

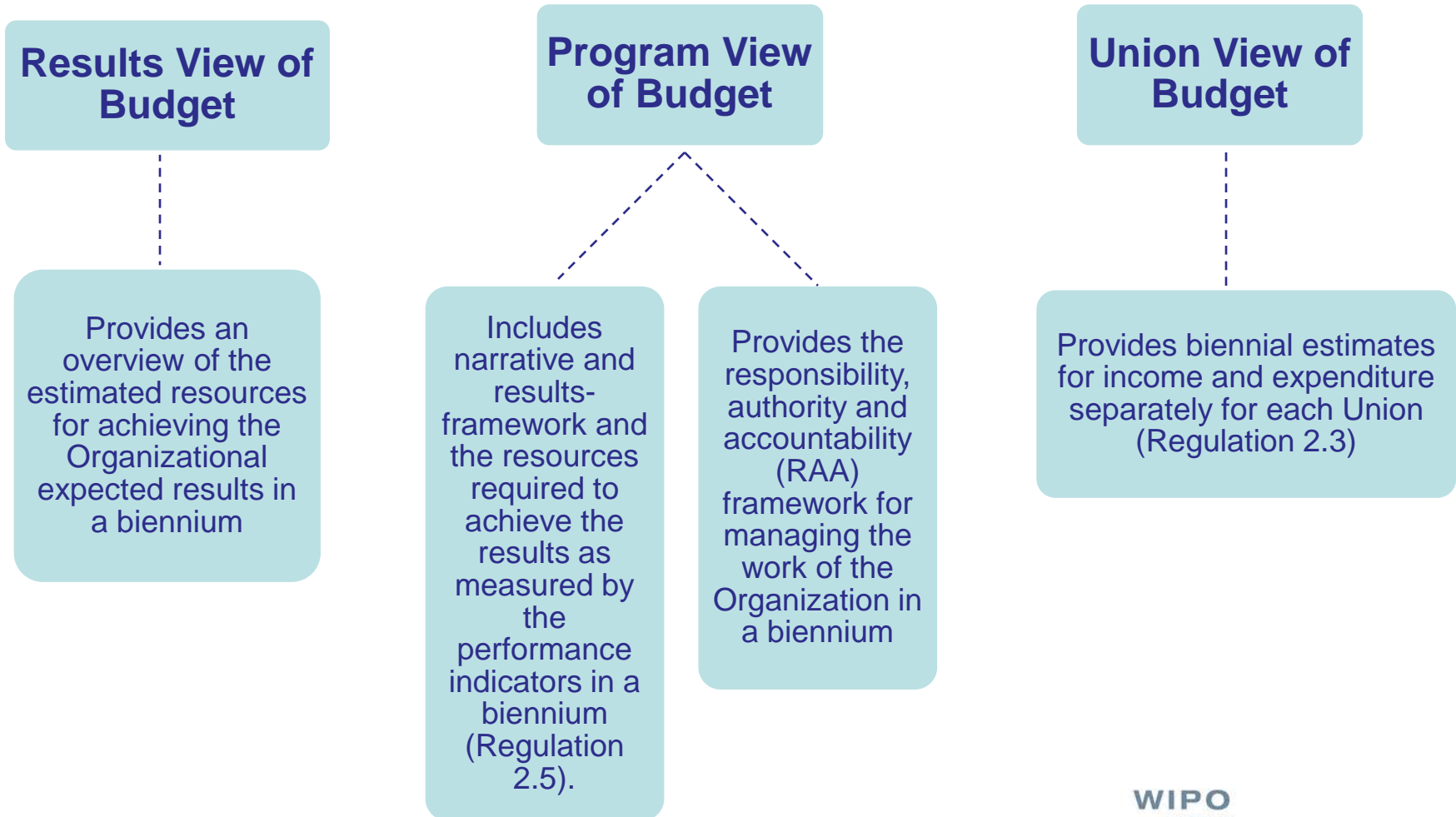
CURRENT METHODOLOGY FOR THE ALLOCATION OF INCOME AND EXPENDITURE BY UNION APPLIED IN THE PROPOSED PROGRAM AND BUDGET 2016/17

