbon Union and would submit them to the Delegation of the United States of America to have an active exchange of views, and then would come back to the PBC with the roadmap.

245. The Delegation of the United States of America thanked the Lisbon Union members it had met with in the morning. The Delegation appreciated the constructive engagement and would similarly engage constructively in trying to resolve some of the issues. The Delegation said that it would work with the Delegations of France, Italy and other members on a draft decision.

246. The Chair invited the Delegation of Mexico to report on the progress of negotiations on Program 20.

247. The Delegation of Mexico said that the proposed amendments concerned paragraphs 20.5 and 20.22 of Program 20. The proposal was to keep the operating model of the WIPO Coordination Office to the UN in New York during the biennium 2016/17, while the Secretariat continued looking for savings and efficiencies in its operations. As for the resources required for this to happen, paragraph 20.22 urged the Secretariat to continue to make efforts to assure cost efficiencies and savings. This was to make up for the initial difference. This was what the delegations had before them in the text distributed the previous night.

248. The Delegation of Brazil stated that, on behalf of GRUALG, it had cosponsored the proposal made by the Delegation of Mexico which had been circulated the previous night.

249. The Delegation of the United States of America expressed its appreciation for the work by the Delegation of Mexico in resolving the new language for paragraph 20.22. The Delegation had a small concern that, looking at the Program 20 resources by object of expenditure table, by keeping the number 662 thousand for premises and maintenance, there might be a misunderstanding as to what the ceiling of this expenditure was. However, in talking to the Secretariat the Delegation had been told that the purpose of the new paragraph was to indicate that this was not actually a cap and that the paragraph was intended to reflect that even though the number 662 thousand was shown more resources than that could be spent. Despite that, the Delegation was still a little bit uncomfortable that somebody might not make that connection. It was trying to explore whether there could be a footnote or a link explicitly to the paragraph or language, but it added that it was not wedded to any specific solution. It could even be in the record of today's meeting.

250. The Chair answered that if the Delegation would be comfortable with the record of the meeting it would make things easier for everyone, but again, the Secretariat was just saying that a footnote would also be viable.

251. The Delegation of the United States of America said that it would prefer a footnote.

252. The Chair announced that the Secretariat would work on the text which would be distributed shortly.

253. The Delegation of the United Kingdom stated that it wished to see the solution to the other components of Program 20 before closing the discussion on the Program.

254. The Chair responded that he did not intend closing the discussion on Program 20 without a solution to the other issue and opened the floor for any reports on the progress made in discussions regarding the proposed changes that both the African Group and the Delegation of Iran (Islamic Republic of) had made to Program 20. The discussion already held on the subject showed that the current draft basically allowed for the political decision, i.e., that the decision of opening new External Offices could be made with or without the prior approval of the Guidelines, that had been requested by most members but represented a problem to some. It was a political problem because the current draft allowed for such a decision. Further, there was a resource provision made in Unallocated for the eventual opening of new offices. Therefore, the Chair asked the African Group Coordinator and the Delegation of Iran (Islamic Republic of) if they were comfortable, flexible and willing to compromise, on the understanding and acknowledgement that this was something that would have to be dealt with at the political level in the General Assembly, and not continue insisting that it be highlighted in the Program and Budget.

255. The Delegation of Nigeria, speaking on behalf of the African Group, had taken note of the Chair's counsel and had had a discussion with the Delegation of Iran (Islamic Republic of) in order to move the process forward and to minimize the level of revisions in the Program and Budget itself. The African Group could withdraw its requirement, i.e., the revisions it had requested to the Program and Budget. However, it noted the injustice of not having any WIPO external network in Africa and wished WIPO to recognize the enabling role that External Offices would play in Africa to help with promoting, protecting and building respect for IP. The African Group requested the PBC to include in its recommendation a recognition by the PBC of the nonrepresentation of the Africa region in the WIPO's external network of offices and agreement to consider the African Group's request for establishment of at least two External Offices in the region within the biennium.

256. The Delegation of Iran (Islamic Republic of) thanked the African Group for the flexibility shown. The Delegation clarified that it was not against opening WIPO offices in Africa or anywhere else. In fact, the Delegation was among those countries that had requested to host such an office in Tehran. The Islamic Republic of Iran, as a developing country, was on the same page as the African Group on all IP matters, but the Delegation had a strong position on establishing new External Offices from the first day it had raised its concerns in the PBC meetings in 2013. The Delegation had clearly stated that the establishment of new External Offices should be rationalized and legalized. Member States should define a legally structured document to serve as a roadmap for opening new offices. The 52nd General Assembly in 2013: "Decided to continue open-ended consultations under the guidance of the President of the General Assembly on the proposed guiding principles regarding WIPO external offices". Accordingly the Delegation believed that the informal consultations with the participation of all Member States should be continued to fulfill the following two consecutive tasks: first, to continue to work on the Guiding Principles with a view to finalizing the text; second, after the completion of the first phase to discuss the issue of establishing new External Offices. In the spirit of compromise and showing flexibility on paragraph 33, the Delegation could go along with the second bullet as it was. Of course, that did not mean that the Delegation would withdraw from its principal positions on finalizing the Guiding Principles. In fact, the approval of the Guiding Principles was a prerequisite to a decision on opening new External Offices. Regarding paragraph 33, the Delegation recalled the consensus that External Offices could not perform all

functions of the headquarters. The Delegation requested the Secretariat to propose the language on paragraph 33 to that effect.

257. The Delegation of Morocco supported the request by the African Group to include in the PBC's recommendation to the General Assembly a text that recognized the absence of any External Office in Africa and a study to set up at least one office in the African region.

258. The Delegation of India, speaking in its national capacity, said that it had consistently acknowledged that the existing External Offices' coverage was limited. The opening of a new External Office could be a win-win proposition for enhancing creativity for some countries and in other instances for countries which targeted receiving direct support from WIPO through technical assistance and capacity building to evolve national IP policies and the relevant IP infrastructure. New External Offices were expected to be used as a point where technical experts were a pooling station for rapid delivery of services and onsite intervention. The presentation of locally rooted experts should contribute to the effective knowledge transfer and enhancement of mutual support through creation of regional networks. The Government of India had also expressed interest in opening an External Office in India, which it hoped to see decided on during the 2016/17 biennium. The Delegation said that it was willing to constructively work with all the Groups and delegations on reaching consensus on the procedures and establishing criteria for opening of new External Offices of WIPO.

259. The Delegation of China stated that WIPO should adapt to the changes in geographical locations and businesses. External Offices should assist WIPO headquarters in catering to those changes, including global services and promoting the strategic goals of WIPO. The Delegation had a very flexible view on the External Offices. It also agreed that the site and number of External Offices should be increased to a certain extent, specifically, External Offices should be established in developing countries so that IP systems in developing countries could be further improved and then better serve global users of IP.

260. The Delegation of the Republic of Korea said it would like to establish an External Office in the 2016/17 biennium. There had been a great increase of IP subs-projects following the opening of the WIPO External Office in China. The Delegation added that it wished to see the approval of the Guiding Principles first. Therefore, the Delegation supported the proposal by the Delegation of India.

261. The Delegation of Australia asked for clarification on what the African Group was proposing and whether it was a guaranteed External Office in Africa in the next biennium. The Delegation added that it too supported finalizing the principles for establishing External Offices before Member States undertook discussions on potential locations and numbers of future External Offices.

262. The Delegation of Nigeria responded that the understanding of its request by the Delegation of Australia was correct.

263. The Delegation of Brazil, speaking on behalf of GRULAC, recalled that the position of GRULAC regarding the need for Guiding Principles was well-known. GRULAC had requested that morning to have the proposals, especially the WIPO Coordination Office to the UN proposal and the proposal by the African Group in a written form so that other Groups could assess and discuss them and take an informed decision.

264. The Chair agreed that all delegation should see the proposals made by the African Group and the Delegation of Iran (Islamic Republic of) in writing, to clearly see what the two delegations wanted.

265. The Delegation of Japan, speaking on behalf of Group B, thanked the Delegations of Nigeria and Iran (Islamic Republic of) for their flexibility to withdraw their original proposals relating to Program 20. At the same time, the Delegation thought that the Committee should

close discussion on Program 20 with the current language. Group B reiterated its position on External Offices that the Guiding Principles were critical to the subsequent phase, i.e., consideration of location and number of External Offices. In that regard Group B, as well as other delegations, strongly believed that Guiding Principles had to come before any political decision. The Group also believed that the mandate of the PBC was about the positive aspect of this issue which had already been taken care of by the language on other issues, including in Program 20. The PBC was not a place for taking a political decision. A political decision should be taken only at the General Assembly level. The Committee should pass Program 20 as it was. Group B was ready to engage in the discussion on the Guiding Principles followed by other political decision at the General Assembly.

266. The Delegation of Tunisia expressed support for the statement made by the African Group regarding the inclusion of the new text in the decision paragraph on the fact that there was no External Office in Africa and the request regarding the wish of Africa to have an External Office during the 2016/17 biennium.

267. The Chair announced that further discussions would resume following distribution of text proposals by the African Group and the Delegation of Iran (Islamic Republic of). The discussion resumed the following day. The Chair referred to the proposed adjustment on paragraph 33 (distributed) and asked if delegations were comfortable with the addition of the word "relevant". There was no opposition to the change and the Chair announced that paragraph 33 would be adjusted accordingly. The Chair inquired about consensus on the text proposed by the Delegation of Mexico in relation to the New York Coordination Office as well as Program 20 itself.

268. The Delegation of Nigeria, speaking on behalf of the African Group, recalled the provision for the establishment of WIPO offices made in the recent past and the initial proposal to have two offices established in Africa, at the time when the proposal had been made for the Office in China and the Russian Federation and the United States of America, without the Guiding Principles at the time. The Delegation also noted the support it gave to the establishment of those offices, with the understanding that the Guiding Principles would be adopted as a package to include numbers and locations. It added that Africa was the only region that did not have a WIPO External Office and that all Member States had agreed that Africa should have External Offices. In that context the Delegation had made a proposal to the PBC to consider including language, in the recommendation made to the General Assembly, that reflected the shared understanding among WIPO Member States about the absence of an external network of WIPO offices in Africa. At the same time, the African Group reiterated its commitment to the Guiding Principles for the establishment of a framework for external offices. In that regard the African Group had proposed the language reading: "the PBC recognized the nonrepresentation of the African region in the WIPO external network and agreed to consider the African Group's request for the establishment of two External Offices in Africa within the 2016/17 biennium. The PBC also welcomed the African Group's commitment to ongoing negotiations on the Guiding Principles." The African Group hoped that this new language could provide comfort to Member States on the preferred procedure for establishing External Offices. In closing, the African Group underscored the role that External Offices would play in Africa and wished to reference the statement made by the Chief of Staff highlighting the role played by External Offices in WIPO's delivery of services and the utility of such Offices in helping the Organization advance the delivery of its goals. It called on Member States to kindly support the African Group's proposal.

269. The Delegation of Romania thanked the African Group Coordinator for the proposal, which would be examined by the CEBS Group. The Delegation also pointed out an erroneous part of the African Group's statement, i.e., that the African region was the only one not represented among the network of the External Offices. The Delegation added that the sympathy it had for the African Group's request stemmed from the fact that the CEBS region was not represented either.

270. The Chair believed that the issue could be dealt with right then: the African Group should talk to other delegation to find some kind of convergence on the text that was being distributed. The discussion on Program 20 was closed until the following day.

271. The Chair opened the floor for comments regarding progress made on a compromised language for the decisions regarding Program 6. He invited the members of the Lisbon Union and the United States of America to share with the plenary the results of their consultations.

272. The Delegation of Italy reported that the Lisbon Union members participating in the PBC and other members had been trying to arrive at a joint position among themselves, which had taken a lot of effort because, of course, it was not easy to have a common position on several different items. Fruitful, informative discussions had also been held at the bilateral level, e.g. with the United States of America. A possible final decision had been drafted for the Committee's consideration. Understandably, since it had been drafted in a rush, the wording might need to be reviewed. The Delegation thought though that the membership should concentrate on the substance, and then, of course, the language could be revised to conform to the PBC's format for expressing its decisions. The Delegation hoped that the effort that went into improving transparency with regard to Program 6 would be given due consideration by all delegations, which in the July and the present sessions had emphasized that there was not enough transparency. The Delegation highlighted that if the membership agreed to more transparency and to splitting the Madrid and the Lisbon Systems in Program 6, this would be for accounting purposes only, in order to provide clearer financial information and figures and to allow delegations to understand the expected results and objectives of the Lisbon System. However, it should be noted that agreeing to such a split had no impact, no effect on the current methodology that was being used in Annex III. The Delegation further stressed that some of the issues raised in the last days, did not regard and affect only the Lisbon Union members. Those were horizontal issues that had an impact on all fee-funded unions, those already existing and those that might exist in the future. The Delegation thought it very important that all members were fully aware that the discussion would be not only about the Lisbon Union-related issues and problems but also about the matters affecting the entire membership.

273. The Delegation of the United States of America supported the statement made by the Delegation of Italy and recognized the significant effort of the Lisbon members attending the PBC and many other friends of the inclusive process that the Delegation had begun advocating before the Diplomatic Conference. Some progress had been made and the Delegation wished to check the proposed language with the Secretariat to make sure that correct terminology was used. As highlighted by the Delegation of Italy, the issue did not relate to the Lisbon System only but had a much broader impact. Therefore, the Delegation was aware that this would not necessarily be able to be fully resolved in the upcoming General Assembly and would have to be a much longer process. The Delegation was very encouraged by the positive spirit of conversation in the PBC and hoped that that positive spirit could continue to arrive at the resolution of the six main themes that the United States had identified in the last PBC.

274. The Delegation of France lent its support to the statement by the Delegation of Italy concerning the fact that members had made every effort to achieve a greater level of transparency in Program 6. It needed to be clearly understood, however, that that transparency could not have any other consequences except the accounting ones. It was not to have any consequences for the methodology used for allocating income and expenditure to the Unions. This was a point to which the Delegation attached the highest possible level of importance. Turning to the cross-cutting issues raised by the Delegation of the United States of America and concerning Annex III and the methodology for the allocation of expenditure and income, the Delegation emphasized the following point: that was a cross-cutting issue for the WIPO budget and at this point was certainly not the only issue for the members of the Lisbon Union. The Delegation also wished to consult with the Secretariat on the appropriate use of terminology in the proposed text.

275. The Delegation of Iran (Islamic Republic of) supported the statement made by the Delegation of Italy. The Delegation believed that some elements proposed by the Delegation of the United States of America were in line with the mandate of the PBC, e.g. revision of the methodology for the allocation of income and expenditure to Unions in the Program and Budget. The Delegation believed that changing the methodology would result in the need to amend and change the current Financial Regulations and Rules so it was also within the competence of the PBC. The decision however would create a precedent which would affect future treaties as well as the current Unions so the Delegation could not go along with it. For transparency purposes, the Delegation wished to split Program 6 but only on procedural and not substantial grounds. The Delegation reiterated that it could not accept any substantial changes in the Program and Budget in this respect.

276. The Delegation of Mexico reiterated its commitment to the values that had given rise to the creation of WIPO as a specialized agency in the United Nations system, the cooperation to improve the protection of Intellectual Property worldwide and ensure administrative cooperation between the Unions established by the Treaties administered by the Organization. In the course of this week a very informative and thorough debate had taken place on the budgeting principles in the Organization. The Delegation thanked for the Chair's leadership and the Secretariat for the transparency and diligence with they had responded to each and every question. The Delegation felt that WIPO had established the necessary accountability and transparency procedures and principles. The results-based budget management in the Organization was one of the best in any of the organizations. However, there was always room for improvement and that was why the Delegation would support any actions to further improve the existing mechanisms. Therefore, in order to increase transparency in the Program and Budget further, the Delegation would accept the possibility of separating Program 6 based on the parameters indicated by the Secretariat in the Q&A document. However, the Delegation wished to make it clear that the understanding reached was that it would be purely on an accounting basis. The Delegation did not want to see any changes to the methodology currently used for the allocation of the budgetary resources within the Organization. For the time being, the Delegation could not accept any change in the procedures for the allocation of income and expenditure to the Unions in the Program and Budget. Recalling its opening statement, the Delegation believed that a change to the principles which were the cornerstone of this methodology would carry an imminent and immediate threat to the appropriate financing of the Unions, and for the Programs which did not generate income but which were of particular importance to the vast part of the membership, such as Copyright, the WIPO Academy, the Development Agenda, the Marrakech Treaty and other activities. The issue of a sustainable financing for the Lisbon Union could not and should not be used as an argument to modify an essential element in the operations of the Organization. The Delegation reiterated its commitment to finding a solution to the deficit currently experienced by the Lisbon Union. The members should, between now and the next Assembly, discuss and adopt decisions to deal with the deficit, taking into account the request made to that affect by the PBC, aware of their responsibilities. The members of the Lisbon Union had embarked on conversations to reach satisfactory conclusions and decisions before the Lisbon Union Assembly. As mentioned by other delegations, the Delegation of Mexico also felt that the PBC would be able to forward a favorable recommendation on the adoption of the Program and Budget to the Assemblies. The Delegation hoped that the separation of Program 6 would meet the need for transparency expressed by several delegations. In conclusion, the Delegation reiterated the importance of separating the issue of financing of the Lisbon Union from the methodology for the allocation of income and expenditure. It was essential that both issues be dealt with separately based upon their merits.