Briefing to all
Member States
Geneva
October 2, 2015

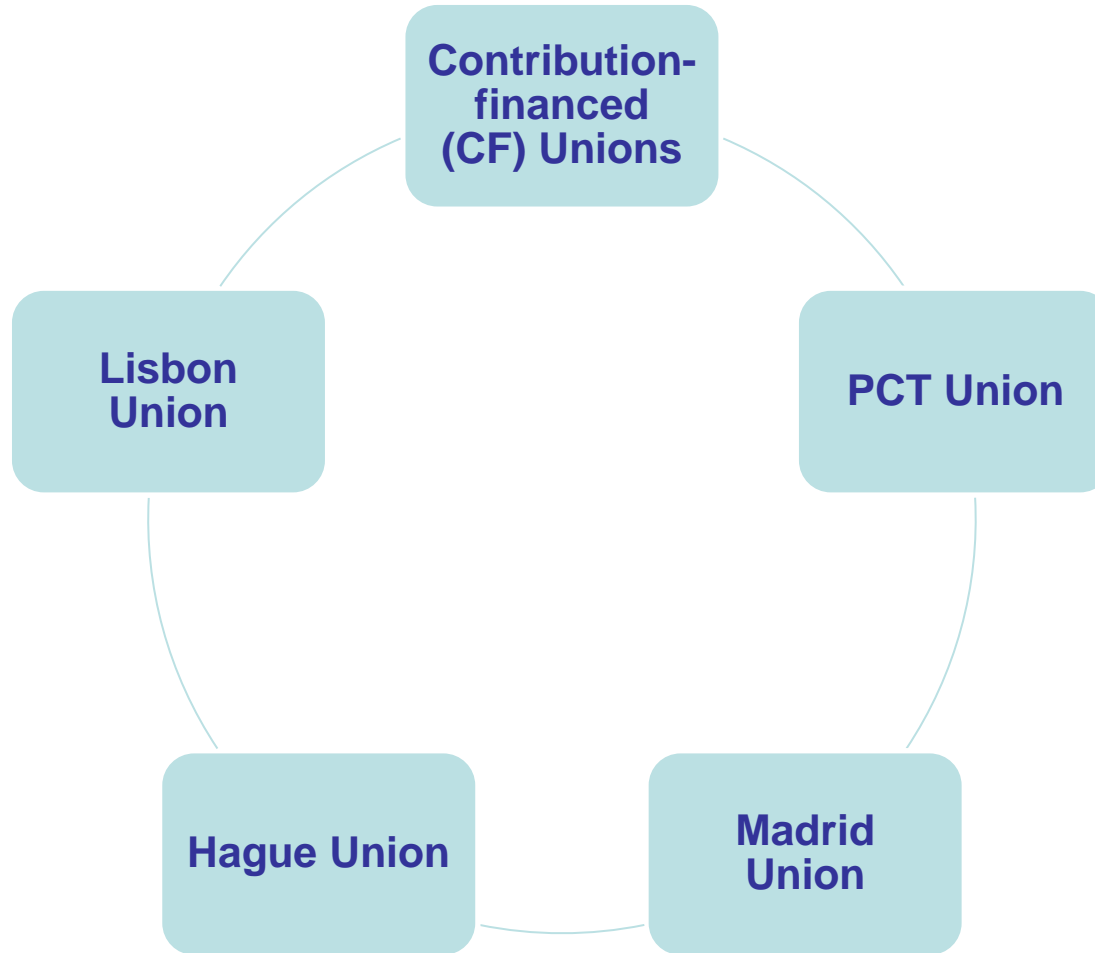
SCOPE AND PURPOSE OF THE BRIEFING

- Limited to explaining and clarifying the allocation of income and expenditure to Unions as contained in the proposed 16/17 Program and Budget
- Does not include:
 - Assessing or evaluating the current methodology or its results
 - Identifying or discussing alternatives

WIPO's Program and Budget



WIPO UNIONS



UNION VIEW OF THE BUDGET

- As per FRR Regulation 2.3
- All income and expenditure are accounted for in this view
- Provides information on the projected operating result for each Union
- Contained in Annex III of the proposed Program and Budget

ALLOCATION OF INCOME

Contribution-financed (CF) Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union
Member States Contributions	PCT fees	Madrid fees	Hague fees	Lisbon fees
Publications	Publications	Publications	Publications	Publications
Arbitration	Arbitration	Arbitration	Arbitration	Arbitration
Investment revenue	Investment revenue	Investment revenue	Investment revenue	Investment revenue
Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous

IPSAS adjustments to income

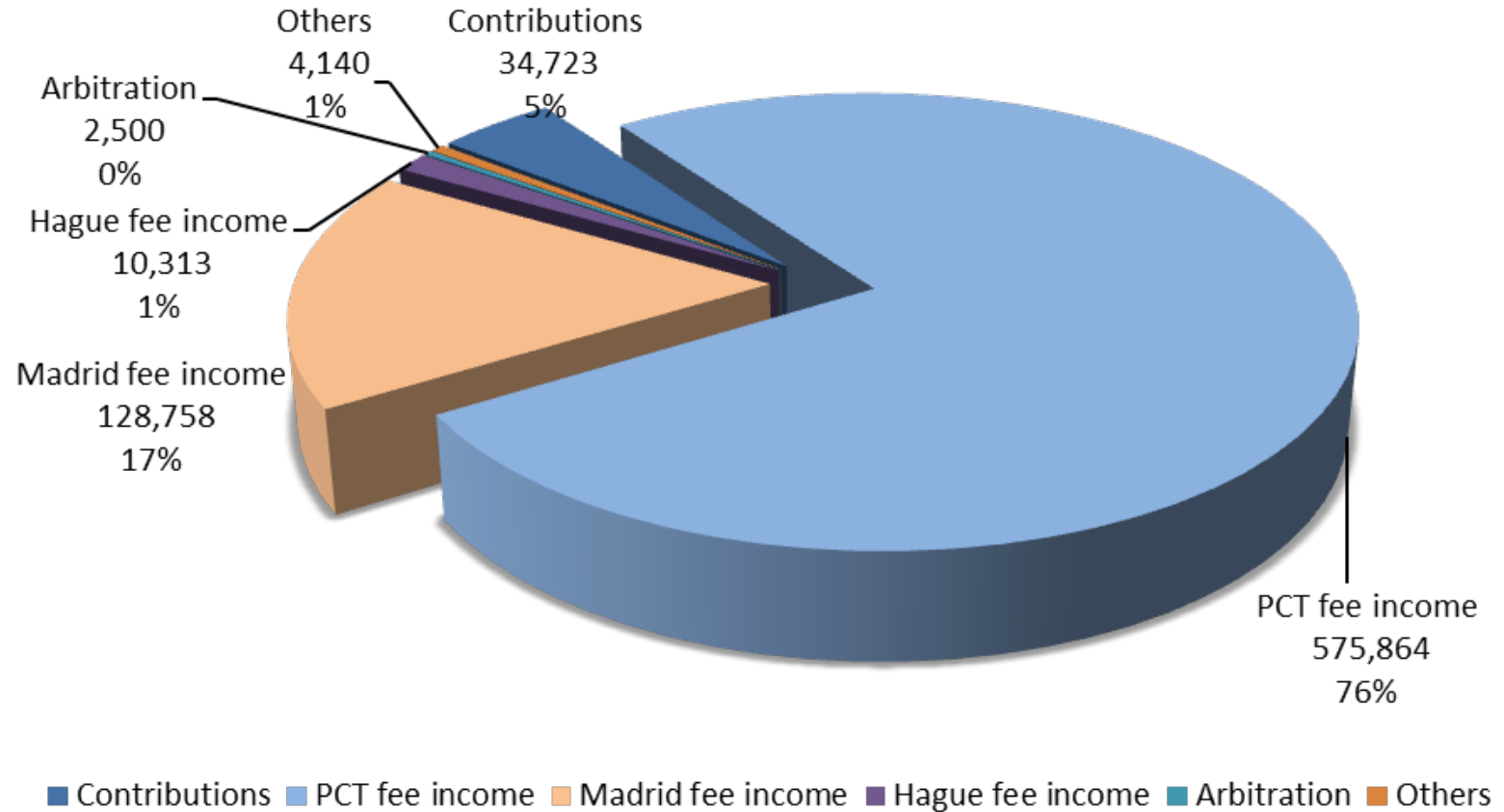
INCOME ALLOCATION KEYS

Types of Income	Allocation considerations	Allocations keys / Share of income
<p><u>Publications income</u></p> <p><i>(Revenues from sale of publications and from subscriptions to periodicals published by the Secretariat, in paper, CD-ROM or any other format)</i></p>	<p>Publications and subscriptions are attributed to Unions based on their content <i>(reflected in the chart of accounts)</i></p>	<p><u>Share of total publication income in 16/17:</u></p> <p>CF Unions: 32.3% PCT Union: 32.3% Madrid Union: 29% Hague Union: 6.5%</p>
<p><u>Arbitration income</u></p> <p><i>(Fees for the arbitration of domain names, registration fees for the meetings of the WIPO Arbitration and Mediation Center, net of related currency adjustments)</i></p>	<p>Based on relative % determined by PM</p>	<p>Allocation keys determined at:</p> <p>CF Unions: 5.2% PCT Union: 63.4% Madrid Union: 30% Hague Union: 1.2% Lisbon Union: 0.2%</p>

INCOME ALLOCATION KEYS (Cont.)

Types of Income	Allocation considerations	Allocations keys
<p><u>Investment revenue</u></p> <p><i>(Revenues earned from investments, including interest on capital deposits)</i></p>	<p>Relative share for each Union of total investment revenue determined on the basis of each Union's treasury balance <i>(Reserves and WCFs)</i></p>	<p><u>Share of total investment revenue in 16/17</u>: total investment revenue estimated at 0 CHF</p> <p><u>Share of total investment revenue in 14/15</u>:</p> <p>CF Unions: 6.9% PCT Union: 55.6% Madrid Union: 37.6% Hague and Lisbon Unions: 0%</p>
<p><u>Miscellaneous income</u></p> <ul style="list-style-type: none"> • <i>registration fees for conferences and training courses,</i> • <i>support charges in respect of extra-budgetary activities executed by WIPO and financed by UNDP and trust funds</i> • <i>accounting adjustments (credits) in respect of prior years and currency adjustments</i> • <i>rental of WIPO premises</i> • <i>UPOV's payments to WIPO for administrative support services</i> 	<p>Rental income from the Madrid building is allocated to the Madrid Union</p> <p>The remaining miscellaneous income is allocated equally among the Unions</p>	<p>Rental income from the Madrid Building in 16/17: 340,000 CHF</p> <p>Remaining miscellaneous income in 16/17: 692,000 CHF per Union</p>

BREAKDOWN OF ESTIMATED TOTAL INCOME 2016/17



ALLOCATION OF EXPENDITURE

Contribution-financed (CF) Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union
Direct Union	Direct Union	Direct Union	Direct Union	Direct Union
Direct Admin	Direct Admin	Direct Admin	Direct Admin	Direct Admin
Indirect Union	Indirect Union	Indirect Union	Indirect Union	Indirect Union
Indirect Admin	Indirect Admin	Indirect Admin	Indirect Admin	Indirect Admin