277. The Delegation of Chile thanked the Secretariat for the revised document WO/PBC/24/16 Rev., which it had examined and felt that it was a lot clearer and included many elements which had been discussed in the course of the week. The Delegation also endorsed the gratitude expressed by the Delegation of Mexico for the Secretariat's willingness and ability to answer questions and explain thoroughly the implications of the proposal. The Delegation

expressed interest in the transparency and clarity of information and appreciated that this was endorsed by other members and by the Lisbon Union members. However, it was difficult to expect a change in methodology. The Delegation agreed that this was a systemic issue that went beyond the strict parameters of the Lisbon Union. The Delegation said it would also like to have a better understanding of what the perceived implications of this change might be for Programs which did not generate revenue, which did not form part of the Union-based fees. The Delegation suggested holding a briefing with the Secretariat which might help Member States understand the current methodology better. Sometimes members believed that they had understood but briefings actually helped to clarify issues that members had not understood properly and thus disperse some of the confusion. A study prepared by the Secretariat with presenting alternatives and comparisons would be helpful as well. With those two elements Member States would have a solid ground on which to take a thoroughly informed decision.

278. The Chair commented that in formulating a decision on item 10, delegations had the responsibility take into account and take stock of the situation and reflect it in a decision paragraph. The decision paragraph could probably capitalize on the progress made and explicitly send to the General Assembly the issues on which there was no consensus. Therefore it was the time to embark on a drafting exercise. The Chair said that he had been working with the Secretariat on some draft ideas that had been proposed both by the United States of America and the Lisbon Union members. The Chair proposed adjourning to a small meeting to try to draft a decision component on Program 6. The Chair encouraged delegations to be constructive, as precise as possible and respectful of the position of others in trying to reflect the situation in the eventual decision paragraph. The Chair suggested a minimalist, practical signal and account of where the Committee stood. It would be a signal to the General Assembly on the progress made and reflecting the worries of some members in a non-consensus part of the decision on Program 6. Returning to Program 20, the Chair recalled that the draft text requested by the African Group had been distributed. The Chair invited the Delegation of Nigeria to present the proposal. The Chair asked delegations to bear in mind that the African Group had agreed to withdraw its expectations on introducing changes in the Program and Budget, there was a compromise reached with the Delegation of Iran (Islamic Republic of) and there was the African Group's desire to signal their aspirations to the General Assembly.

279. The Delegation of Nigeria, speaking on behalf of the Africa Group, recalled that WIPO's External Offices had been WIPO's responses to the evolving global realities to enable WIPO to be more relevant and to fulfill the objectives and goals, including meeting its nine Strategic Goals. For the African Group that included facilitating the use for IP for development. Considering that External Offices would be a strong enabler for this strategic development in Africa, the African Group believed that Africa as a continent was well-placed to host two External Offices. The Group stressed what it had said the previous day i.e., that Africa had no WIPO representation on the continent and not as a region in terms of WIPO groupings. The Group had been involved in the negotiations on the Guiding Principles and had become concerned with the layers it could see every time it came to negotiations on the Guiding Principles. That was why the Group made the direct proposal to the General Assembly through the PBC. However, recognizing the need for a framework and to make sure that it was manageable, the Group had recommitted to the Guiding Principles. It hoped that Member States could support its proposal, which was only requesting recognition of the absence of External Offices in the African continent, while members would be committing themselves to continuing negotiations on the Guiding Principles.

280. The Delegation of Ghana expressed support for the African Group Coordinator's statement and added that Africa would be very much appreciative for getting the support of colleagues in the PBC because it was a well-known fact that Africa was a continent with no External Office. Having an External Office in Africa would contribute a great deal to the development of IP and protection of IP in Africa. The Delegation emphasized that it was committed to the Guiding Principles and related negotiations. It also believed that those should

not be a stumbling block or a reason for which Africa would be denied or have the decision on External Offices delayed. The Delegation said it would be grateful if two offices could be established.

281. The Delegation of the Republic of Korea thanked the Delegation of Nigeria for suggesting the decision paragraph, which needed careful consideration and for the African Group's commitment to the ongoing negotiations on the Guiding Principles. Regarding the establishment of two External Offices on the African continent in the 2016/17 biennium, the Delegation stated that it would be difficult to include such language before agreeing on the Guiding Principles as it would kind of mean a decision outside of those Guiding Principles. The Delegation therefore did not wish to see the specific reference pertaining to the opening of two external offices in Africa in the decision paragraph. Otherwise the Delegation could agree to the proposed text. The Delegation therefore suggested erasing the second and third line of the first sentence.

282. The Delegation of China thought that with the IP developing globally WIPO should adapt to the new changes and the increase of IP applications, and, considering the role of External Offices and the lack thereof in Africa, the Delegation agreed with this proposal made by the African Group to establish WIPO External Offices in Africa.

283. The Delegation of South Africa supported the intervention made by the delegations of Ghana and Nigeria, on behalf of the African Group. As stated by the Delegation of Nigeria it was a factual representation, showing that there were no External Offices in Africa. The Delegation wished to highlight this concern to the General Assembly. The Delegation added that it was not comfortable with removing a part of the text regarding the establishment of offices in 2016/17 as proposed by the Delegation of the Republic of Korea. The Delegation wanted the language to remain.

284. The Delegation of Cameroon supported the proposal made by the Delegation of Nigeria on behalf of the African Group concerning External Offices.

285. The Delegation of Romania, speaking on behalf of the CEBS, assured the African Group that it had heard its call for the establishment of External Offices and was satisfied to see the African Group's commitment to the Guiding Principles. The CEBS recalled that the message just conveyed by a majority of Regional Groups and delegations was that External Offices should be dealt with using a two-step approach. First, agreement on the Guiding Principles and then the discussion on the numbers and locations. From this perspective, the CEBS were uncomfortable with the formulation proposed by the African Group because the language implied that numbers and locations would be discussed at least in part, irrespective of the adoption or not of the Guiding Principles. The CEBS believed that the proposal reflected a selective approach. As already mentioned, the CEBS were not covered by the External Offices network. Therefore, as a matter of principle, the CEBS Group would not be in favor of having such language.

286. The Delegation of the Russian Federation stated that External Offices contributed to the development of Intellectual Property. That was particularly important for developing countries and as a result the membership needed to look at the possibility of establishing External Offices on the African continent and in other developing countries. The Delegation concluded that the proposal made by the African Group deserved approval in principle.

287. The Delegation of Iran (Islamic Republic of) extended its sympathy to the African Group for the non-representation of the African region in the WIPO External Offices network. The Asia and the Pacific Group, GRULAC and CEBS had pointed out that the finalization of the Guiding Principles was a prerequisite for the establishment of any External Offices. The Delegation believed that the informal consultations should be continued to finalize the Guiding Principles. The Delegation wished the text of the decision to say that PBC suggested finalizing the Guiding

Principles on the establishment of WIPO External Offices in order to submit it to 56th General Assembly.

288. The Delegation of Brazil, speaking on behalf of GRULAC, thanked the African Group for the proposal, which had been discussed within GRULAC. In the intervention made that morning, the African Group had mentioned that Africa was the only continent without External Offices. It would be necessary to understand whether this was a new phrasing of the proposal or whether the word “region” would be kept. The position of GRULAC regarding guiding principles was well-known. It was understood that they were a condition to any new decisions on the opening of External Offices. GRULAC expressed its strong interest hosting a second external office in its region, hence the issue of Guiding Principles was important. Regarding the proposals that had been made, in order to arrive at a Group decision, GRULAC requested the Secretariat to present the alternatives that had been proposed, as all delegations had heard the interventions by the Delegations of the Republic of Korea, Iran (Islamic Republic of) and the CEBS.

289. The Delegation of Japan, speaking on behalf of Group B, thanked the African Group for the proposed text and its commitment to the ongoing negotiations on the Guiding Principles. Group B recognized the non-representation of the African region in the External Offices network. At the same time, as many Groups and delegations had underlined, the Guiding Principles had to be finalized first. The position of Group B was that any decision or recommendation should not be made in a manner which established External Offices without proper procedure based on the Guiding Principles.

290. The Delegation of Tunisia supported the text presented by the African Group. The Delegation called on the PBC to adopt it in order to minimize the injustice suffered by Africa. Two offices was an adequate and appropriate number for more than 50 countries on a continent.

291. The Delegation of Morocco supported the statement made by the African Group and underlined that WIPO recognized that Africa did not have an external office and that was why the African Group reiterated its request for two offices on the continent in order to help Africa move towards innovation. As for Guiding Principles, the African Group was involved in the negotiations.

292. The Delegation of Chile said that following the previous day’s negotiations, there was a compromise to have a neutral text that would eliminate numbers. The Delegation added that it could support the initial Iranian proposal, but the Delegation understood that there was a wish to try and not introduce political implications into the text and to leave it as neutral as possible. The Delegation appreciated the African Group’s proposal submitted the previous day, but given Chile’s interest in continuous participation in the informal discussions in order to agree on the Guiding Principles before the consideration of number of offices, the Delegation wished to continue with the idea of opening future offices. However, it wished for a neutral wording, expressing commitment to all the membership of the PBC. It also wanted to see the proposal by the Delegation of Iran (Islamic republic of), which seemed to be more along these lines that reflected the Chilean position. That position had been repeated at all levels, both in informal and formal meetings which had taken place the previous year in the PBC and other venues. The Delegation repeated that it wanted to see that proposal in order to see whether it would enable members to come up with a compromise solution.

293. The Delegation of Nigeria, speaking on behalf of the African Group, thanked the delegations which had supported the Group’s proposal and expressed appreciation to the delegations which thought it needed to be worked on before it could be put in a comfortable language. It reiterated the African Group’s commitment to the Guiding Principles negotiations, and the Guiding Principles, even though the negotiations had come as close as they had come apart. However, External Offices had been established in the last two years while members had

been negotiating the Guiding Principles and had come to both polarizing positions and positions of agreement. The insistence on the Guiding Principles was an attempt to have a structure, a framework and predictability which the African Group recognized and was ready to commit to, and go back to the negotiating table on the Guiding Principles. However, the Group underscored the need for recognition that Africa was underrepresented in the WIPO external office network. This was not disputable. Every delegation spoken to, formally or informally, had recognized that. That recognition had to be shown in the text. The negotiations on the Guiding Principles had come very close to agreement as many times as they had unraveled and had been weighed down by other political considerations. The previous proposal (in 2013) was for two External Offices. Other External Offices had been established since then while members sought to move the process forward and to minimize the contention present at the time. The African Group's request to the PBC was to recommend to the General Assembly to recognize the need for External Offices in Africa and to provide some level of comfort and guarantee as members go back to the negotiations. Several countries wanted External Offices, and in every continent there was one External Office, in Africa, there were none. The African Group wished to reference the statement made by the Delegation of Romania that Africa was not only underrepresented, but was the only underrepresented region or continent. That was why the Group changed the term "region" to "continent". The Delegation recalled that when the concept of opening external offices had arisen, one of the arguments was that they would reduce the cost of travel and travel time due to the distance between WIPO and other regions. That argument had been a huge consideration in coming to the idea of establishing new External Offices. It added that WIPO headquarters were in Europe and could serve all of Europe, not so easily Africa. The African Group concluded by saying that it wanted to substitute the word "region" with "continent" in the proposed text and hoped that Member States would be more comfortable in their consideration of the proposed text.

294. The Chair asked the Delegation of Nigeria whether the two-stage process, which a lot of delegations supported, was acceptable to the African Group.

295. The Delegation of Nigeria replied in the negative.

296. The Delegation of South Africa requested time for Group consultations.

297. Following a break for consultations, the Chair announced that some progress had been made. The meeting of the Lisbon Union members, with the Delegation of the United States of America and a few other delegations had resulted in a revised draft language to reflect the elements on which there was agreement and the elements that needed further consideration and on which there was no consensus. The draft text, to be distributed shortly, stated the general structure of decision for agenda Item 10, reflecting the areas of convergence and the progress made specifically regarding Programs 3 and 20, and the areas of no consensus and would eventually allow for additional wording related to External Offices.

298. The Delegation of Nigeria, speaking on behalf of the African Group, stated that the Group had made a few changes that it hoped would accommodate other Member States. The revised text read: "The PBC welcomes the African Group's commitment to ongoing negotiations on the Guiding Principles. The PBC further recognized the non-representation of the African continent in the WIPO external network and acknowledged the African Group's request for the establishment of two External Offices in Africa in the 2016/17 biennium."

299. The Delegation of Mexico thanked the Delegation of Nigeria for the proposal and for seeking a compromise solution on the topic. The Delegation wished to react in its national capacity before discussing with the rest of GRULAC. It stated that the last sentence which recognized the request by Africa was valid. However, if this reference was included, then the requests of other countries and Regional Groups which had also expressed interest in having external offices would have to be acknowledged. The Delegation saw no difficulty in doing so but stated that it would bring the Committee back to the same dilemma which has been faced in

other PBC meetings when such a list had to be established. The Delegation wondered whether there was sufficient time for such an exercise.

300. The Delegation of the Republic of Korea, commenting on the revised paragraph, suggested that, as the Delegation of Mexico had said, other regions requesting External Offices should be included, e.g. the Asia and the Pacific Group. The following phrase could also be added: "the PBC welcomed all Member States' commitment to the ongoing negotiation on the Guiding Principles."

301. The Delegation of Iran (Islamic Republic of) stated that it needed more time for consultations.

302. The Delegation of Chile, as the initial reaction, would have wished to see a more neutral statement reflecting the commitment of all members. Although a list of Groups requesting External Offices could be made, it would be better to go back to a more neutral position and find an alternative to reflect the views and the interests of all.

303. The Chair said that he would talk to the African Group Coordinator and other Groups during the break and requested that the revised proposal be distributed to all delegations.

304. Opening the afternoon session, the Chair announced that, following consultations, some minor changes were being proposed regarding the agenda item 10 decision. The Secretariat added clarity to paragraph 4 of the decision, saying, "The PBC recommended that all fee-funded Unions convene before the discussion on the proposed Program and Budget." It should be clear that that proposal was for the meetings during the 55th session of the Assemblies. The last element of paragraph 3, for grammar purposes, would say: "The PBC requested the Secretariat to provide support in this regard." Regarding the request by the Delegation of Spain to include certain elements discussed in the previous PBC in the decision on item 10, a track- change text would be sent to the Delegation and also distributed in the room. The Chair inquired whether delegations were comfortable with the latest distributed texts so that they may be added to the decision on item 10.

305. The Delegation of Nigeria, speaking on behalf of the African Group, reported that the Group, having listened to the interventions made by Member States, had met and agreed to make a few changes to the text. The new text read: "The PBC welcomed the commitment of all WIPO Member States to ongoing negotiations on the guiding principles. The PBC further recognized the non-representation of the African continent in the WIPO external network and acknowledged the African Group's requests for the establishment of two External Offices in Africa in the 2016/17 biennium. The PBC also took note of the request made by other countries for the establishment of external offices." In essence the change was to the first sentence which reiterated the commitment of all WIPO Member States to ongoing negotiations on the Guiding Principles. The last sentence took into account that there were other requests for establishment of External Offices apart from the request of the African Group.

306. The Chair pointed to the change of "in" for "within".

307. The Delegation of Nigeria confirmed the use of "within".

308. The Delegation of the Republic of Korea wished to have the paragraph referring to the request for External Offices by other countries read with the same level of importance as that referring to the African Group's request, without giving the number of External Offices for the African region. The Delegation added that it would ask its Group Coordinator to submit a written proposal. The Delegation also reminded members of the Asia and the Pacific Group's opening statement, in which it emphasized the importance of the establishment of the Guiding Principles first. There was no change in the Group's position. Regarding the African Group's proposal, the Group would consult and report back.

309. The Chair proposed to read the updated first five elements of the draft decision on item 10 regarding the Program and Budget and gavel the elements of the decision on which there was agreement. The text read:

"1. The Program and Budget Committee, PBC, having completed a comprehensive second reading of the proposed Program and Budget for the 2016/17 biennium as contained in document WO/PBC/24/11 requested the introduction of the following modifications agreed at its 24th Session in a revised version of the proposed Program and Budget for the 2016/17 biennium to be submitted to the 2015 Assemblies: (a) Changes to the program narratives, including the results frameworks in Programs 3 and 20 and in paragraph 33 in the Financial and Results Overview; and (b) Separation of the budgetary presentation of the Madrid and Lisbon Systems, currently under Program 6, implying a split of this Program into two different Programs with each Program having full details of the Results Framework, including a separate set of Expected Results for the Madrid and Lisbon Systems, Budget by Result and Budget by Object of Expenditure as well as revision of relevant summary tables and Annexes.

"2. The PBC took note that no consensus was reached on the following issues raised by some delegations: (i), the earmarking of funds for any Diplomatic Conference in 2016/17 be conditional on such conferences being open to the full participation of all WIPO Member States (regarding paragraph 20); and (ii) the need for a revision of the methodology on the allocation of income and expenditure by Unions, including the allocation of miscellaneous income of the Organization. In this regard, the PBC recognized that this being a cross-cutting topic, further work and discussions among the Member States would be needed with the assistance of the WIPO Secretariat.

"3. The PBC noted the options for financial sustainability of the Lisbon Union, as outlined in document WO/PBC/24/16 Rev. and recommended that the Lisbon Union consider, in accordance with the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, options with a view to addressing the financial sustainability of the budget of the Lisbon Union at the upcoming 32nd session of the Assembly of the Lisbon Union. The PBC requested the Secretariat to provide appropriate support in this regard.

"4. The PBC recommended that during the 55th series of Assemblies of WIPO Member States, all fee-funded unions convene before the discussion on the proposed Program and Budget 216/17 at the 2015 WIPO Assemblies.

"5. The PBC requested interested Member States to continue consultations on outstanding issues with a view to approving the proposed Program and Budget 2016/17 during the 2015 Assemblies of WIPO Member States to the benefit of WIPO and its Member States."

The Chair asked delegations if they were in agreement with the text he had read.