IPSAS adjustments to expenditure

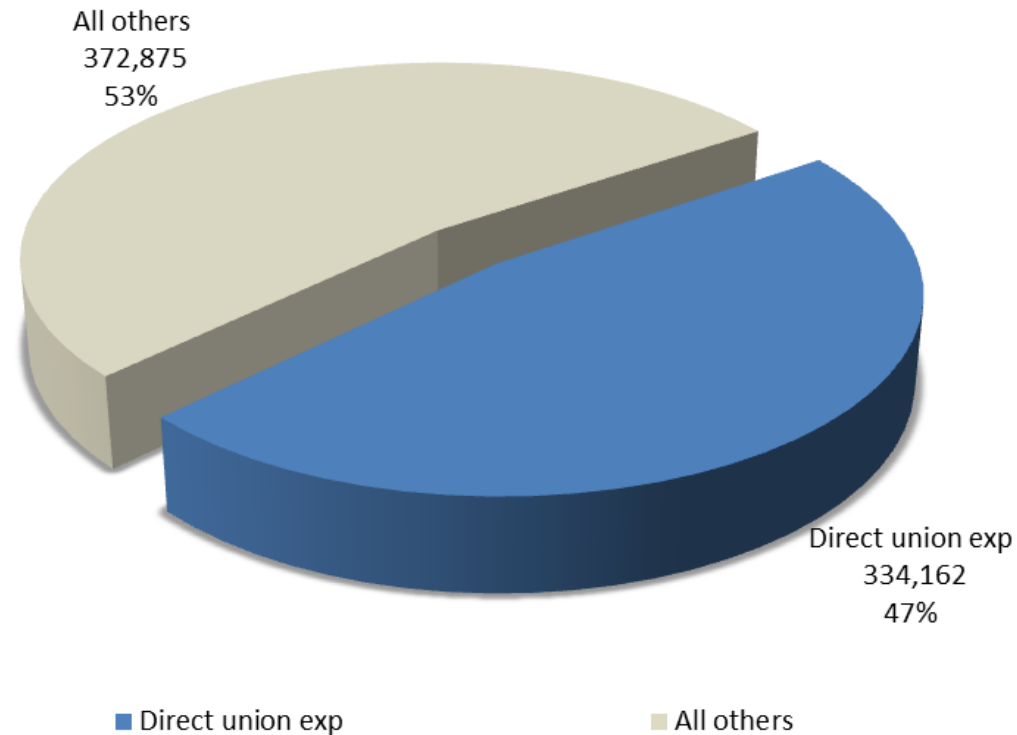
EXPENDITURE ALLOCATION CONSIDERATIONS

Types of Expenditure	Allocation considerations
<p><u>Direct Union Expenditure</u></p>	<p>Expenditure for Union specific activities and the attributable share of related administrative expenditure (Programs 1(p), 2, 3(p), 4, 5, 6, 7, 12, 13, 14, 31) The costs of such activities are allocated to the Unions based on:</p> <p>Full attribution</p> <p>Where the allocation is to a single Union, the full cost of a Program is allocated to that Union (ex: Program 5 - The PCT and Program 31 – The Hague)</p> <p>Partial attribution</p> <p>Where the cost of a Program is only partially to a Union, the share of the cost of a Program is based on estimations by Program Managers (estimation done at the budget unit level)</p> <p>The costs of some ADG/DDG offices and unit 0046 (Program14) are allocated to the relevant Unions based on their relative share of income</p>

ALLOCATION OF DIRECT UNION EXPENDITURE

Prog	Unit	Description	CF Union	PCT Union	Madrid Union	Hague Union	Lisbon Union	Comments
01	0001	Law of Patents	10%	90%				As per PM
02	0002	TM Law and Legislative Advice	20%		65%	15%		As per PM
03		Copyright and Related rights (All units except for 0108)	100%					
04		TK, TCE and GR	100%					
05		The PCT System		100%				
06	0128	The Office of the DDG-Brands and Designs Sector			91.7%	7.8%	0.5%	Relative income share
06	0244	The Lisbon Registry					100%	
06		All other units (Madrid-related)			100%			
07		Arbitration and Mediation Center	5.2%	63.4%	30%	1.2%	0.2%	As per PM
12		International Classifications and Standards	7%	88%	4%	1%		As per PM
13		Global Databases		90%	10%			As per PM
14	0046	Access to Information and Knowledge		80.3%	18.1%	1.5%		Relative income share
	0047	Office of the ADG-Global Infrastructure Sector	4.7%	76.5%	17.3%	1.5%	0.1%	Relative income share
31		The Hague System				100%		