310. The Delegation of France stated that it agreed with the five items read. The Delegation took the opportunity to thank the Member States of the Lisbon Union, who were members of the PBC, for the consultations that had resulted in the strides made towards the adoption of the five elements of the decision. The Delegation paid tribute to them and wanted the other members of WIPO to be aware of their contribution. The Delegation thanked the Secretariat for facilitating the exchange, especially the one that had occurred by electronic means. Thanks to that the 18 members of the Lisbon Union would be ready for their Tuesday's meeting to analyze the documents pertaining to the various options on providing financial sustainability for the Lisbon Union. The Delegation noted the progress made on the accounting separation of Program 6. A number of delegations had solicited further information. The Delegation underlined that the separation was for the purposes of visual presentation, a change in layout in presentation and that there was no change in the accounting methodology. The Delegation proceeded to thank

the Chair for having made it possible and thus provide Member States with the possibility of continuing work all the way through the adoption of the Program and Budget in October.

311. The Chair remarked that he had seen a lot of engagement and proactive actions by all members and the draft decision clearly demonstrated that compromises had been made on all sides. Everybody should be congratulated for that effort. Of course, a lot of work remained to be done and it should be clear for everybody that the work did not stop between now and the Assemblies so that, hopefully, there would be an approved Program and Budget. The Chair recalled the consequences of not having an approved Program and Budget and thanked the Secretariat for providing clarity regarding that. He added that lots of information had been provided during the discussions and lots questions had been raised. He renewed the call to proactively engage in the discussions between the present time and the Assemblies, to consult and take advantage of the incredibly able Secretariat. The Chair said that the decision would also incorporate a paragraph referring the July PBC decision regarding ASHI: "The PBC recalled its earlier request at its 23rd session for the Secretariat to: (a) present to the 25th session of the PBC concrete proposals to contain the After-Service Health Insurance (ASHI) liability. These proposals may take into consideration, but should not be limited to, the results presented by the Working Group on ASHI established by the High-level Committee on Management (HLCM) of the Chief Executive's Board; and (b) continue its efforts to identify and implement further savings and cost-efficiencies and to report, including its quantification, to the 25th PBC session through the Program Performance Report, on the progress made."

312. The Delegation of India proposed language for the paragraph on External Offices: "The Program and Budget Committee (PBC) recommends to the General Assembly to continue open, extended consultations with the view to finalizing the proposed Guiding Principles regarding the establishment of External Offices without further delay, which will be submitted for approval to the General Assembly in 2016."

313. The Delegation of Nigeria, speaking on behalf of the African Group, requested time to consult with the Asia and the Pacific Group.

314. The Chair adjourned the session for consultations. The Chair remarked that should the consultations fail, he would prepare an account of the discussions, mentioning that the issue had been raised, and portraying in a very balanced way the matters of concern.

315. Upon resumption of the session, the Delegation of Nigeria proposed a new language agreed to during consultations: "The PBC recognized the non-representation of the African continent in the WIPO external network, and further recognized the need to address the imbalance within the 2016/17 biennium. The PBC recommends to the General Assembly to continue open-ended consultations with the view to finalizing the proposed Guiding Principles regarding the establishment of External Offices to be submitted for approval to the General Assembly in 2016." The Delegation explained that the proposal sought to delineate the mentioning of two External Offices in Africa. It maintained the recognition by the PBC that Africa was not represented in the WIPO external network. The language proposed by the Asia and the Pacific Group had been included. The Delegation hoped that it would find support from all Member States for the proposal.

316. The Delegation of India wished to put on record that the Asia Pacific Group in principle had no objection to the proposed draft. Any individual countries which had any objection would make individual interventions.

317. The Delegation of Brazil said it would be difficult for it to speak on behalf of GRULAC as it had just heard the new text read out. The guidelines that the Delegation had received from the members of GRULAC were that neutral language would be the best way forward regarding a decision on this point. The Delegation found it difficult that a specific emphasis was put on the request by one group while other groups had also made requests to host an External Office and

were not mentioned in the decision text. For those reasons, in principle, GRULAC would not be in favor of a solution of expressly mentioning the interest of one region and not another.

318. The Delegation of the United Kingdom believed that more neutral language was the only viable option. Having listened to the discussions, the Delegation said that it was going to be very difficult to find the right language. The text, as read, contained an element that could not be accepted, i.e., the part talking about recognizing the imbalance and trying to correct it in the 2016/17 biennium was almost impossible because that part also spoke about adopting the Guiding Principles in 2016.

319. The Delegation of Australia raised a technical question. If the Delegation had heard it correctly, there was an implication that the PBC would hold open-ended consultations. The Delegation asked whether that was true and if so, how that would fit with the PBC's mandate which had to do with budgetary rather than substantive issues such as those covered by the Guiding Principles.

320. The Delegation of Switzerland, in trying to find a solution, suggested that the statement on the concerns of the Asia and the Pacific Group and other Groups be placed in the record of the meeting. The Delegation also observed that the new text provided by the African Group was apparently giving rise to even more concerns. The Delegation wondered whether it would not be advisable to look at the proposal made earlier and distribute it in writing as it seemed to give rise to fewer concerns than the new proposal.

321. The Delegation of Romania said that while the CEBS appreciated the efforts made by the African Group to adjust its proposal, the CEBS Group failed to see that the proposal responded to the concerns that the CEBS had expressed in their first statement. If a neutral language could be achieved it would be more acceptable.

322. The Delegation of Iran (Islamic Republic of) thanked the African Group for its efforts and the proposal. As previous speakers had expressed, it was difficult to arrive at an agreement on the present proposal. The Delegation believed that a general and neutral language was needed, which would be easier to reach a compromise on.

323. After a break, during which the Delegation of Switzerland was working on trying to reach a compromise on the decision, the Chair invited the Delegation to present the outcome of those consultations.

324. The Delegation of Switzerland said that the compromise proposal was visible on the screen above the podium. It began with some relatively neutral language. Rather, it was a statement of fact as to what had been discussed and the fact that the PBC had taken note of all the statements made on the subject of External Office. That included both Regional Groups and individual delegations. It was an acknowledgment of the statements as well as requests, all of which were included. This was followed by the sentence, already seen in the paper circulated an hour or two prior, which did not seem to give rise to objections from any delegation. The sentence referred to the concern of the African Group, to be explicitly mentioned, which regarded the non-representation of the African continent. The final sentence recommended to the General Assembly to further discuss the issue based on the latest draft of the Guiding Principles dated September 29, as would be attached to that paragraph. That document had not gained agreement from all delegations, but it did show the work achieved up to that point.

325. The Delegation of Brazil said that the third line mentioning non-representation of the African continent in the WIPO external network would only be factual if it said that currently no External Offices existed in the African continent i.e., "The PBC recognized that there are no WIPO External Offices on the African continent." .

326. The Delegation of India thought it should say "in the African continent".

327. The Delegation of Iran (Islamic Republic of) said that the second sentence mentioned requests made by Regional Groups. It asked whether any formal requests had been submitted to WIPO by Regional Groups. The Delegation assumed that there had only been requests submitted by individual countries.

328. The Chair asked the Delegation of Nigeria whether the African Group had made a formal request.

329. The Delegation of Nigeria replied that it had not made a formal request yet.

330. The Delegation of Iran (Islamic Republic of) clarified that there had been some 25 requests submitted to WIPO and all of them had been made by delegations in their individual capacity. The Delegation pointed out that offices could either be regional or individual national offices. It appeared that members were discussing WIPO regional offices. The Guiding Principles, although not yet finalized, had nothing to do with regional offices. This was not what had been foreseen in the Guiding Principles. The Delegation said it had some legal and procedural problems with the wording "requests made by Regional Groups." There were other points but if that one could be clarified, the Delegation could proceed in the discussions towards a constructive outcome.

331. The Chair proposed using "Statements and/or requests" which would be more accurate.

332. The Delegation of Iran (Islamic Republic of) believed that the sentence had nothing to do with the African continent. It talked about one specific issue in terms of regional office. Looking at it from a different perspective might prejudice the discussions on the Guiding Principles. There was a term in the Guiding Principles for the regional office and the national office as well. If that word could be used, then it might solve the problem and remove the concern that the Delegation had.

333. The Chair suggested that a way to make it more indeterminate would be to eliminate Regional Groups and individual requests and read "requests made by Delegations". That would leave it open without prejudging any of the alternatives, if that would be acceptable.

334. The Delegation of Iran (Islamic Republic of) agreed that it would be a better solution. The two points that the Delegation had were the establishment fact and the highlight that there were no offices in the African continent. The Delegation had no problem with highlighting that. But it did not want that establishment fact or any prejudging of General Assembly decisions. The text could say that the PBC further recognized that there were no WIPO External Offices in the African continent, while taking into account that requests that had been made for opening external offices nationally. The point was that while recognizing that fact about the African continent members should, at the same time, realize that in Asia there were no regional offices established by Member States. Those facts should be highlighted for those who had requested to have external office in their national capacity or at the national level. It could be increased to the level of regional, if the consensus would be achieved for having this capacity. The request of Member States to have an External Offices at the national level should be recognized in the text. The Delegation asked the Chair to help remove that concern.

335. The Chair did not see how to remove the concern. There was already an acknowledgement in the first sentence. The Chair did not see how the proposed paragraph would prejudice the work regarding the Guiding Principles, which in the statement everybody would be committing to or biasing the work of a coordinator on this issue or the decision of the next General Assembly. The Chair asked the Delegation to propose an exact wording that would address its concerns.

336. The Delegation of Switzerland, commenting on the discussion, observed that the proposal talked about a request, a request of any kind: a request that the guiding principles be adopted before any opening of External Offices; a request that the Assemblies deal with the question; a

request that there be recognition by the PBC that there was no office in Africa. In other words, it was just a request. That was the Delegation's reading of the term, which was much broader than the one which appeared to be causing the Iranian Delegation concern. The Delegation hoped that its comments might help tackle other delegations concerns.

337. The Delegation of Panama appreciated the latest draft but wished to highlight some points of concern. For example, where it said that the latest draft of the Guiding Principles was attached, should there not be a document code as reference. Another concern was the lack of clarity around the fact that there was need for approval. There was a certain sequence. The approval of the Guiding Principles followed by offices being opened or approval of the Guiding Principles without the need to open offices. The acknowledgement that there are no External Offices on the African continent was there but there were other regions that were in need of an additional Office.

338. The Chair responded that the reference to the draft Guiding Principles document would be the date of September 29, 2014. The document would be attached for purposes of clarity. As for the other issues, those had been clearly explained by the Delegation of Switzerland, i.e., the request was a general concept. Therefore, the prerequisite of the Guiding Principles, referenced in the majority of the Group and individual statements was one of the requests. It was not formulated as a "need" but rather to acknowledge the discussion that had taken place. There was no commitment of going in one way or stating a process at this stage because there was no agreement. As for adding more facts and listing, the Chair said that it could be done but questioned whether it was imperative. He added that it was a very important, for political reasons, that the African Group wanted to have an explicit statement. The Chair believed that it would not prejudice the work that had to continue on the Guiding Principles and the eventual decision that would have to be taken by the General Assembly. The fact was that members would not be adding more things to this paragraph if they wanted it to be approved. The Chair asked delegations to demonstrate flexibility, realizing that the text did not satisfy absolutely everybody. Members should leave the session with some sense of satisfaction. The Chair once again asked whether delegations could agree to the text.

339. The Delegation of Chile said that it did not intend to try and extend the session but some important topics were linked to this item and that was why the Delegation was taking it quite seriously. If there was to be a decision on the paragraph, then it should reflect what a number of delegations had said. It should be clear in the text that before any office was opened members must first adopt the Guiding Principles. That had to be said if the paragraph were to be included in the decision on item 10. The Delegation also recognized that certain facts were not included in the text and added that what had been said in the plenary should be reflected in the decision. The easiest way to proceed would not be to include any facts and let everyone interpret the paragraph in a way that reflected their view of the topic. However, these were negotiations and therefore, the Delegation wished the paragraph to be clear.

340. The Delegation of India, speaking in its national capacity, took note of the proposed draft. It recalled that India had expressed its desire to have an External Office in India. The Delegation's position was reflected in the current draft and therefore, the Delegation had no objection to accepting the present formulation.

341. The Delegation of Nigeria, speaking on behalf of the African Group, expressed the Group's appreciation to the Delegate of Switzerland for the latest proposal. Listening to the comments it exemplified the first discussion on the Guiding Principles. It had never been easy, even though there were few brackets left in the text and this was an example of reading one sentence in the Guiding Principles. The African Group reiterated the critical role of IP in Africa, the availability of a ready market and the role the Group saw an external office playing in enabling the facilitation of IP for development. It considered this a justifiable step for the Organization to take. However, the Delegation saw that the proposal was not meeting agreement of the membership which had their different layers of concern. Because Africa

already had five sub-regions, the African Group wanted recognition regarding offices in the continent and a recognition that perhaps priority could be given to that region as well as other requests. That failed to meet the support of the room. Therefore it might be easier to say the PBC referred the matter to the General Assembly.

342. The Chair asked delegations if they agreed with that proposal.

343. The Delegation of Ethiopia aligned itself with the statement of the African Group. The Delegation thought that previous proposals made by the Delegation of Nigeria would have accommodated the concerns of many regions while addressing the inequality in terms of WIPO's presence in Africa in addressing the IP gap in the continent of 54 countries which was the only continent without any representation. The Delegation reiterated its support for the latest proposal as voiced by the Delegation of Nigeria.

344. The Chair confirmed that a sentence saying that "having discussed the issue the PBC decided to refer it to the General Assembly".

345. The Delegation of Nigeria agreed to the proposed sentence and requested that the Chair's summary reflect the concerns raised by the African Group.

346. The Chair responded that he was not envisaging preparing a Chair's summary. There would be a *verbatim* report of the session with the entire discussion. He added that if he were to write a report, all positions would have to be stated and it would be impossible to have all delegations satisfied regarding the report's balance. The Chair re-read the proposed sentence: 'The PBC, having discussed the issue of new External Offices, decided to refer it to the 2015 General Assembly'. There were no further comments and the text was gavelled. The Chair then read the complete text of decision on all aspects of item 11, which was gavelled.

347. (1) The Program and Budget Committee (PBC) having completed a comprehensive second reading of the proposed Program and Budget for the 2016/17 Biennium as contained in document WO/PBC/24/11, requested the introduction of the following modifications agreed at its 24th session in a revised version of the proposed Program and Budget for the 2016/17 biennium to be submitted to the 2015 Assemblies:

- (i) Changes to the program narratives, including the results frameworks in Programs 3 and 20 and paragraph 33 (in the Financial and Results Overview); and
- (ii) Separation of the budgetary presentation of the Madrid and Lisbon Systems, currently under Program 6, implying a split of this Program into two different Programs with each Program having full details of the Results Framework, including a separate set of Expected Results for the Madrid and Lisbon Systems, Budget by Result, and Budget by Object of Expenditure as well as revision of relevant summary tables and annexes.

(2) The PBC took note that no consensus was reached on the following issues raised by some delegations:

- (i) The earmarking of funds for any diplomatic conferences in 2016/17 be conditional on such conferences being open to the full participation of all WIPO Member States (regarding paragraph 20); and
- (ii) The need for a revision of the methodology on the allocation of income and expenditure by Unions, including the allocation of miscellaneous income of the Organization. In this regard, the PBC recognized that, this being a cross cutting

topic, further work and discussions among the Member States would be needed with the assistance of the WIPO Secretariat.

- (3) The PBC noted the options for financial sustainability of the Lisbon Union, as outlined in document WO/PBC/24/16 Rev. and recommended that the Lisbon Union consider, in accordance with the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, options with a view to addressing the financial sustainability of the budget of the Lisbon Union at the upcoming 32nd session of the Assembly of the Lisbon Union. The PBC requested the Secretariat to provide appropriate support in this regard.
- (4) The PBC recommended that, during the 55th Series of the Assemblies of WIPO Member States, all fee-funded Unions convene before the discussion on the proposed Program and Budget 2016/17 at the 2015 WIPO Assemblies.
- (5) The PBC requested interested Member States to continue consultations on outstanding issues with a view to approving the proposed Program and Budget 2016/17 during the 2015 Assemblies of Member States to the benefit of WIPO and its Member States.
- (6) The PBC, having discussed the issue of new External Offices, decided to refer it to the 2015 General Assembly.
- (7) The PBC recalled its earlier request at its 23rd session for the Secretariat to:
 - (i) present to the 25th session of the PBC, concrete proposals to contain the After-Service Health Insurance (ASHI) liability. These proposals may take into consideration, but should not be limited to, the results presented by the Working Group on ASHI established by the High-level Committee on Management (HLCM) of the Chief Executives Board; and
 - (ii) continue its efforts to identify and implement further savings and cost-efficiencies and to report, including its quantification, to 25th PBC session, through the Program Performance Report, on the progress made.

Update on Proposal of Patent Cooperation Treaty (PCT) Working Group Concerning Hedging Strategy for PCT Income

document WO/PBC/24/INF.3

348. With regard to the recommendation of the PCT Working Group contained in document PCT/WG/8/15, the Program and Budget Committee (PBC) was informed through document WO/PBC/24/INF.3 of several issues regarding the implementation of a hedging strategy for PCT fees. After careful consideration of the issues contained therein, the PBC recommended to the Assembly of the PCT Union:

- (i) to allow for more time for the Secretariat to further analyze these issues in detail in order to properly assess all the challenges associated with the implementation of such a hedging strategy; and accordingly,
- (ii) to postpone its decision with regard to the recommendation quoted above until such analysis has been undertaken.

ITEM 11 REVISED POLICY ON INVESTMENTS

349. Discussions were based on document WO/PBC/24/10.

350. The Secretariat explained that in July 2015, two documents on the subject of the Organization's investment policy had been presented to the Committee, documents WO/PBC/23/6 and WO/PBC/23/7. In the absence of an agreement on the proposals made in the second document, the first of these documents proposed a revised policy which would become effective on December 1st of this year. Following the discussion on the second document in July, the Committee recognized the need for two investment policies: one covering operating and core cash and the second one covering strategic cash. The Committee had recommended that two such policies should be prepared for approval at its next session. The two policies were contained in Annexes 1 and 2 of document WO/PBC 24/10. They followed the template which was included as Annex 4 of document WO/PBC/23/7 and incorporated the revisions made by the members of the Committee during the July session.

351. The Delegation of Japan, speaking on behalf of Group B, expressed its gratitude to the Secretariat for its hard work in the preparation of the policy on investments which reflected what was agreed at the last session. The document proposed two policies for review, one for operating and core cash and the other for strategic cash. In order to minimize the impact of interest, the expeditious implementation of these policies was strongly expected, at the same time taking account of the nature of the major changes incorporated in the policy. The core functioning of the monitoring and reporting mechanism was deemed critical in order to secure the assets of the Organization. With regard to the investment policy for strategic cash contained in Annex 2 of the document under review, the Group welcomed the inclusion of an increased target coverage ratio. The aim was to reach a target of 80 per cent to 100 per cent as compared to the present target of approximately 50 per cent. The Group felt that it was important to increase this ratio to guarantee the long-term financial viability of After-Service Health Insurance (ASHI). In this context, it wished to underline that 100 per cent coverage should be the long-term goal. Also with regard to Annex 2, it noted that a distribution of strategic cash amongst two institutions was proposed, unless the funds could be placed in a single, sovereign risk, AAA rated institution. Although the Group acknowledged, in the policy provision, that these two institutions could not be the same institutions as the ones operating cash was placed with, it still wished to underline that the Organization should aim at placing strategic cash with more than two institutions, if possible. Finally, the Group noted that the proposal further suggested that revisions would be necessary and understood that these would be presented to the PBC for approval.

352. The Delegation of the United States of America supported the statement made by Japan on behalf of Group B. The Delegation appreciated the efforts made by the Secretariat and the Advisory Committee on Investments to develop new investment policies and strategies to meet the needs of the Organization. It also appreciated the need to consult financial experts and other international organizations which were in a similar situation to look at lessons learned and best practices, particularly with respect to the long-term management of ASHI funds. The Delegation agreed that the wise management of resources was critical to the long-term stability of the Organization. It supported the policies as set forth in the two annexes and looked forward to reviewing proposed future revisions based on the completion of the ACI's investment guidelines and the Assets and Liabilities Management (ALM) study. The Delegation had one suggested minor addition to ensure consistency to the text and recommended adding the phrase "or higher" at the end of the first sentence in paragraphs 23 of Annex 1 and 20(b) of Annex 2. This, said the Delegation, would make it clear that these were the minimum ratings for investments rather than leaving it implied.

353. The Delegation of Romania, speaking on behalf of the CEBS Group, thanked the Secretariat for following up the document on the investment policy which presented two separate policies on operating and core cash, and on strategic cash, respectively. It

acknowledged the various officials and bodies in WIPO that would have specific responsibilities in this regard and also the fact that a further update would be provided on the policy concerning the strategic cash. As it was convinced of the need for a revised policy of investments in order to prevent as much as possible the erosion of capital due to the new financial environment, the Delegation wished to express its support for the swift adoption of the revised policy prepared by the Secretariat.

354. The Delegation of Canada supported the statement made by Group B. Like others before it, the Delegation welcomed the revised policy on investments and thanked the Secretariat for the high quality work that went into its preparation. The Delegation believed that the revised policy on investments provided WIPO with enhanced flexibility to better align investment profiles with investment goals and easily adapt to the recent ongoing changes in the investment and banking environment in which WIPO operated. The Delegation trusted that the Secretariat would continue to monitor this investment environment on an ongoing basis to ensure that the recommendation represented the best available response to WIPO's investment needs and that the Secretariat would advise Member States should any adjustments be necessary. That being said, the Delegation welcomed confirmation, from the Secretariat, that the fact that the Member States would be approving, and the Secretariat implementing, the new policy on strategic cash before the completion of the Assets and Liabilities Management study would not lead to any problematic scenarios whereby the Assets and Liabilities management study would contradict any elements of the policy.

355. The Delegation of Slovakia had a technical question regarding the current document. It also supported the statement made by the CEBS coordinator but wished to be more practical on the risk tolerance mentioned under item 20 of the current document. There was already a policy which foresaw that the Director General would be given some advice from the Committee on the risk tolerance levels, basically that they were brought to the Director General based on the advice from the ACI. In the light of the detailed knowledge the Delegation had on the topic, it recommended to not only report on risk tolerance levels to the Director General for approval, but also to the PBC, since this kind of risk determined how much risk would be taken by the investment policy and included the significant impact on the investment returns. Having seen the difficulty in securing any interest in an environment which had negative interest rates, the Delegation recalled that there was already a policy in place on the financial markets which showed that no returns could be made unless some risks were taken. The Delegation noted that this kind of environment was forcing even the most conservative portfolio managers to take some risk and realized that this was related to some kind of turbulence. The Delegation wished to see the policy reported to the PBC on a regular basis to not only report but also to ask for approval for the kind of risk and tolerance levels that could be accepted.

356. The Secretariat thanked all delegations for their comments on the policies. In respect of the suggestion from the United States of America, that was not a problem, the wording could be added. The policy levels that there were already represented the minimum but the Secretariat could add the wording. Responding to the comments by the Delegation of Slovakia, the Secretariat said that the intention had always been to report to the PBC on the investments that were made. Investments would obviously be made in line with the policies, so it would be possible to report to the PBC at the time of reporting on the investments to confirm the compliance with the policies. If the Secretariat found that it was making investments and not getting a return and that it would like to go into other asset classes, for example, it would obviously bring that fact back for a decision by the PBC. The Secretariat would not start increasing the risk profile by going into other asset classes without referring it back to the PBC. This also replied to the comment from the Canadian Delegation. Obviously as the ALM study was underway, it was quite possible that the study would reveal some additional asset classes that had not yet been included in the strategic policy and again, it would be necessary to come back to the Member States next year with details of those additional asset classes. The question had also been raised during the July session by the Delegation of Canada, believed the Secretariat. At that time, it had explained that it had looked at what other agencies had

done to be able to put the policy together. Recent talks with various agencies which had completed their ALM studies indicated that they were being advised to take asset classes which were not in the policy documents. The Secretariat would revert on this point next year.

357. Seeing that delegations were satisfied with the responses provided by the Secretariat and that there were no more requests to take the floor, the Chair recommended gaveling the decision and proceeding to the acceptance of the document. The Chair read out the amended decision paragraph for document WO/PBC/24/10, which was adopted.

358. The Program and Budget Committee (PBC) recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to approve the two investment policies (Operating and Core Cash and Strategic Cash) (document WO/PBC/24/10), amended as follows:

- (i) Annex I, paragraph 23, 1st sentence to read: Both operating and core cash investments may only be held with institutions with a short-term rating of A-2/P-2 or a long-term rating of A-/A3 or higher.
- (ii) Annex II, paragraph 20(b), 1st sentence to read: Investments made by external fund managers may only be held with institutions with a short-term rating of A-2/P-2 or a long-term rating of A-/A3 or higher.

ITEM 12 FINAL REPORT ON THE PROJECT TO UPGRADE SAFETY AND SECURITY STANDARDS FOR THE EXISTING WIPO BUILDINGS

359. Discussions were based on document WO/PBC/24/12.

360. The Chair invited the Secretariat to proceed with the presentation of the Final Report on the Project to Upgrade Safety and Security Standards for the Existing WIPO Buildings.

361. The Secretariat explained that, at the 46th session of the Assemblies of the Member States of WIPO (September 2008), Member States had approved the Secretariat's proposal for the Project to Upgrade the Safety and Security Standards for Existing WIPO Buildings. The Project involved enhancements which were directly related to an independent security risk assessment conducted in 2006, thereby ensuring compliance with the United Nations Headquarters Minimum Operating Security Standards (H-MOSS), and reflecting due diligence by WIPO to ensure a safe and secure working environment for staff, and visitors. The report confirmed that the standards to address WIPO's unique safety and security needs were met and, in a number of areas, exceeded. The satisfactory achievement of the objectives of the project had been confirmed by the recent audit of safety and security by WIPO's Internal Oversight Division. The project had significantly enhanced WIPO's safety and security posture through the implementation of technical systems and processes, including the state-of-the-art pedestrian and vehicle access systems, surveillance and anti-intrusion technology, security operation center, building access controls and access technology for badging, among other controls. The project would be fully implemented by the end of September 2015 and was expected to be developed under budget. Member States were reminded that the total budget of 12.6 million Swiss francs included a 5 million Swiss francs contribution by the host country, Switzerland, with the remaining amount coming from WIPO reserve funds. The Secretariat thanked the Delegation of Switzerland for the partnership and expertise offered during the implementation of the project and for improving WIPO's overall safety and security posture. In the next biennium, the focus would be on optimizing new technology while improving operational maintenance and support procedures around the newly implemented safety and security controls.

362. The Chair thanked the Secretariat and opened the floor for any comments and questions regarding this final report. Seeing that there were none, the Chair gavelled the proposed paragraph decision:

363. The Program and Budget Committee took note of the contents of the Final Report on the Project to Upgrade the Safety and Security Standards for the Existing WIPO Buildings (document WO/PBC/24/12).

ITEM 13 PROGRESS REPORT ON THE CONSTRUCTION PROJECTS

364. Discussions were based on document WO/PBC/24/13.

365. In introducing the document, the Secretariat noted that it was a progress report on the New Construction Project and the New Conference Hall Project covering the period since September 2014. Firstly, on the operational aspects concerning the New Construction Project (that is, the New Building), the outstanding items had all been completed at the end of 2014 or at the beginning of 2015, except for the replacement and repair works on the windows of the ground floor of the New Building which were ongoing and would be completed by the end of 2015, after the holding of the 2015 Assemblies. The Secretariat recalled that the 22nd session of the PBC had been held in the new WIPO Conference Hall in September 2014, and that the Hall had been completed on time for the 2014 Assemblies. The Conference Hall had been fully operational since then and had been used for a number of WIPO meetings and other meetings. On the operational aspects, all the outstanding minor works and exterior landscaping were completed in 2014 except for those which could only be completed during the first semester of 2015, after the winter season. As far as oversight and audit were concerned, and following the report given by the Vice-Chair of the IAOC under agenda item 3, the Secretariat mentioned that it had made progress reports to the IAOC on a regular basis, generally at each of its sessions. In respect of the internal oversight, it was recalled that the last audit had been completed in June 2013, that all recommendations had been implemented and therefore closed by the end of 2014, and that there were no outstanding recommendations. Finally, following the External Auditors' intervention under agenda item 5, the Secretariat was pleased to confirm that eight out of the total of ten recommendations on the New Conference Hall Project made by the External Auditors in their 2014 Report, had since been closed by the Auditors, leaving two recommendations in the process of being addressed. There had been mutually satisfactory discussions between the Secretariat and the External Auditors and the Secretariat was aiming at dealing with the remaining two recommendations so that they could be closed in the near future. Reverting to the budget and financial situation of the New Construction Project, the Secretariat confirmed that all repair works being carried out were financed from the monies retained following the amicable and jointly agreed final termination with the former General Contractor, while the exterior landscaping items had been financed from the amount of 400,000 Swiss francs approved by the Assemblies in 2014. In respect of the budget and financial situation of the New Conference Hall Project, it was recalled that the approved budget stood at 75.2 million Swiss francs. There had been a total of 82 construction companies working on the project for a large variety of works, the accounts of 78 of them having been completely validated and agreed by all parties. Seventy-two out of 82 were finalized according to projections made on the basis of advice received from the various firms and professionals concerned, leaving ten accounts not yet closed, some of which showing increases higher than the projections. In connection with professional specialists, 26 firms had been involved in various roles and mandates, noting that the accounts of 20 of them had been fully validated and agreed by the parties concerned. There remained six accounts showing increases higher than the projections. The Secretariat recalled that the projections made in 2014 had been established in good faith, with advice received from a variety of professional specialists and firms, and that it had been on that basis that the Secretariat had presented a proposal for additional funding to the PBC and the Assemblies in September 2014. At the date of the present session, discussions were still ongoing with four companies and six specialist firms, in respect of their accounts and, as the case may be, on their respective share of responsibility in

the cost overrun. The main reasons for the cost overrun, already referred to in document WO/PBC/22/14, were of three categories: firstly, the quantities of materials actually utilized were higher than estimated, which was understandable in view of the unique shape and nature of the Hall, the types of material and construction methods which had to be implemented; secondly, the construction phase had undergone a variety of challenges, one of them being the termination of the contract with the former General Contractor, another being the new operational working relationship with all parties which turned out not to be as optimal as expected in terms of interdisciplinary relations; and lastly, a number of companies experienced some difficulties to cope with the remaining work as they had taken work commitments elsewhere and had to split their workforce in order to deliver the Project on time for the 2014 Assemblies. The Secretariat emphasized that the new Conference Hall had, despite these challenges, been ready for the 2014 Assemblies. In respect of the overall final cost of the Project, it indicated that it was not yet in a position to articulate a final definite figure. At this point, on the one hand, the aim was to continue to preserve the Organization's interests and to be in a position to honor the remaining invoices for the cases where the increases were higher than the projections, and, on the other hand, the Secretariat had to remain mindful of not jeopardizing its position during the ongoing discussions, to be open to seize opportunities to close accounts amicably with the other parties, in a reasonable and acceptable manner, and without having to resort to legal means or arbitration. As a consequence, the Secretariat was proposing to the PBC to defer further discussion on this item to the 2015 Assemblies. On a final note, the Secretariat referred to the report on lessons learned that had been mentioned at the September 2014 sessions of the PBC and Assemblies, and confirmed that such a report was a work in progress, which could only be finalized and presented once the Project was fully completed and all accounts settled.

366. The Delegation of Japan, speaking on behalf of Group B, expressed support for the proposal made by the Secretariat to defer the discussion to the Assemblies on the basis of a full report which would by then take into account the nature of the ongoing discussions.

367. The Delegation of Mexico thanked the Secretariat for the updated progress report and took note of the current prevailing circumstances. It agreed with the view expressed by the Delegation of Japan in favor of deferring discussion of this item to the Assemblies so that the latter could benefit from a full report when taking their decision. The Delegation expressed its interest for the report on lessons learned referred to by the Secretariat and it highlighted its particular interest in respect of the lessons to be drawn from the difficulties encountered in the construction of the New Building and of the new Conference Hall. It added that those lessons should be shared with other UN Agencies, such as WHO, UN and ITU, as well as the reports issued by the External Auditors.

368. There were no further interventions concerning this item. The Chair read out the proposed decision paragraph, which was adopted.

369. The Program and Budget Committee deferred the discussion on the final Progress Report on the New Construction Project and New Conference Hall Project to the Assemblies of the Member States of WIPO.

ITEM 14 PROGRESS REPORT ON THE IMPLEMENTATION OF A COMPREHENSIVE INTEGRATED ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN WIPO

370. Discussions were based on document WO/PBC/24/14.

371. The Chair invited the Secretariat to proceed with the presentation of this agenda item.

372. The Secretariat presented the following progress report. The Enterprise Resource Planning (ERP) portfolio of projects had been approved by Member States in September 2010. The document was a comprehensive report which was provided on an annual basis to the PBC.

Overall, the portfolio was on track to deliver the objectives as set out in the original scope. The External Auditors had conducted a performance audit in the third quarter of 2014 from which the recommendations had been considered and many already implemented. This was reflected in the report, for example, the revised timeline, the budget update and the performance evaluation of external implementation partners. The timing of the performance audit was fortuitous and made it possible to adopt and implement the recommendations at the earliest possible time. There was an ongoing continuous improvement process to improve external implementation partner performance through close cooperation and working with the procurement and travel department. This included competitive tendering, establishing key performance indicators and a quality assurance process. The Secretariat pointed out that communications remained a very important aspect of any ERP project, as they involved large scale changes to the way people operated, changes to procedures, and the adoption and understanding of new technologies. In this context, a comprehensive communication strategy and plan was in place and communication continued with staff at all levels through the different fora established within the Organization. The fora included “Learning @ WIPO” and “What’s New” sessions, used by many colleagues to communicate existing and new initiatives around the Organization, regular newsletters prepared by the project management office, the use of a common ERP WIKI space to share information and training videos to show new features and functions being deployed through ERP modules. The budget utilization, at the end of May 31, 2015, was 58 per cent. Progress on the delivery of the scope of the portfolio was commensurate with the budget utilization and was evaluated at 59 per cent, indicating that progress and delivery were in accordance with the resources utilized. This was a significant indicator in ERP projects, typically prone to complex change management challenges, delays and cost overruns, as experienced by many sister agencies. The accrued contingency was estimated at 1.6 million Swiss francs, and even with additional costs to embed skills and competencies for the new technologies the portfolio was expected to complete on budget. The portfolio was, and needed to be flexible, as it extended over a long period of time, originally envisaged to be from 2010 to 2015. Previous reports to the PBC highlighted delays on some of the projects. The portfolio was flexible in adapting its scope as various new requirements emerged over the time frame of the portfolio. Some of the accrued contingency enabled new requirements to be absorbed. One example not included in the original scope of the 2010 proposal was an organization-wide comprehensive risk management approach. However subsequently, at the recommendation of various audit and oversight bodies, formal risk management had been adopted and a risk management tool to support this had now been deployed through the ERP portfolio. Another example of where accrued contingencies would possibly be needed was the replacement of the Flexi-Time system. HRMD was currently reviewing the policies and rules for flexible working time. Following the review it could emerge that the existing Flexi-Time system would need to be replaced or modernized and this could be a potential inclusion of scope into the ERP portfolio within the overall objectives stated in the 2010 proposal. The revised portfolio schedule included in the progress report foresaw the timeline of the portfolio running through to mid-2017. Part of the delay was due to the need to ensure that the changes deployed through these new systems and technologies were well embedded into the Organization and that staff were conversant with the new methods of working and were able to operate the new systems. Hence the revised plan showing the portfolio running until mid-2017.

373. The Delegation of Mexico highlighted two aspects. First of all, the delays affecting a number of projects and the portfolio as a whole. The Delegation urged WIPO to do everything possible to stick to the revised schedule. Secondly, section 13 of the External Auditor’s report on the ERP suggested that information on external associated results should be presented to the Assemblies.