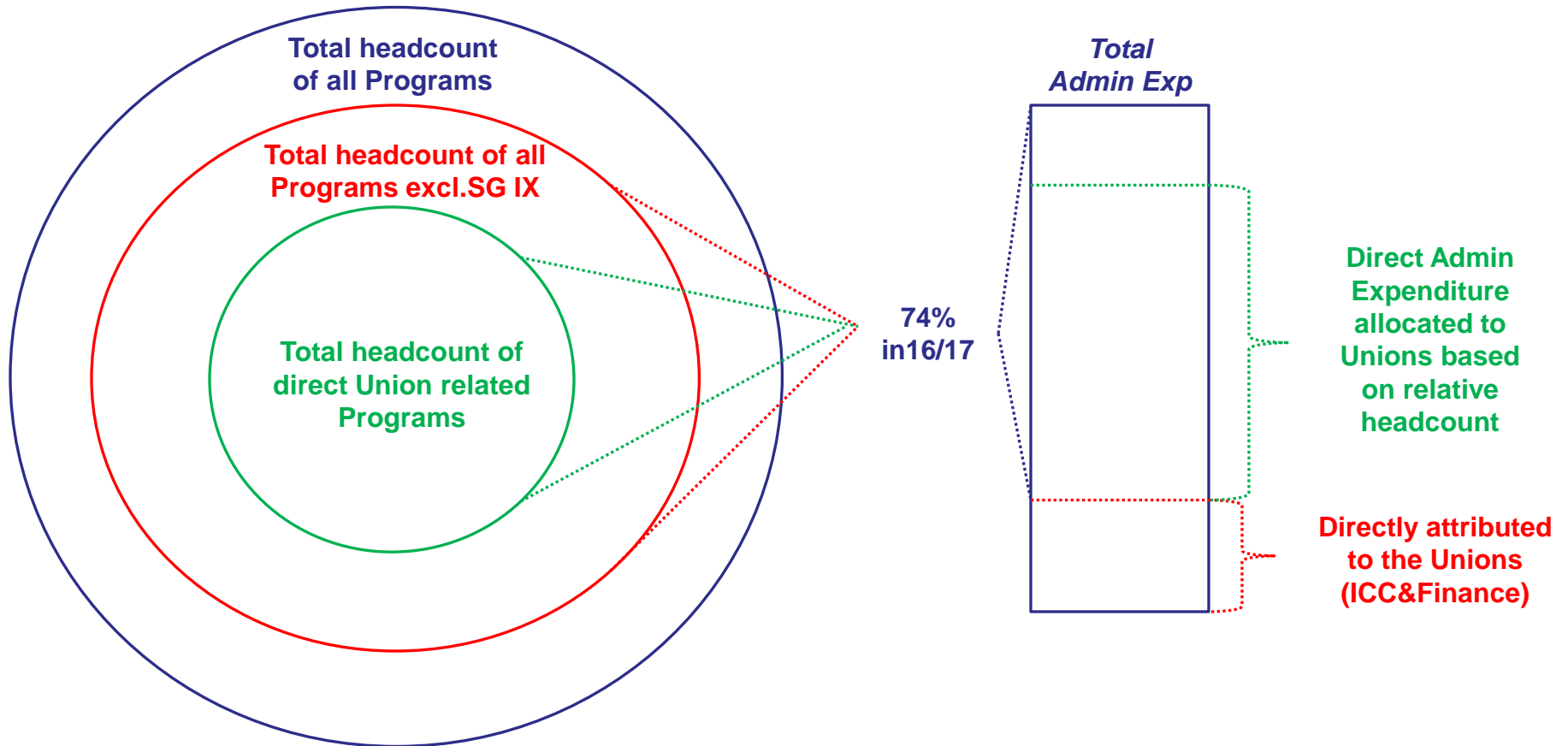
SHARE OF DIRECT UNION EXPENDITURE OF TOTAL ESTIMATED EXPENDITURE IN 2016/17



EXPENDITURE ALLOCATION CONSIDERATIONS

Types of Expenditure	Allocation considerations
<p data-bbox="237 582 614 662"><u>Direct Administrative Expenditure</u></p>	<p data-bbox="730 408 1649 529">The share of the costs of all administration and management-related Programs under Strategic Goal IX (Programs 21-28) and Unallocated.</p> <p data-bbox="730 582 1698 662">The total share of direct administrative costs is determined based on:</p> <ul data-bbox="730 718 1725 1019" style="list-style-type: none"><li data-bbox="730 718 1725 839">• Direct attribution to the Unions of administrative costs (share of cost of server hosting at UNICC servers and share of cost of the Income Section in Finance)<li data-bbox="730 895 1725 1019">• Total headcount of the direct Union-related Programs relative to the total headcount of all Programs other than Programs under Strategic Goal IX. <p data-bbox="730 1075 1702 1155">The total share of direct administrative costs is allocated to the Unions based on:</p> <ul data-bbox="730 1210 1731 1288" style="list-style-type: none"><li data-bbox="730 1210 1731 1288">• The share of each Union’s headcount relative to the total headcount of direct Union-related Programs