374. In response to the questions raised by the Delegation of Mexico, the Secretariat clarified that section 13 of the External Auditor’s report suggested that the performance of external implementation partners should be included. The Secretariat confirmed that section 5 and paragraph 14 onwards of the progress report covered the performance of the three external implementation partners. It also added that procurement had initiated a major drive to improve

and strengthen the evaluation and assessment framework for all external partners and service providers, not just those for the ERP. Additionally, based on the assessment in the report, WIPO was also working with the ERP external implementation partners to identify opportunities to improve delivery. In terms of the delay WIPO fully took on board the recommendation to make every effort to stay within the revised timeline. In this context WIPO had a very comprehensive internal governance structure for the ERP portfolio of projects, with the AIMS Portfolio Board chaired by the Assistant Director General, Administration and Management. This revised internal structure was created in response to the independent verification and validation exercise conducted by Gartner Consulting, an independent ERP body of knowledge. They provided many recommendations which were shared in the last PBC progress report and which had been implemented. The multilayered governance structure, project boards and the AIMS Portfolio Board, had helped create an escalation mechanism, in particular on aspects such as cost overruns, changes to scope or timelines. WIPO believed that the revised timeline being presented represented a realistic one.

375. The Delegation of Turkey highlighted two aspects. The continuous adaptation was important and the survey to be performed annually to obtain regular user feedback for continuous improvement was welcomed. Secondly, Enterprise Performance Management (EPM) was mentioned to develop a centralized system. The Delegation asked if the Secretariat could clarify the relationship between EPM and the Program and Budget.

376. In response to the question raised by the Delegation of Turkey, the Secretariat clarified that the EPM system primarily supported the program and budgeting process as well as the entire cycle of assessment, performance assessment and monitoring, and the reporting back to the Member States *via* the program performance reports. The functionality deployed through the EPM project supported this very process. It could be seen from the Program and Budget document that all of the tables, the results frameworks, the budget tables by result as well as by object of expenditure, were all products / deliverables from the EPM system. The whole preparation of the biennial plan and the program and budget was facilitated by the new EPM tool. Program Managers and Directors used the EPM tool to prepare the results framework, and the central teams consolidated the information input through this tool. Following the approval of the program and budget, the annual work planning process started, as work was managed on an annual basis. Through the annual planning process the activities of the Organization were defined and linked to the expected results. An allocation of resources was performed based on a comprehensive review undertaken by the Director General and the SMT of the organization. This explained the link between EPM and the Program and Budget

377. The Chair read out the proposed decision paragraph, which was adopted.

378. The Program and Budget Committee took note of the Progress Report on the Implementation of the Comprehensive Integrated Enterprise Resource Planning (ERP) System (document WO/PBC/24/14).

ITEM 15 FINAL REPORT ON THE INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) CAPITAL INVESTMENT PROJECT

379. Discussions were based on document WO/PBC/24/15.

380. The Chair opened agenda item 15 and invited the Secretariat to introduce the Final Report on the ICT Capital Investment Project.

381. The Secretariat stated that the report before the Committee provided the final update on the progress of the ICT investment project as compared to the situation presented to the PBC in September 2014. The summary of final stage of the project was as follows. The majority of project activities had already been completed. The few remaining activities were on track to be completed by the end of 2015. By the end of 2015, the project would have been delivered in

line with the planned scope achieving all the main business objectives as originally planned. Although there had been some variations between the actual expenditure and the approved amounts for various activities, the project as a whole had remained within the approved budget envelope. Subject to final financial reconciliation, the project should return the unspent balance of approximately 186,638 Swiss francs to the reserves.

382. There were no comments on this agenda item. The Chair read out the proposed decision paragraph, which was gavelled.

383. 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 contents of document WO/PBC/24/15; and
- (ii) approve the closure of the Information and Communication Technology Capital Investment Project.

ITEM 16 GOVERNANCE AT WIPO

384. Discussions were based on background documents WO/PBC/18/20, WO/PBC/19/26, WO/PBC/21/20 and WO/PBC/23/9.

385. Opening the agenda item, the Chair recalled that it was one of the items referred to the PBC by the Assemblies of the WIPO Member States in 2014. He recalled that there had been a very enthusiastic coordination under the leadership of the Vice-Chair of the PBC who had eventually lost hope in the Member States finding a compromise regarding the matter. The Chair said that, nevertheless, things had moved although he was not sure if it could be called progress or not. Member States had come up with two documents at the end of the previous session, which appeared as Annex I and Annex II of document WO/PBC/23/9. One of them was the Vice-Chair's proposal for governance and the other one was the proposal of the Central European and Baltic States, which was very short and read "The Program and Budget Committee would consider possible deficiencies in WIPO's governance in line with recommendation number one of the 2014 JIU report with the view to identify remedies if needed and report them to the General Assembly". The Chair recalled that the CEBS Group basically had said that the PBC should allow time, as he envisaged discussing this recommendation of the JIU report in the plenary, and should continue the discussion in the same format regarding that recommendation. That summarized the CEBS proposal. The Chair then drew the attention of the Committee to the Vice-Chair's yearlong negotiating attempt at finding a compromise that had several elements. The first element, which was very important to some Member States, was to launch an open-ended informal and targeted consultations, guided by someone, to address those issues. He noted that it would be more of an ongoing institutional arrangement that would have to informally discuss that and eventually come back to the PBC and later on to the General Assembly for adoption. The second set of elements was a group of short-term measures regarding the timeliness of meetings and avoiding overlap of official meetings; the efforts implicated in preparing documents in all the official languages; nominations of Chairs and Vice-Chairs, some specific discussion on the relationship and division of work, a recommendation for a calendar of meetings for the Director General, and a reduction, if possible, of the duration of Committees. The PBC would then get some feedback from the Secretariat on the effects of those short-term recommendations. The Chair reminded Member States that all Groups apart from CEBS were comfortable with the Vice-Chair's proposal, and proceeded to give the floor to the Vice-Chair.

386. The Vice-Chair (Spain) recalled that at the last session he had stepped down as facilitator because he believed it was good for other delegations to also take on the facilitation work, which was interesting and a good thing to do. He believed an agreement could still be reached if Member States could reach an agreement on the exact terms of what he had proposed as a

facilitator, rather than referring back to issues which had been discussed but on which there was no agreement. He recalled Recommendation 1 of the JIU report which was that Member States had to try – and should try – to come up with a common vision of the Organization and address issues of governance. He observed that it was the JIU's first recommendation, which meant it was an important issue that Member States should seriously consider in the Organization.

387. The Delegation of India, speaking in its national capacity, proposed that Member States consider creating a temporary working group that would be stemming from either the General Assembly or the PBC to review all proposals on WIPO's governance, including the relevant recommendations by the JIU (recommendation 1 and 2) so that all the proposals could be put together and more time devoted to the working group's discussions so as to arrive at a consensus.

388. The Chair confirmed that the proposal coincided with the Vice-Chair's proposal to undertake open-ended consultations to review all proposals made by the JIU, and asked whether this was specific enough and if all Members could agree with it. The Chair invited the CEBS Group to share with everybody what they feared about opening that sort of open-ended consultations.

389. The Delegation of Iran (Islamic Republic of) recalled its position that governance issues were very important for all Member States and also for the Organization itself, as they were related to the efficiency of the Organization, which in itself was a priority to all Member States. The Delegation supported the proposal made by the Delegation of India as it believed there was a need for a formal framework to discuss those outstanding issues and address all proposals on the table, and the WIPO General Rules of Procedure allowed the creation of such an *ad hoc* or temporary working group.

390. The Delegation of Nigeria, speaking on behalf of the African Group, reiterated its support for the Vice-Chair's proposal on governance made at the last session of the PBC and supported any framework that would allow starting a discussion. The Delegation said it would be interesting to hear from the Groups that had concerns about the deficiencies in the WIPO governance structure, to have their views, and it also recalled that some concerns had been raised by the African Group.

391. The Delegation of the United Kingdom observed that it would be very smart for Member States to avoid repeating what had already been said in previous sessions. He was of the view that Member States fully shared the Chair's philosophy of being efficient and driving the Committee to have some substantive and useful discussion and avoid having the same discussions. The Delegation said that it would appreciate very much if other Committee Members had any new ideas on how to tackle this issue, any clear idea of what the group was supposed to do. Failing that, the Delegation's position would not change. The Delegation echoed the Chair's summary of the last session, according to which there was not only one Group that had problems, but there were others that had serious concerns with that type of process, if they did not know where it would lead and what the final objective would be. The Delegation said it wished to express its support not only to the CEBS Group but to all other Groups that had many concerns about the type of approach on the issue.

392. The Chair said that because of the many limitations he faced, he had not been involved in all of the discussions led by the Vice-Chair. He thanked the Delegation of the United Kingdom for reminding everybody where they stood. He expressed full support for the Delegation's idea of not repeating themselves and observed that reacquainting briefly everybody's position might not be a bad thing.

393. The Delegation of China said that it was of the view that the governance of WIPO was a very complicated issue involving many elements. Therefore, a progressive method should be

adopted. The Delegation said that it was very glad to see that the proposal by the Vice-Chair contained short-term measures in that regard and observed that they were easy to implement and could have an immediate effect. The Delegation expressed support for the short-term measures as the first step. As regards the Vice-Chair's proposal to launch informal consultations, the Delegation said that it was flexible and open to that and added that the CEBS Group's ideas should also be taken into consideration. The Delegation was of the view that the priority should be to identify the existing problems in WIPO's governance and that discussions should not be carried out without the aim of solving them. Member States should first have a clear idea of the practical issues in WIPO's governance, and then they could find the appropriate ways to solve them, knowing what kind of practical measures should be adopted. The Delegation was of the view that, in the meantime, the proposed short-term measures were good and added that it would be active, flexible and open in the discussions.

394. The Delegation of South Africa expressed its support for the statement made by the Delegation of Nigeria, on behalf of the African Group. It believed that in order to have a substantive discussion, Member States actually needed to discuss substantive items. The Delegation observed that Member States had a foundation given the several proposals on the table and added that all they needed was a structure to do so. The Delegation wished to echo its support for the Vice-Chair's proposal for the establishment of a working group.

395. The Delegation of Romania, speaking on behalf of the CEBS, reiterated that it had not changed its position and would start by recalling some general ideas. It recalled that, as stated in the JIU report, the governance framework in WIPO was complex and its first recommendation was the review process of the governance framework with the view of strengthening the capacity of the governing bodies to guide and monitor the work of the Organization. The CEBS Group believed that given the importance of the topic, discussions should take place in a formal manner in the framework of the PBC session which was a formal body of WIPO. That was the benefits seed in the solution as it would allow a focused discussion and had the benefit of providing the record of the discussions. An open-ended consultation process left open the question of duration, complete objectives, which was not something that the CEBS could endorse. The Delegation also added that it believed that the first objective of such a discussion should be to achieve a common understanding of the possible deficiencies related to governance in WIPO.

396. As there were no other interventions, the Chair stated that what Member States had heard were some of the previous ideas and observed that no one was against the short-term measures. The Chair noted that regarding the process itself, some Member States would want a very formal working group whereas some thought that an informal group could do while others said that it had to be the PBC itself. This was so because they weighed issues like the duration of the process and the clear objectives, which was a vision shared by all the members as well, and worried about launching a process with not enough focus. That was how the Chair had read what the CEBS Group had said and what the Delegation of China had also implied, as well as the Delegation from the United Kingdom. In order to proceed properly, some Member States had called on the proponents of the process to work out some clarity regarding the objectives and to give assurances to those worrying about a process without a clear sense of objectives and direction. The Chair observed that the Vice-Chair's proposal also contemplated the issue of the duration. He asked if there was a possibility for the proponents of that process to give assurances to those worried about it, on the scope, duration and clear objectives of the eventual process, not to qualify it in any specific way depending on how formal they decide to go.

397. The Delegation of Iran (Islamic Republic of) wished to remind the Committee that there was a document that the Secretariat had prepared on these issues. Many proposals had been tabled by Member Delegations or by Groups. The Delegation cited the example of the proposals by the Development Agenda Group and the African Group and also one proposal made by the Delegations of Spain and the United States of America of America. The Delegation recalled that there was a precedent in WIPO, in 1998, of a working group

established for discussing governance at WIPO. So, proposing a working group was not a new concept.

398. The Delegation of Nigeria said that it would rather be difficult at that point to outline the objectives. It was of the view that these were parameters that would be decided or deciphered when they started the actual consultations, in an informal working group or a formal working group, and recalled that the Vice-Chair's proposal already proposed a timeline to present the outcome to the 2016 PBC session.

399. Observing that the situation did not look promising, the Chair wondered if all delegations agreed or not. He asked what the PBC should tell the General Assembly and asked delegations if they had any proposals on how they could draft a conclusion of these discussions to the Assemblies of Member States.

400. The Delegation of Nigeria suggested that the PBC could recommend to the General Assembly that the 24th session of the PBC decided to launch open-ended informal discussions and that it would hold consultations and report at the next PBC session on these discussions related to governance at WIPO.

401. The Delegation of the United Kingdom suggested that the Committee could also inform the General Assembly that the PBC had discussed the issue, in line with the recommendation, and that it was not able to identify any issues to be further considered and, therefore, report to the General Assembly what it had done and the issue would be closed.

402. The Chair requested the proponents to redraft and recirculate the proposals to see if the meeting could take it from there.

403. The Delegation of South Africa stated that it had a very good suggestion. The Delegation was of the view that Member States could act responsibly and give it a try, that is, have one day when they could sit down and actually discuss the issue, rather than closing it without talking about it. It stated that they could put all of the proposals on the table and talk about them and observed that there was no harm in talking. Then, they could say they had tried, and perhaps failed, which in its view was a pretty brilliant idea.

404. In reaction, the Chair stated that he had not envisaged closing the agenda item at that time. He was of the view that members would try, until the end, to come up with some sort of a compromise to hopefully signal something constructive to the General Assembly. He reiterated his question on what sort of discussion the PBC could organize and foster and went on to request the Vice-Chair to help the Committee find a way forward.

405. The Delegation of Iran (Islamic Republic of) was of the view that the proposal made by the Delegation of Nigeria was good, as it provided middle ground and expressed support for the proposal.

406. The Delegation of India expressed support for the proposal made by the Delegation of South Africa to dedicate one day's session where all Member States could participate. It noted that there was another suggestion regarding all those Member States or groups which believed that an open-ended working group could be established to solve the matter. They could meet informally during the current session and then give an agreed-upon recommendation to the Chair.

407. In response, the Chair encouraged those concerned to do so, not only to discuss among the proponents of the launching of the process, but also to engage those that had reservations regarding it, to see if they could find ways to deal with them and respond to them. He stated that as he had done with the other issue, he would encourage Member States to proactively engage therein. He noted that the Vice-Chair had been asked to be available, not basically chairing but being available, if any of the Member States needed his help or were of the view

that his participation could be of any help in fostering some kind of a deal. He recalled that there was a request for clarity regarding that process by some Member States and, unless that request was somehow addressed, he did not see the need for converging on any kind of decision regarding that agenda item. He encouraged Member States to consult and said that the Committee would come back to the agenda item later during the session once they signaled that they had made some progress.

408. The Delegation of Spain expressed support for the suggestion by the Chair and was of the view that the request that he had made to Groups to discuss amongst themselves was quite timely as otherwise not much would be achieved. It observed that the Committee had been working on the issue for many years without any result. That was why it was important the Chair had mentioned that Member States have a positive attitude and serious willingness to reach agreement. The Delegation said it was not sure if other delegations' opinion was that it would be a good idea, and could agree with that in order to try to reach an agreement, to facilitate contacts amongst Member States and Groups to make it clear that there was need, on one hand, to be a bit more specific as to the issues to be discussed, but the counterpart was the effort that had to be made during these few days to still harbor doubts because the time available for the current PBC session would not be enough in order to fully discuss them.

409. In reaction, the Chair said that he fully agreed that was in line with the comments of the previous day. He said that he was flexible and open to trying to find compromises. The call for all members to try to find compromises was something that they would need on that and other agenda items. The call for trying and listening better, understanding that none of the proposed paths were viable, either the Vice-Chair's proposal in its current state without any additional sort of clarity, nor the CEBS Group proposal stating that that was an issue that had to be dealt with in that format. So the call to everybody to try to find compromise and to try to address the issue of clarity was relevant as that was what, basically, was preventing some Delegations from agreeing on launching that kind of process. He said that Member States were aware that if there was a landing zone, they would know where it was. It was not likely to be a formal process unless it was done in the CEBS point of view and kept in the PBC format. He closed the discussion on the matter at that stage and reiterated his call to Member States to consult among themselves and try to come up with clarity regarding the issue.

410. The Chair reopened discussion on item 16 and recalled where the discussion had concluded the day before. During the discussion at the previous PBC and after informal consultations, which had been reported to the plenary, two alternatives had emerged, which included a proposal to launch an informal process and, at the same time, adopt a set of short term measures. Those were reflected in what the Committee had called the Vice-Chair's paper. The paper had been crafted and negotiated by the Vice-Chair, who was still acting as focal point for any further information and consultations regarding the process as well as any specific proposals that emerged, including the proposal by the CEBS Group, which was basically supported by CEBS and a few other countries. The Committee had discussed the day before that the proponents of the Vice-Chair's document were going to work towards giving clarity to the Groups that had expressed some concerns, including clarity in terms of scope, objectives, and the duration of the eventual process. The Chair asked the Vice-Chair about his recollection as to where the Committee stood regarding agenda item 16.

411. The Vice-Chair believed that the Committee had provided for the Groups and delegations to think about the identification of certain issues to be dealt with should a decision be taken to call informal consultations. This would allow delegations to have more specific information regarding the particular topics to be discussed before deciding whether or not to enter into any process, as well as some further details regarding the duration of an informal process, which he believed were major concerns regarding the suggestion for a process. The Vice-Chair knew that Group B had thought about this and he hoped that other regional Groups would have done the same. He thought this was an excellent opportunity to take up these considerations and

added that those who still had some doubts could perhaps come forward with some language to dispel them.

412. The Delegation of Japan, speaking on behalf of Group B, understood that the first thing the Committee did was to think about the possible items to be discussed without any prejudice as to the format of the discussion at a later stage: whether it was to be kept informal or whether it should be kept in the PBC. Based on that understanding, Group B discussed that morning the deficiency that the Committee could see relating to WIPO's work. The Delegation was interested in the Mexican proposal concerning the management of the meetings. The Delegation thought that the current management of meetings suggested issues to be addressed, such as the balance between the agenda to be tackled and the duration of the meeting. For example, the Delegation was of the view that some sessions lacked items to be discussed, even though the duration of such sessions remained five days, in line with tradition. The Delegation viewed this as inefficiency in the management of meetings and thought that it should be considered by the Organization and by Member States without any prejudice as to the format or venue that would be appropriate for the discussion. At the same time, the Delegation believed that it was important to first identify any deficiency or problems, and not the specific proposal or measures, at this stage. From the perspective of the Delegation, the complexity of governance structure was a reality, rather than a problem. If some saw concrete problems which originated from the complexity of the governance structure, it might be tackled, but the Delegation thought that the complexity of the governance structure of the Organization reflected the nature of the Organization and its various unions rather than a deficiency. The Delegation thanked the Chair and hoped that some kind of exercise to identify deficiencies, if any, and not the specific measures to be taken, could be discussed by other Groups or other Members to find a solution to the matter.

413. The Chair asked the CEBS Group if they would have any problem with discussing specifically the ways to improve the management of meetings. That would be the scope of the work on governance.

414. The Delegation of Romania said that the CEBS Group also examined the question of governance in the CEBS Group's meeting that day. It was very much in line with the Group B position. The Delegation noted that it could subscribe to all the points made by the Delegation of Japan.

415. The Delegation of Japan understood that for the benefit of the process Member States should rather concentrate on the deficiencies related to governance in WIPO. Secondly, in terms of topics, Group B had not come with any specific proposals but wanted to add its support to the Mexican proposal relating to the management of work of the committees. The Delegation thought there were various issues to be discussed under this item, and it was looking forward to hearing the position of other Groups.

416. The Delegation of Nigeria apologized because it had missed the statement by the Delegation of Japan, and had not heard the position of Group B. However, with respect to the African Group position, the Delegation considered the issue of governance in its coordination meeting that morning and, as the Chair had requested the day before, the African Group thought the objective of the discussion could be an assessment of the effectiveness and efficiency of the WIPO governance framework in accordance with the provisions contained in the WIPO Convention. As a first step, the Delegation suggested having an informal or formal working group to discuss and decide on the objectives and a list of issues. One issue the African Group wanted to have on the agenda would be a review of the roles of the PBC and the Coordination Committee, in line with the recommendation contained in the JIU report.

417. The Delegation of Iran (Islamic Republic of) expressed its support for the statement made by the African Group. The Delegation agreed that it would be important to review the efficiency of the Organization and make it more effective. The Delegation preferred to have a formal

framework but could go along with the proposal that a discussion be continued through an informal process. The Delegation insisted on having a framework to discuss those issues.

418. The Chair asked the Committee how it should proceed because there was no clear convergence. Some Groups had stated very clearly they wanted to make sure that whatever work was done and the discussion to be had was based on the identified deficiencies or problems. Other Groups took a holistic approach, and viewed the effectiveness and efficiency of the Organization itself as being the objective of the discussions. One had proposed something targeted while the other had a broader objective. Regarding the specific items noted by the Committee, one category was that management of meetings, specifically, the ways to improve the management of meetings. The other one was the proposal for a clarification of the roles of the PBC and the Coordination Committee. There were therefore different views regarding the objective and the specific issues identified. With respect to the format of discussions, the Chair thanked the Iranian Delegation for its idea that if the Committee were going to have something viable, it would have to be informal, but there was no further clarity on the duration or scope of the process, which he thought would have to be worked out. The Chair asked how the Committee should proceed, and what changes would be required to the draft of paragraph 1 in the Vice-Chair's proposal. The Chair asked whether the Committee was willing to come forward with specific drafting proposals to adjust paragraph 1 to take into account the discussions that had taken place that morning.

419. The Delegation of Japan suggested that the Committee identify the deficiencies without any prejudice to the format of the future possible processes on this matter, which could be discussed at a later stage. The Delegation added that this did not mean that the Committee had a position that the item should be included in the current format of the Vice-Chair's proposal. What the Committee had done was an exercise to identify concrete deficiencies to be tackled by WIPO. The Delegation thought the format of the discussion would be tackled after the identification of the concrete deficiencies. The Delegation believed that this exercise was in line with what the Chair requested the day before.

420. The Delegation of Nigeria, speaking on behalf of the African Group, asked whether it would be acceptable to other delegations or regional Groups to agree to dedicating some time to discuss governance issues, in the first instance, and dedicate at least the next session of the PBC, or a separate session convened by the Chair, to discuss all the issues raised, proposals made and ideas about deficiencies. The Committee could start this process, which the Delegation thought would help it identify the best way to move forward.

421. The Delegation of the United States of America wanted to take the opportunity to talk about some of the areas that the Committee had earlier discussed, in terms of management of meetings. The Delegation was still very concerned about the efficiency of meetings, particularly the functioning of committees.

422. The Chair said it was very clear that there were issues to be discussed and that there was appetite for such discussions, which was encouraging news.

423. The Delegation of Iran (Islamic Republic of) stated that the Committee had many reports on deficiencies in the Organization. The last JIU report recommended considering how the Committee could make the Organization more effective and efficient. Before 2011, the IAOD had also reported that there were deficiencies in the Organization. The Delegation asked for a framework on how to proceed with these discussions.

424. The Delegation of Switzerland associated itself with the statement made by Group B. The Delegation was also in favor of a potential discussion on the management of meetings of the Organization, which it thought would be a suitable topic for discussion. The Delegation asked the Chair about the next steps to be taken. The Chair mentioned the possibility of having a number of written amendments to paragraph 1 of the Vice-Chair's proposal. The Delegation

asked about the rest of the document, reiterating its principle that nothing was agreed until everything was agreed.

425. The Chair thanked the Delegation for the question, and noted his understanding that nothing was agreed until everything was agreed. If the Committee was to have a way forward, it would have to include some kind of clarity regarding the process in paragraph 1 of the Vice-Chair's document.

426. The Delegation of China thanked the Secretariat for its excellent work and efforts in preparing detailed documents on the short-term measures of governance. The Delegation said that, in its view, the most pragmatic measure was to improve the efficiency of the meetings of all organs because such efficiencies concerned not only the operational efficiency and cost, but also Member States' participation. The Delegation welcomed and supported all efforts by WIPO to improve meeting' efficiencies and proposed further measures to improve the efficient management of meetings, such as controlling the number of meetings and documents, as well as the use of circulars and questionnaires and informal consultations to increase interaction among Member States. The Delegation believed Member States' positive and constructive attitude would help greatly in increasing efficiencies. The Delegation reiterated its readiness to make all efforts, with all Member States, to improve the efficiency of WIPO meetings.

427. The Delegation of India supported the proposal made by the African Group that dedicated time should be allocated in the form of a session or meeting or a working group, whichever was acceptable to all, to review the proposals on WIPO governance to date, including the relevant JIU recommendations 1 and 2. The Delegation thought this would help the Committee move forward.

428. The Delegation of Japan wished to clarify its previous intervention. It had mentioned the order of the issues but this was only about the order of the current exercise and not about the order of the whole process.

429. The Delegation of Greece thanked the Vice-Chair for his efforts. At the same time, it aligned itself with the statement and the clarification by the Delegation of Japan on behalf of Group B, and stated that it would prefer to go with the targeted approach that the Chair described earlier.

430. The Chair said that there were very different views regarding the objective of the meeting and the process, on which he did not see convergence. He would consult with the Vice-Chair and some of the delegations to devise a way forward and to see if the Committee could make any recommendation to the General Assembly. It would be ideal if the Committee could make some progress, any progress whatsoever, regarding this agenda item rather than just reporting to the General Assembly what had been said. At least in his understanding, it was not looking likely that there would be some area of consensus at that stage, but the Committee was going to have to come back to this again.

431. The Delegation of Romania wishing to supplement its previous statement said that any discussion on governance should be continued during the present session or the following session of the PBC.

432. The Vice-Chair said that it was fairly complicated to find a way forward when the Committee seemed to be more or less clear about the direction to take, and then problems and doubts start to emerge all over again. He understood it was part of the negotiations and it was not easy for delegations to reach an agreement. The Vice-Chair thought all delegations wanted to discuss the issue and all realized how important this was, especially after the report of the JIU. However, the Committee was not in agreement, which was the heart of the matter. The Vice-Chair did not know whether to discuss this in the PBC or in another kind of consultation. The Vice-Chair sought to "pre-identify" a number of issues for discussion but then delegations

were saying that the Committee had to agree on these issues. It was a kind of precondition that made it more difficult to talk about these matters in the PBC. The Vice-Chair knew it was a rather complex situation and thought he should give some thought as to whether he wanted to talk about this in the PBC or in informal consultations. The Vice-Chair hoped that other delegations would prove that he was mistaken and that the Committee could, in fact, reach an agreement there, but as the facilitator he had to try to find a middle way.

433. The Delegation of the United States of America said that in the spirit of trying to be constructive, it was wondering if there was appetite to look at the next PBC as the starting point for some dedicated discussions on this issue. The Committee had identified the problems, which included some of the deficiencies that the Delegation wanted to talk about, and thought that some more clarity had occurred from certain regional Groups in terms of what they wanted to identify. In using that opportunity, the Delegation suggested that proposals that had been tabled in the past be updated and be made more targeted to allow the next PBC to devote a day or two to more specific discussions on those proposals.

434. The Chair said that it was a way forward, and was consistent with the expectations of members. It was very much in line with what the CEBS Group had said but it could be somehow more focused. It would be good if the Committee could try to come up with a draft decision on that item. The Chair knew that delegations could wait until the following PBC, but again, this issue had been lingering for so long it would be helpful to have some direction and clarity on the discussion that the Committee would have in the following PBC. That would probably give assurances to everyone and it would be a good thing to report to the General Assembly.

435. The Vice-Chair reminded delegations that while that might be a good suggestion the following PBC would only last one week. It was not like the present year when the Committee had two PBC sessions. He meant that the Committee could make an effort, but needed to be realistic as it was only one week-long session, so it might be difficult to set aside one or two days for this subject because there would be other important areas and concerns to discuss.

436. The Delegation of India supported what the Delegation of Spain said, that the PBC would not have sufficient time in the following year to discuss this because of the format of PBC. The Delegation thought there should be some alternative session, perhaps a dedicated day or two days of informal discussions on governance issues only.

437. The Delegation of Belarus, speaking in its national capacity as it had not yet consulted the members of its Group, noted its support for one or two days of dedicated discussion. At its present session the Committee had spent a lot of time discussing the format but, in its view, it had not started the substantive discussion. This agenda item required a substantive discussion and delegations that had come from capitals spent a lot of money on their stay in Geneva. The Delegation wanted to spend this money usefully. Perhaps rather than discussing the format, the Committee should get on to the substantive discussion.

438. The Delegation of Nigeria, speaking on behalf of the African Group, said it could not agree more that the Committee should move to substantive discussions. On behalf of the African Group, it supported the proposal made by the Delegation of Spain, in view of the fact that the next year's PBC was a long time away. The African Group suggested the Chair convene a meeting, for one or two days, to hold discussions on the objective, scope and the list of issues to be discussed, which could be reported to the following PBC. If the Committee was not able to have more than one session of informal consultations, it could then become formal in the sense that delegations would be aware of what the Committee said in that session and could repeat it in plenary so that it would be reflected in the records, for the benefit of all delegations or Groups which had concerns about these issues being discussed and not being reflected in the records. This was a format that could work and advance discussions on governance in WIPO.

439. The Delegation of Mexico thought that limiting discussion of this subject to only one day or two days at the following session of the PBC would not be sufficient. The Delegation fully understood the arguments put forward by the CEBS Group but it thought it would be more inclusive to have informal consultations because they would be open-ended. The membership of the PBC was much smaller. To have a fully open-ended format would enable all interested delegations to participate in this exercise. The Delegation thought the important lesson to be learned from the present session was that, as the Chair had said, there was an appetite to discuss this because the Committee had identified deficiencies. It would be regrettable if the Committee once again got bogged down on the subject of format. The Delegation thought the Committee should make more progress on identifying the deficiencies to see whether it could really start the process and get it up and running once and for all.

440. In reaction, the Chair wondered as to which document the Delegation was referring to.

441. In response, the Delegation explained that it meant that the Chair had proposed a draft decision for the forthcoming General Assembly, in which it would be mentioned, as the Delegation of the Russian Federation had proposed, that the Secretariat would update the proposals. The Delegation also requested that the draft should mention that the updated proposals or document would be the basis for discussions on governance at WIPO during the next session of the PBC.

442. The Delegation of Spain observed that it was quite likely that any decision taken by the Committee, even if it was just acknowledging its difficulties in dealing with the subject, was important. It acknowledged that a decision could not be forced and added that it found the wish to keep it in the PBC while saying that next year there would only be one PBC meeting very curious in light of the fact that despite two PBC meetings this year nothing had been achieved. It recalled that four years prior they had had discussions and some delegations had said that the Committee would have a lot more time to deal with the topic of governance, when in actual fact they had not. The Delegation found those arguments very strange. Another argument was that, and it was true, Member States should not forget the limited membership of the PBC while governance involved all members of the Organization. Thus, dealing with it in a limited membership was also a bit strange. Nonetheless, perhaps at the next PBC session members would be better prepared than in the past, but the Delegation wished not to lose the efforts that had already been made as reflected in the Chair's draft, which was not as a document that had gathered consensus but rather an aid to show delegations what they had been able to do in their past discussions and use it as a point of reference for future discussions.

443. The Chair stated that, with the help of the Secretariat, he would propose the decision paragraph, hoping that they all delegations would be all right with it. He recommended that they should stop trying to play "Ping-Pong" with the General Assembly and assume their responsibility in the Committee. It would also give them credit for the efforts made, knowing that there was a track of the discussions that they had held and that everybody was responsible for the situation in which they were regarding this important issue. The Chair then closed further discussion so as to work on a possible decision paragraph to report to the General Assembly on agreeing on the process of collecting information, setting out specific items and agreeing to discuss the matter in the next PBC.

444. Reopening discussion after the break, the Chair announced that the break had been productively used not only on other agenda items but also on the item regarding governance. He proceeded to read out the draft proposal and announced that paper copies, as well as electronic copies, of the proposal would be distributed so that delegations could look examine it and see if they could agree to it when they came back after lunch break. The draft was as follows:

"The Program and Budget Committee (PBC), recognizing the need to address the issue of governance in accordance with the request of the fifty-fourth series of meetings of the

Assemblies of the Member States of WIPO, (1) engaged in active discussions on the subject at both its 23rd and 24th sessions. These resulted in the proposals made during the 23rd session, as reflected in Annexes 1 and 2 of document WO/PBC/23/9, and in the Chair's document circulated during the 24th session. While divergences in the views of Delegations remained, Delegations expressed willingness to continue discussions on this subject; (2) agreed that discussions continue on the subject of governance at WIPO during the 25th session of the PBC. Discussions would be based on previous proposals and deliberations and specific topics raised by members for this discussion; and (3) agreed that Member States would provide proposals for specific topics mentioned in point 2 above in good time prior to the session and no later than July 1, 2016, and requested the Secretariat to compile this as part of the documentation for the 25th session of the PBC".

445. Returning from the break, the Chair suggested that while awaiting decisions on other pending agenda items, the Committee could deal with the item on governance on which he had earlier distributed two draft decisions. He recalled that he had read out one of them before the lunch break and had sent out the other one. Taking into account the reaction of one of the Groups that had expressed a concern that the second paragraph proposed was too wide and too imprecise, he had come up with a proposal of making some amendments to the second and the third paragraphs to make the text consistent. The Chair asked if all delegations had read the decision, if they were comfortable with it and if he could gavel it.

446. In reaction, the Delegation of Australia said that it did not have any comments or concerns about the amendment that had been made, but had a request to express the chapeau of the recommendation in a more factual language. In the Delegation's view, currently, there could be an implication that there were deficiencies in governance that needed to be addressed. It requested that the chapeau simply reflect the fact that the PBC was requested by the 54th Assemblies to consider the issue of governance. The Delegation suggested the following language for the chapeau: "The Program and Budget Committee (PBC), recognizing the request of the 54th Assemblies of the Member States of WIPO to consider the issue of governance in WIPO," and then as per what was already there.

447. The Chair observed that the new version was basically raising words that were already there.

448. In response, the Delegation of Australia added the wording "recognizing the request of the 54th Assemblies of the Member States of WIPO to consider the governance of WIPO and engage in activities," etc.

449. The Chair recalled that he was extra cautious regarding the issue. In that respect, he requested that a clean copy of the revised version be circulated, showing all the changes to see if everyone was comfortable with them.

450. The Delegation of Brazil, speaking on behalf of GRULAC, pointed out that although GRULAC had been quiet during discussions on the governance, it strongly supported the idea of having Member States play an active role in the Organization discussing how it worked and how it could work better. The Delegation's understanding was that the role of Member States during the deliberations would be helping the discussion by trying to listen and consulting informally rather than having the discussion in the plenary. GRULAC was not satisfied with the first proposal by the Chair because, in its understanding, the proposal was too shy for the intended objective, which was having a focus and structured discussion on governance. Following the Group's consultations, GRULAC could agree with the most recent text presented by the Chair. Even though it was much less than what GRULAC wanted, it could agree on it in order to close the session of the PBC. The Delegation expressed surprise at the Delegation of Australia's proposal to delete the part of the text that mentioned that Member States should recognize the need to address the issue of governance. The Delegation requested, through the

Chair, whether other Delegations understood that there was no need to address the issue of governance. This was quite difficult for GRULAC to understand as having another draft would mean further in-group consultations. The Delegation asked if they could spare the time of many delegations by not having that discussion.