ALLOCATION OF DIRECT ADMINISTRATIVE EXPENDITURE



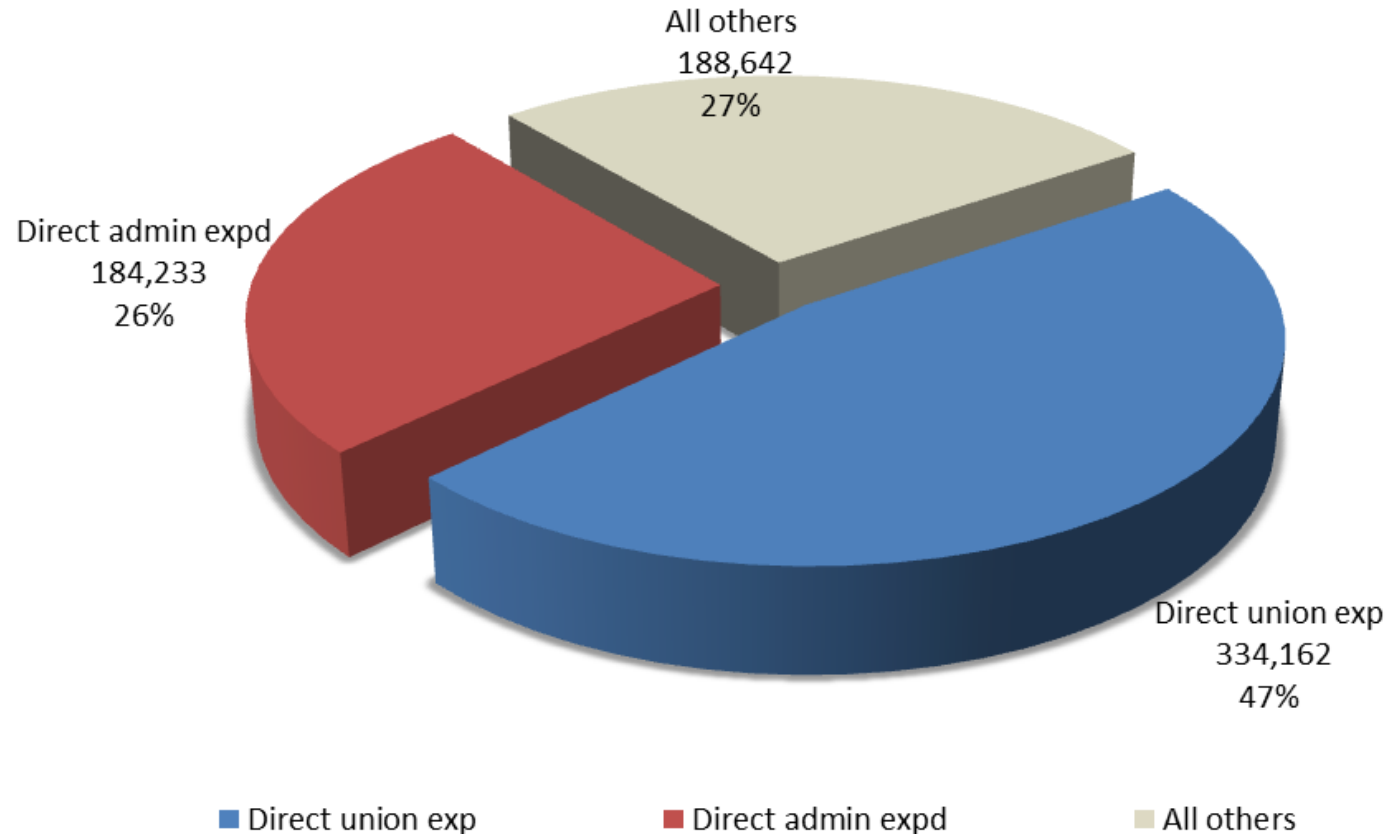
ALLOCATION OF DIRECT ADMINISTRATIVE EXPENDITURE

Step 1	Total headcount (fixed term and short term positions):		1,316
	Union Direct Headcount		657
	Headcount of Admin Programs (Programs under SG IX)		425
	Total headcount of all Programs (excl. Headcount of Admin)		891
Step 2	Relative Percentage of Union Direct Headcount to total headcount of all Programs (excl. Programs under SG IX)		74%
Step 3	Total Admin Expenditure, of which:		246,151
	a. Directly attributed to Unions (part of UNICC and Finance costs)		10,385
	b. Balance-Total Admin Expenditure		235,766
Step 4	Direct Admin Expenditure allocated on the basis of headcount (235,766x74%)		173,847