451. The Chair pointed out that the intervention by the Delegation of Brazil was right because the Committee had a request by the 54th series of meetings of the Assemblies and so the need to address the issue of governance was in accordance with that request. He therefore wondered if, in the Delegation of Australia's view, there was the need to make the change at that stage, taking into account where Member States were on the issue and the fact that they had a mandate from the General Assembly that basically responded to a JIU recommendation. He then gave the floor to the Delegation of Australia to better explain its proposed amendment and also convince the Delegation of Brazil and its Group Members, or leave the text as it was.

452. The Delegation of Australia clarified that what it was only trying to reflect the fact that the PBC was recognizing the request of the 54th Assemblies to consider the issue of governance in WIPO. To its mind that was a much more factual way of presenting what it wanted to achieve in the discussion. However, in the interest of pragmatism and in recognition of the hard work that all delegations had been doing, it was willing to drop the request and hastened to add that there was no ulterior motive in its proposal. It was simply a wish to be more accurate in describing the discussion.

453. The Chair thanked the Delegation for its flexibility and wondered if Member States were comfortable with that decision.

454. The Delegation of Nigeria asked for clarity on the first paragraph, little "1"; if Annexes 1 and 2 which were the Vice-Chair's proposal and the proposal by CEBS, and the Chair's proposal submitted the previous day, would all be included as part of the working documents for the next PBC. If that was the case, a bracket could be added "(Annex 3)" after "and in the Chair's document circulated during the 23rd session", to ensure that it was part of the text.

455. The Chair requested the Delegation to explain whether it had meant that the Chair's document be included in the decision. He wondered whether it should be "Annex 1 to the current decision". He pointed out that Annexes 1 and 2 were of the previous PBC decision.

456. The Delegation of Nigeria said that, in essence, what it was asking for was the inclusion of the Chair's proposal in the decision on governance.

457. The Chair confirmed that it would be included as an Annex and asked if any delegation was uncomfortable with that. He went on to read out the decision paragraph, which was adopted.

458. The Program and Budget Committee (PBC), recognizing the need to address the issue of governance, in accordance with the request of the 54th Assemblies of the Member States of WIPO:

(i) engaged in active discussions on this subject at both its 23rd and 24th sessions. These resulted in the proposals made during the 23rd session, as reflected in Annexes I and II of document WO/PBC/23/9, and in the Chair's document circulated during the 24th session (attached as Annex I to the present document (WO/PBC/24/17)). While divergences in the views of delegations remained, delegations expressed willingness to continue discussions on this subject;

(ii) agreed that discussions continue on the subject of governance at WIPO during the PBC's 25th session in light of recommendation 1 of the JIU's Review of

Management and Administration in the World Intellectual Property Organization (MAR) (document JIU/REP/2014/2); and

(iii) agreed that Member States would provide proposals for specific topics for discussion in good time prior to the 25th session, and no later than July 1, 2016, and requested the Secretariat to compile these as part of the documentation for that session.

459. The Chair commented that, in his view, the General Assembly would be very appreciative of the decision taken, which demonstrated that the PBC was not playing “ping-pong” with it. There was agreement to a process that had a structure and it would be the responsibility of all Member States to proactively engage and send to the Secretariat, before the set date, the specific topics that they would be addressing in the next PBC. Whoever would be present then, would hopefully be addressing them, topic-by-topic and making progress on that very long-standing agenda item. In closing, the Chair thanked delegations for their contributions to the agreement.

ITEM 17 PROPOSED DEFINITION OF “DEVELOPMENT EXPENDITURE” IN THE CONTEXT OF THE PROGRAM AND BUDGET

460. Discussions were based on background documents WO/GA/43/21 and WO/PBC/23/9.

461. In opening discussion on the definition of development expenditure, the Chair recalled the praiseworthy work done by the Vice-Chair (Spain) during the previous session of the Committee. Some progress, of sorts, had been made as there were more brackets in the present draft than in the previously circulated document. The Chair said that he had asked the Secretariat to analyze the implications of the draft text and check if any of the wordings in brackets had any specific and concrete implications on the budget and the numbers, and what the numbers would look like with the proposed definition. The results of that analysis were being circulated. The Chair recalled that Annex III of document WO/PBC/23/9 contained the refined definition, with seven brackets. The Chair invited the Secretariat to walk the membership through the different alternatives and their possible implications, or not, on the budget. There was also a spreadsheet illustration of the testing of the application of the proposed definition.

462. The Secretariat introduced the two documents prepared to facilitate discussions on the revised definition of development expenditure. Both had been prepared at the request of the Chair. The first document was a version of the revised definition of development expenditure as of July 17, 2015 resulting from the 23rd session of the PBC. The preliminary testing of the application of the proposed new definition of development expenditure had been performed on the proposed Program and Budget 2016/17, in line with previous practice when the Secretariat had provided testing scenarios for each version of the definition. The Secretariat recalled the understanding that the definition of development expenditure would be used purely in the context of the Program and Budget. Definition of development expenditure was used by the Secretariat for accounting purposes only, in order to estimate development expenditure in any given biennium in the Program and Budget. The Secretariat explained that the bracketed text (with two alternative wordings) was highlighted in yellow, followed by the text in red, in square brackets, which stated whether Secretariat believed either alternative would have an impact on the calculation of development expenditure. The first bracket referred to “assistance/activities”. The Secretariat did not believe that any of choice of the words would impact the calculation of development expenditure. The next bracket, with “shall/are those that are considered to”, again, the Secretariat did not find any impact on the calculation with the choice of any of the wordings. Regarding the first bullet, the bracket with “to reduce the cost of its use”; the Secretariat believed that the bracketed text did not impact the calculation of the development expenditure *per se* since fee reductions reduced the income of the Organization. This reduction was highlighted separately as part of the testing, as shown on the spreadsheet. As for the next

bracketed text, to better protect “their”; the Secretariat did not believe that the bracketed text had any impact on the calculation of the development expenditure. The second paragraph, the bracketed “*inter alia*”; the Secretariat believed that this could impact the calculation of the development expenditure because it would mean that there could be other activities which were also taken into consideration for the calculation. The following bracket, “shall seek/are considered to contribute to”; the Secretariat did not believe any choice of the two alternatives would impact the calculation of development expenditure. In the very last paragraph, relating to the management, administrative and finance-related activities, two options were shown in the bracket. The Secretariat did not believe that the choice of the word *de facto* impacted the development expenditure because currently the Secretariat did not actually calculate that as development expenditure under Goal IX. The secretariat trusted that it had provided explanation of the details of the first paper. Turning to the A3 spreadsheet, which was the reproduction of the results framework in the proposed Program and Budget 2016/17, the Secretariat explained that some expected results were highlighted in green or indicated in green. Those were the expected results which the Secretariat believed would be counted when applying the version of the definition of development expenditure as actualized in the last session of the PBC. The Secretariat added that it had calculated the total development share applying the new definition and that was what was shown on the spreadsheet. The Secretariat proceeded to briefly explain the differences between the testing of the new definition *versus* what had been calculated in the Program and Budget. The biggest difference was in the Strategic Goal IX and VIII where currently there was a calculation of development share that would not be applicable if the new definition was applied. Also, under Strategic Goal VI, expected result 6.2, there was a development share calculated with the current definition which would not be there under the new definition.

463. The Delegation of Brazil, speaking on behalf of GRULAC, found the Secretariat’s intervention a very good input for the discussion and thanked the Secretariat for the presentation. GRULAC believed that the membership was close to a consensus on the subject and suggested that, with the new information provided, the Groups and the Regional Coordinators meet to agree on the text that could be brought before the plenary.

464. The Delegation of Japan, speaking on behalf of Group B, thanked the Secretariat for a very useful presentation which deepened members’ understanding of what would transpire from the use of the new definition of development expenditure. Group B shared the Secretariat’s understanding that the definition would be used solely for accounting purposes. Group B also appreciated the Secretariat’s effort to present a benefit of the fee reduction in a separate manner, which was related to the possible flexibility which the Group signaled at the previous session. Group B would need to consult, in view of the new information made available. Commenting on the papers presented, Group B appreciated the explanation made on the difference between the application of the existing and the new definition. At the same time, the Group asked for more elaboration on what part of the definition caused differences, especially in expected results 2.7 and 6.2. With respect to bracketed language and the opinion that it would have no impact on the calculation of development, more clarification would be appreciated. The Group asked if the “no impact on the development expenditure” meant that there was no difference in the specific context of the 2016/17 Program and Budget or it mean that, to the best of the Secretariat’s knowledge, it did not foresee any impact on the calculation of a development expenditure. With respect to the bracketed language on which the Secretariat had made explanation that it might cause a difference in the calculation of development expenditure, the Group inquired if the Secretariat had any details about any specific activities which might fall within the scope of development expenditure.

465. The Delegation of Nigeria, speaking on behalf of the African Group, thanked the Secretariat for preparing the documents, especially the new preliminary testing document. The Delegation said that its Group needed to consult within the Group and with other Coordinators.

466. The Delegation of Australia, on the last set of square brackets, and the *de facto* no difference in development share, asked whether that was because Strategic Goal IX had no development share, i.e., that currently WIPO did not include management related expenses in the development calculation.

467. The Secretariat, in answer to the Delegation of Japan, explained that where it said “no impact on the calculation of the development expenditure”, it was meant in general terms. Whether the term “activity” or “assistance” was used, it would be interpreted the same way for the purposes of calculating development expenditure. The Secretariat underlined that it was purely for the calculation purposes. In general, whether in 2016/17, 2013/14 or 2014/15, the interpretation would be exactly the same, that was what was meant by “no impact”. Regarding “*inter alia*”, the Secretariat did not have any specific activities in mind that could be included. From a theoretical point of view, “*inter alia*” opened up a possibility of eventually including other type of activities in the list underneath it. Again, in general terms, it simply indicated that it could have an impact. Responding to Delegation of Australia, the Secretariat confirmed that, at present, the management, administrative and finance-related costs were not attributed to the development share. Those were in separate programs and there was no development share calculated in those programs. Regarding preliminary testing and how to interpret it, the Secretariat said that under the current definition the development share was estimated on the basis of any development share listed under any of the expected results. For example, under Strategic Goal, I, result 1.1 had a proposed budget of 13.9 million Swiss francs and a development share of 8.7 million. In result 1.2, there were 9.7 million Swiss francs with development share of 8.3 million. Under the current definition, those would be counted. Under the new definition, they would also be counted and therefore they were highlighted in green. All expected results highlighted in green in the spreadsheet would be counted to the development expenditure, applying the definition as of July, 2015. For example, under Strategic Goal VI, expected results, 6.2, which was in black in the sheet, did not have a development share under the current definition and would not be counted under the proposed new definition and that was why it was not highlighted in green.

468. The Delegation of Spain thanked the Secretariat for the explanation that deepened the Delegation’s understanding of the issue. The Delegation understood the difference between the current definition and the possible definition, but referring to the figures which were not highlighted and represented in the black in expected results 6.2 and 2.7, the Delegation requested more information on why those two expected results were not included in the development share under the proposed definition of the development expenditure.

469. The Secretariat explained that the reason why some of the expected results were not included was that they were not included in the list of activities (paragraph 2) of the proposed revised definition. When applying the new definition, the activities under those specific expected results did not fall into the categories on the said the list.

470. The Chair commented that, on this agenda item he would call on all members to coordinate among Groups and the Group Coordinators and go through the received information, see if there were any further questions, proactively engage with the Secretariat and try to talk to each other to see if compromises could be made on the specific language that would report to the General Assembly on this item. The Chair reminded delegations that the revised definition would have no impact on the 2016/17 Program and Budget. The Chair adjourned further discussion on this item until consultation would have taken place.

471. After discussion on item 17 was reopened, the Delegation of India, speaking on behalf of the Asia and the Pacific Group, proposed that the Chair preside over a meeting of Regional Coordinators plus two or three, dedicated to discussing the text on development expenditure, which was almost ready, in order to find a breakthrough.

472. The Delegation of Japan reported that Group B had held intensive discussions on the matter and was still examining the information provided by the Secretariat. The information provided by the Secretariat stimulated the necessity for further clarification. The Delegation wished to have a frank conversation with the Secretariat to collect material for further discussions with the other Groups.

473. The Delegation of Brazil, reacting to the recent proposal by the Delegation of India, said that a small setting would be a good place to have the discussion on the text, which would be more difficult to have in the plenary.

474. The Chair adjourned further discussion until the following day to allow for consultations.

475. The following day, the Delegation of Brazil stated its understanding that Group B would present a proposed text on development expenditure, but so far the Delegation had not had any access to this proposal. As soon as it received the text, GRULAC would consult.

476. The Delegation of Japan, speaking on behalf of Group B responded that it had already delivered the proposal orally to the Coordinator of the GRULAC and, at the same time, had sent it by email to facilitate consultations.

477. After a break, the Chair opened the floor for reports of the status of consultations, and any procedural proposals on how to move ahead.

478. The delegation of Brazil, speaking on behalf of GRULAC, reported that the Group had met to analyze the text proposed by Group B. It had received a proposal, one paragraph to be added in the end of the definition of development expenditure and some other requests. The Delegation did not receive feedback on which brackets would be removed from the text. Therefore it had been difficult for GRULAC to analyze the entire definition. GRULAC suggested discussing the text the following day in the plenary.

479. The Chair said that he had not seen the Group B proposal either and requested that a comprehensive negotiating text of the definition be made available for the plenary to discuss. The text would be projected on the screen to all delegation to clearly see any edits

480. The Delegation of Japan asked the Secretariat to prepare a paper that would include the language proposed by Group B and which could be used for further discussion.

481. The delegation of Brazil said that GRULAC supported the idea of discussing the text in the plenary the following day.

482. The Delegation of India requested that the text be sent to all Coordinators by email so that delegation would have it on their respective screens.

483. The following day, the Chair reopened discussion on the development expenditure definition and said that a paper had been distributed with the last additions and was also projected on the screen. First, there was an addition to the title suggested by the Group B, specifying the purpose of the definition, i.e., for accounting purposes. The Chair pointed to the sixth activity (under paragraph 2), training and human capacity building in Developing Countries, where the word "in" should be substituted with "for". There was an alternative language presented by Group B at the end "It is understood that expenditure under strategic goals etc." There were three additional suggestions which were not part of the revised definition: (i) additional information to be disclosed in the results framework on the percentage of development share for Strategic Goals I, II, II IV, V, VI and VII, which was Group B proposal; (ii) information on fee reductions in the results frameworks to be highlighted in a different color (GRULAC proposal); and (ii) explanation be added in the results framework that the fee reductions did not apply to developing countries only (GRULAC proposal).

484. The delegation of Japan, speaking on behalf of Group B, wished to explain the reasons behind its proposal. First, the title and the addition of the phrase "for accounting purposes" was a clarification and a reflection of the shared understanding expressed by the Secretariat and various delegations. The last part of the page 1, what the language was proposed in an effort to seek a compromise. This was an alternative of the old language proposed by Group B in the past. Group B tried to seek a compromise by differing a manner by which Strategic Goals VIII and IX were excluded from the calculation of the development expenditure. Group B hoped that this could be a solution to the bracketed sentence, leaving no ambiguity. With respect to the additional information requested in the results framework, if expenditure under the Strategic Goals VIII and IX was clearly excluded from the calculation of the development expenditure, it was fair to have the percentage of the development expenditure for Strategic Goals I, II, II IV, V, VI and VII, which were considered in the calculation process of the development expenditure. To accommodate the possible concern of other Groups, Group B requested an additional representation of the figures in addition to what was currently in the paper. The Group would make comments with respect to the other bracketed part at a later stage.

485. The Delegation of Brazil, speaking on behalf of GRULAC, referred to its proposal and said that while evaluating the paper and what had been done by the Secretariat for the current biennium, it acknowledged that, perhaps, the information on fee reductions would imply that the fee reductions applied only to developing countries. Therefore, the proposed additional information would be very much useful. GRULAC had already shown flexibility in allowing fee reduction to be stated in the results frameworks. This would be an addition that was not part of the discussion. It was an extreme effort by GRULAC in trying to bring comfort to those delegations that wanted to seek reductions spelled on that page. The Delegation also had concerns regarding fee reductions. It had been discussed in the previous PBC session and the solution found was to have the information in the Q&A paper. Nonetheless, GRULAC was interested in allowing the information on fee reductions in the results framework. Regarding the other proposals, the Delegation stated that GRULAC had analyzed the three proposals in an attempt to compromise and clear the text from the brackets. GRULAC wished to consult the proponents of the text to see where they could find compromise regarding the bracketed text and show flexibility. Before presenting the position of its Group, the Delegation wished to receive a clarification from the proponents of the three new suggestions.

486. The Delegation of Japan, speaking on behalf of Group B, said that in order to respond to the question from the Delegation of Brazil and proceed with negotiations, Group B would comment on the respective bracketed language. It hoped that this could trigger the flexibility from the other Groups. With respect to first bracketed part, "assistance/activities", Group B could show flexibility and could accept either phrasing. With respect to the following bracketed part, "shall/those that are considered to," Group B strongly believed that "shall" was awkward in this context because this was not a legal document. In that sense, Group B strongly preferred "those that are considered to." It would be difficult to accept the word "shall." Turning to the next bracket, "to reduce the costs of its use", Group B accepted the figure of fee reduction which would mostly benefit developing countries. Group B could accept the deletion of the bracketed part, namely "to reduce the cost of its use". Next, bracketed part "their", the IP system had the principle of MFN, Most Favored Nation. From that respective IP system in a country should be equal to all. In this context, the word "their" was a little bit awkward because it gave the impression that that system was established only to protect the inventions from specific countries. In that sense, Group B preferred not to have the word "their". Turning to the next bracketed part, "inter alia," Group B still thought that the phrase was good to have in order to make the definition comprehensive. We have to see the whole picture in order to make a decision whether the whole picture of the definition would have enough comprehensiveness or not. Turning to the next bracketed part, Group B thought that "shall" was awkward in this context and strongly preferred "seek to contribute." As for to the last part of page 1 and the alternative text proposed, Group B believed that its compromise proposal gave enough clarity to the definition. Needless to say, Group B stood by its new proposal and strongly believed that it could give enough comfort to others in light of the clarity of the definition. Regarding additional

proposals, for the reason explained, it was fair to have the figures, which was in line with the last part of the definition proposed at the present session. At the same time, Group B wished to hear the opinion of other Groups on those figures/ percentages.

487. The Chair congratulated Group B for the transparency and the flexibility it had shown. The Chair encouraged delegations to speak up so that agreement on the text could be reached.

488. The Delegation of Brazil, speaking on behalf on GRULAC, thanked the Delegation of Japan for clearly presenting their proposals and for the flexibility shown. Referring to the proposals, GRULAC had consulted on the three additional proposals to arrive at an agreed text at the end of the day. Having all the discussions as a package, GRULAC had made a very strong effort to find flexibility in the deliberations. Regarding the first brackets, GRULAC could also show flexibility for the sake of compromise, although it preferred the word "activities". Regarding "shall" and "those that are considered to", even though GRULAC preferred the text's stronger language, after receiving information from the Secretariat that for the accounting purpose there would be no difference with change of the language, GRULAC could show flexibility regarding this request by Group B. GRULAC felt strongly about "reducing the cost of its use" and would not delete it. Regarding the element of "their", preferring "to better protect their inventions and creations around the world," GRULAC was willing to show flexibility. With regard to "*inter alia*"; this was a crucial element that could not be included in the definition. There could not be a definition saying that development expenditure was something, among other things. Therefore, "*inter alia*" would have no place in the definition. GRULAC did not agree to keeping it in the text. On "shall seek" and "consider to contribute", GRULAC saw the same as explained previously. On the two elements proposed by Group B, the title and the last sentence, GRULAC had decided to show flexibility in allowing for those disclaimers. Regarding additional proposals that were not part of the definition, the Delegation said that the main objective of GRULAC as a demander of a new development definition was to increase transparency and allow clear accounting, so that countries could easily assess how WIPO was using its resources for development. The proposals to have a second item would not improve transparency but bring more confusion. There would not only be the addition of fee reduction but also an item to be inserted in the results framework page. In this regard GRULAC felt very strongly that it could not accept a definition with the addition of the text in the results framework.

489. The Delegation of India, speaking on behalf of the Asia and Pacific Group, commented on the text as followed. Regarding the first bracket, the Group thanked Group B for their flexibility. The Group preferred the word "activities" and wished to put it on record. Regarding the second bracket, the Group sought clarification from the proponents on the second phrase: what exactly the purpose of it was and why they wanted it included. Since it was not a legal text, putting "shall" was not feasible. The Group was flexible regarding "reduce the cost of its use" and "their" and was fine with whether word or even with removing it. "*Inter alia*" added vagueness to the definition and that was why the Group could not go along with the phrase being included in the text. In order to make the definition very crisp, clear and unambiguous, the Group wanted "*inter alia*" removed. The next bracket made the same point. "Are considered to be/contribute", the Group wanted to understand the legal rationale or the idea behind the phrase. The Asia and the Pacific Group was flexible on the additional proposals put forward by both Group B and GRULAC. The Group's main intention was to ensure that somehow the membership would be able to arrive at a conclusion for the definition of development expenditure.

490. The Delegation of Nigeria, speaking on behalf of African Group, started by thanking Group B for the flexibility demonstrated. For use of the term "assistance" or "activities," the African Group preferred "activities." It would be consistent with the sentences following that paragraph. For the second bracket, "shall or "those are considered to", the Group's preference was for "shall" but it could accept the other wording in order to clear the brackets. On the next sentence which was "enabling Developing Countries to derive benefits from the IP system", the African Group could be flexible on keeping "to reduce the cost of its use". Referring to have "their" in "and to better protect their inventions and creations around the world", the African

Group could also show flexibility on having "their" deleted at a later stage, depending on how the whole package would progress. The bracket, "*inter alia*" was the biggest crunch in the text and the Group would need to see that it was no longer in the text to consider some other proposals, and, especially the new proposals in the text. Having "*inter alia*" rendered the text of the definition ambiguous. In the last paragraph, the Group preferred the first sentence in yellow highlights. Regarding the title change, the Group affirmed that, in its mind, the revised definition of development expenditure was in the context of the Program and Budget, so it was for accounting purposes. The Group wondered if it was necessary to emphasize this in the title. As for the additional proposals (not part of the revised definition), the Group was not clear on the proposal that made by Group B to disclose information on the percentage of development share of the total budget for the strategic goals listed in the results framework. The information on fee reductions in the results framework to be highlighted in a particular color, as proposed by GRULAC, would be welcome. The African Group would be flexible to have it as an indication of the fee reduction. It could be indicated in a color or be indicated separately. As for an explanation to be added in the results framework that fee reductions did not apply to developing countries only: this could be welcomed, the Group was flexible on either having it or not. The Group's main concern was to clean up the text. If members wanted to have everything agreed before anything was agreed, consultations might be useful as it might be difficult to do that in the plenary. Otherwise, the Committee would need to go paragraph-by-paragraph and decide what to leave and what to keep.

491. The Delegation of Iran (Islamic Republic of) thanked all delegations for their flexibility. The Committee was close to reaching consensus on this long standing issue. The Delegation believed that the definition should be clear and precise. That was why the Delegation supported the statement made by the Delegation of India. The Delegation preferred "activities" and "shall" but was flexible. It could agree to "should." The Delegation needed some clarification on the phrase "or those that are considered to", as it did not know by whom those would be considered. It was flexible on "reduce the cost of its use". Regarding "their inventions and creations", the Delegation preferred to keep "their" but was flexible on that. As for "*inter alia*", as the Delegation had pointed, the definition should be clear and precise hence it strongly believed that "*inter alia*" should be removed. The Delegation was flexible on the additional proposal made by Group B and the first proposal by GRULAC, but sought clarification from the Secretariat on what the impact on the budget would be and how this proposal would be applied in the programs and in the results framework.

492. The Delegation of Japan responded to the question by the Delegation of India about "shall/all those that are considered to." Group B strongly believed that if the word "shall" was used in an inappropriate context, other than the legal text, it would lead to confusion and would cause a misunderstanding that the language was giving an obligation. In order to avoid such a serious confusion and misunderstanding for those who would read the definition, it was very crucial to pick up the option of "those that are considered to" and not "shall." The Delegation asked for the membership's indulgence to some minutes for consultations, at the back of the room, in a final effort to reach consensus.

493. The Chair announced a 15 minutes break to allow GRULAC, the Asian Group and the African Group to reconcile differences and exchange ideas with Group B. Hopefully, this would produce some "white smoke" news regarding this item.

494. Following the break, the Chair announced that the Group Coordinators had exchanged their compromises and came up with a final deal. The Chair read out the full agreed text of the definition and the text of the decision paragraph, which were gavelled. He added that delegations would be informed by their respective Group Coordinators on the details of the agreement. The Chair closed by congratulating the memberships on the agreement and applauded delegations for being constructive and flexible. The call for flexibility and compromise expressed in the delegations' initial statements had paid up.

495. The Program and Budget Committee (PBC) recommended to the Assemblies of the Member States of WIPO and of the Unions, each as far as it is concerned, to approve the revised definition of development expenditure as contained in Annex II of document WO/PBC/24/17 and requested the Secretariat to:

- (i) Apply the revised definition of development expenditure for the estimation of development expenditure in the draft proposed Program and Budget 2018/19;
- (ii) Disclose in the “Results Framework and Program and Budget, including Development Share by Results” chart the following additional information:

The estimated amount of fee reductions as a percentage of total income indicating that fee reductions are granted in accordance with the eligibility criteria for certain applicants from certain countries (primarily, but not limited to, developing and least developed countries) set out in the PCT Schedule of Fees (information to be disclosed in a footnote and in a separate color).

ITEM 18 CLOSING OF THE SESSION

496. The Chair announced that draft document listing decisions taken by the Committee was being distributed. As there were no further agenda items to be discussed, the Chair suggested closing the session and thanked delegations for engaging constructively in the meeting during the week. He noted the progress made and felt the PBC had advanced as best as it could as Member States demonstrated flexibility and compromise in trying to allow agreements and progress on specific issues. He opened the floor for any closing statements.

497. The Delegation of the United States of America thanked the Chair for efficiently managing the meeting, and thanked the Secretariat for its patience in answering the many questions, both through the Q&A document, which had been quite helpful, and in the oral responses, which altogether brought additional clarity to the Program and Budget document. The list of decisions taken showed the PBC had made real progress on many issues that were important to the Organization. Notwithstanding the progress, the United States regretted that it was not in a position to recommend the revised proposed Program and Budget 2016/17 for approval by the Assemblies, but remained hopeful that the coming weeks would yield a different result. The financial shortcomings of the Lisbon Union had attracted public attention for well over a year, and the United States had repeatedly expressed concerns regarding the Lisbon Union and the Assemblies' unwillingness to raise fees or assess contracting party contributions. The Delegation recognized and appreciated that the reporting in the Program and Budget had significantly improved in recent years and the Delegation believed the Secretariat deserved credit for that. In looking into the Lisbon Union's financial situation however, the Delegation was certain that the proposed Program and Budget could be further improved, and expressed its hope that the trend would improve and would continue. The Delegation noted the Lisbon members' effort during the week to address the concerns, and specifically their commitment to transform the Lisbon system into a financially sustainable system during the 32nd session of the Assembly of the Lisbon Union, and was hopeful that whenever the WIPO General Assembly met to consider the Program and Budget for 2016/17, the Lisbon Union members would report on the steps it would take to balance the Lisbon Union budget.

498. Referring to its initial concerns at the start of the session, the Delegation of Canada recognized that a great deal of important work that had been done during the week by the Chair, the Secretariat, and the Member States. The Delegation emphasized that from its standpoint, the week had been concluded under a much more encouraging note than it had begun, particularly with respect to the work done on the Lisbon Union which steered in the direction of the views expressed at the beginning of the week, in particular on transparency. There was, however, a great deal of work that remained to be done on the issues that were taken up, but Canada would go to the General Assembly with a considerable level of

enthusiasm. The Delegation thanked the Secretariat for the revised proposals on the issues taken up during the week as well as clear responses to the questions which had not always been clear. The Delegation welcomed the excellent work that was done by the IAOC, the IOD, the External Auditor and the JIU, and also thanked the interpreters and the conference staff, without whom the work of Member States would have been much more difficult.

499. The Delegation of Greece congratulated the Chair and Vice-Chair for their wise guidance of the Committee, commending the fact that substantial discussions had been held during the plenary or, when necessary, in the informals. The Delegation also noted its appreciation for the agreement reached on the development expenditure definition as well as the discussions on the issue of governance. Having followed the discussions throughout the week very closely, the Delegation had witnessed the proposals being put forward on what could be considered as key aspects of the Organization. Regarding Program 6, the Delegation acknowledged that the views expressed had been rooted in different approaches that required well-considered solutions, but remained confident that those solutions could be found in order to approve the draft proposed Program and Budget during the forthcoming Assemblies. The approval of the Program and Budget would strengthen the ability of the Organization, fortunate to enjoy sound financial basis, to continue performing its functions in a proper and healthy manner.

500. The Delegation of El Salvador thanked the Chair for his efforts and congratulated him on the results of the meeting under his leadership. The Delegation appreciated the work done by the Secretariat which greatly contributed to the achievements of the meeting, most notably the fact that Member States were able to come up with compromises that met everybody's expectations. The Delegation also complimented other delegations for their constructive contributions and flexibility that enabled the PBC to come to decisions on the various topics, particularly Program 3 under item 10. It also expressed its interest in taking part in the discussions, as reflected by GRULAC, and consultations with all members having an interest in the matter. The Delegation expected to take up that issue in Latin America during 2016, and the results would be crucial in terms of the success of the matter. The Delegation expressed its wish to return to the subject any time that it came up for discussion.

501. The Chair acknowledged the expressions of gratitude, adding his own personal recognition of the incredible work done by the Secretariat, which was responsible for 90 per cent of the success of the meeting.

502. The Delegation of Chile added its voice of appreciation to the Secretariat, the Chair and the Vice-Chair for the work done during the week, which enabled Member States to move ahead on many agenda items and, in particular, in terms of the elements which enabled the Committee to gain approval for the Program and Budget 2016/17. The Delegation joined in expressing how the constructive flexibility and the spirit of compromise shown during the week gave optimism and hoped that the work and dedication shown by delegations and the Secretariat would be reflected in a successful result during the Assemblies. The Delegation thanked the Delegates from Montenegro and Panama who were leaving Geneva and had assisted for the last time at WIPO meetings and wished them every success in future endeavors.

503. The Delegation of Nigeria, speaking on behalf of the African Group, thanked the Chair and the Vice-Chair for their hard work and an engaging work style, and thanked the interpreters who, through their work, had facilitated communication between the Delegates who had not always agreed on all the issues. The African Group expressed hope that outstanding matters, e.g. governance and External Offices, which had not been concluded would have better outcome at the General Assembly.

504. The Chair took the opportunity to thank the interpreters, recognizing that they were a very important part of the team.

505. The Delegation of Panama thanked the Secretariat for all of the work done during the week. The Delegation's representative expressed her appreciation for the cooperation she enjoyed over the past four years while working in Geneva.

506. The Delegation of Japan, speaking on behalf of Group B, thanked the Chair for his wise guidance, the Secretariat and the interpreters for the excellent work. It also thanked all other delegations which had been involved in the hard work during the week. Group B felt that good progress had been made, e.g. a resolution of the longstanding item on the definition of development expenditure. Member States had shown an enormous amount of flexibility in formulating the wording on issues which had previously been causing concern, in presenting the fee reduction and including indication of development share under the expenditure for certain Strategic Goals. Progress had also been made on some of the outstanding issues relating to the proposed Program and Budget: for this, Group B expressed its particular thanks to the members who had been involved in the discussion relating to the Lisbon Union issue. There remained some outstanding issues linked to the Lisbon System that had strong bearing on the Organization. Group B felt that the positive atmosphere of the PBC could extend to the work at the General Assembly, which could lead to the approval of the proposed Program and Budget 2016/17 that was essential for the effective operation of the Organization, without which the IP world could not develop.

507. The Delegation of Brazil, speaking on behalf of GRULAC, thanked the Secretariat and the Chair for the excellent and hard work. Although there were still a few issues that need to be addressed and would be addressed in the General Assembly, GRULAC felt that much had been achieved during the session. Referring to the elements of concern to the Group, as mentioned by the Delegation of El Salvador, a good solution had been found for the inclusiveness of the TAG project; albeit, it was not excessive to recall that GRULAC's underlying message had been that no country wanting to be part of the project should be left behind. Regarding Program 20, GRULAC recognized the efforts and the accomplishment in maintaining the liaison between WIPO and the UN headquarters in the discussions on Sustainable Development Goals, which was not a small matter. Concerning the definition of development expenditure, an agreement had finally been reached on a revised definition and the precise notion of development expenditure would benefit all membership of the Organization. The Delegation concluded by endorsing the comment made by the Delegation of Chile concerning the two Delegates who would be leaving the Group, acknowledging their hard work and contributions to the Group effort over the years.

508. The Delegation of Romania, speaking on behalf of the CEBS Group, congratulated the Chair for the supersonic speed with which he had led Member States through a rather heavy and difficult agenda. The CEBS Group added its voice to those who had thanked the Vice-Chair, the interpreters and the Secretariat for their hard work. The CEBS Group expressed its appreciation for the important progress made during the week, and hoped that Member States would be in a position to reach consensual decisions on the outstanding items which were very important. The CEBS Group believed the flexibility and proactivity shown by the delegations were encouraging signs in view of the approaching Assemblies, at which many important topics needed to be discussed.

509. The Delegation of China thanked the Chair for his very excellent leadership and hard work. The Delegation also thanked the Secretariat for its organization and the interpreters for their work. The Member States were thanked as well for the good result they had achieved.

510. The Delegation of India, speaking on behalf of the Asia and Pacific Group, thanked the Chair for successfully guiding the session, and acknowledged the support provided by the Secretariat and the interpreters. The Group was satisfied with the overall progress made in the session, particularly as the revised definition of development expenditure had been finalized. Such successes were motivating and gave hope that consensus on other outstanding issues

could be achieved. The Group pledged its full cooperation in striving to resolve all outstanding issues in the General Assembly.

511. The Delegation of the Republic of Korea thanked the Chair for the excellent work done in presiding over the meeting, noting that under the Chair's leadership the Committee had been able to make compromises on almost all of the agenda items. The prompt and efficient work performed by the Secretariat during the meeting was greatly appreciated. There remained agenda items which needed more time for consideration and consultations, but the Delegation was hopeful that constructive conclusions would be reached at the General Assembly.

512. The Delegation of South Africa thanked the Chair for his excellent efforts in chairing the session, and the Secretariat and the interpreters for their work. While progress had been made on several longstanding issues, the Delegation expressed its disappointment at members' failure to reach a bare minimum compromise on a decision relating to External Offices. Despite the trepidation, the Delegation remained hopeful that perseverance would lead to a better outcome.

513. The Chair observed that efforts had been made by all to achieve positive results. He thanked Member States for their generous words and expressions regarding his Chairmanship, and for their constructive engagement in the meeting, highlighting the incredible support that he had received from the Secretariat.

514. The Chair declared the 24th session of the PBC closed.

[Annex follows]