		CF Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	TOTAL
Step 5	Allocation of Union Direct Admin Expenditure by Unions (using relative headcount % below):						
	Headcount:						
	Union Direct Headcount						
		36	451	147	20	3	657
	Relative Ratios	6%	69%	22%	3%	0%	100%
	Direct Admin Expenditure by Unions:						
	1. Admin Expenditure Directly Attributed to Unions	-	5,720	4,320	346	-	10,385
	2. Union Direct Admin Expenditure Allocated on Headcount	9,634	119,371	38,808	5,220	815	173,847
	Total Union Direct Admin Expenditure	9,634	125,091	43,128	5,566	815	184,233

**%-ages are rounded for the purposes of the presentation*

SHARE OF DIRECT ADMINISTRATIVE EXPENDITURE OF TOTAL ESTIMATED EXPENDITURE IN 2016/17



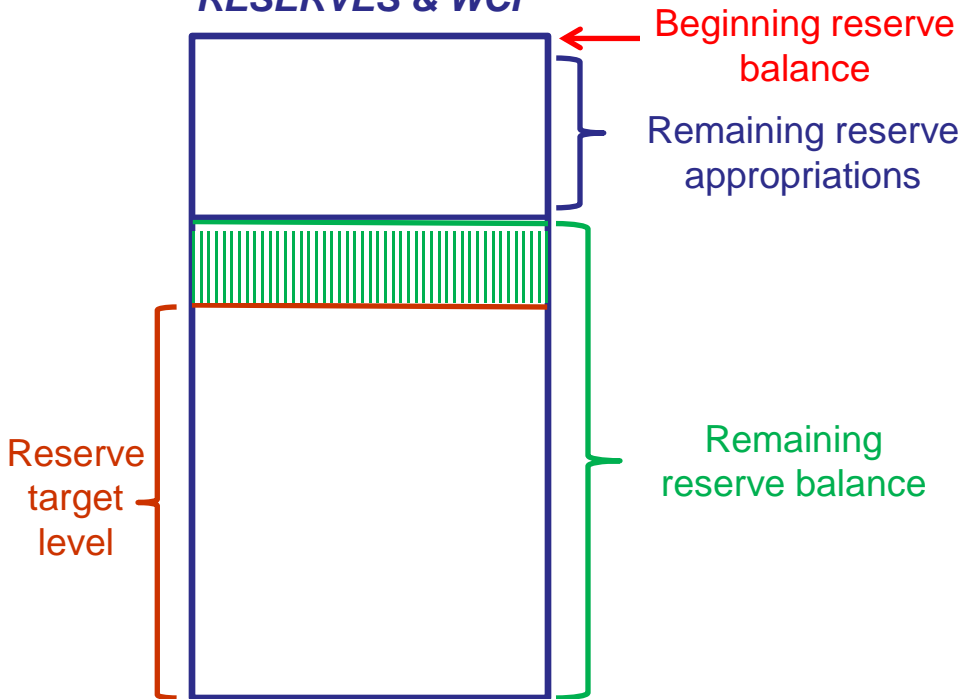
EXPENDITURE ALLOCATION CONSIDERATIONS

Types of Expenditure	Allocation considerations
<p><u>Indirect Union Expenses</u></p>	<p>Expenditure for Programs not directly related to the activities of the Unions are considered «Indirect Union» expenses (<i>Programs 1(p), 3(p), 8, 9, 10, 11, 15, 16, 17, 18, 19, 20, 30</i>).</p> <p>The costs of such Programs are allocated to the Unions based on Unions' <i>biennial capacity to pay</i></p> <p><i>A Union's biennial capacity to pay</i> is calculated taking into account reserve balances and biennial surplus:</p> <p>1) Beginning reserve balance (+)</p> <p style="padding-left: 40px;">Remaining reserve appropriations at the beginning of the period (-)</p> <p style="padding-left: 80px;">= remaining reserve balance at the beginning of a biennium (A)</p> <p><i>If (A) is above the reserve target level then proceed with calculation as per 2) below</i></p> <p>2) Income during the period (+)</p> <p style="padding-left: 40px;">IPSAS adjustments to income during the period (-)</p> <p style="padding-left: 40px;">Projected biennial Union Direct expenditure (-)</p> <p style="padding-left: 40px;">Projected biennial Direct Administrative expenditure (-)</p> <p style="padding-left: 80px;">= surplus/deficit for the biennium (B)</p> <p><i>If (B) is greater than 0 the Union has «capacity to pay»</i></p>

CAPACITY TO PAY

STEP 1

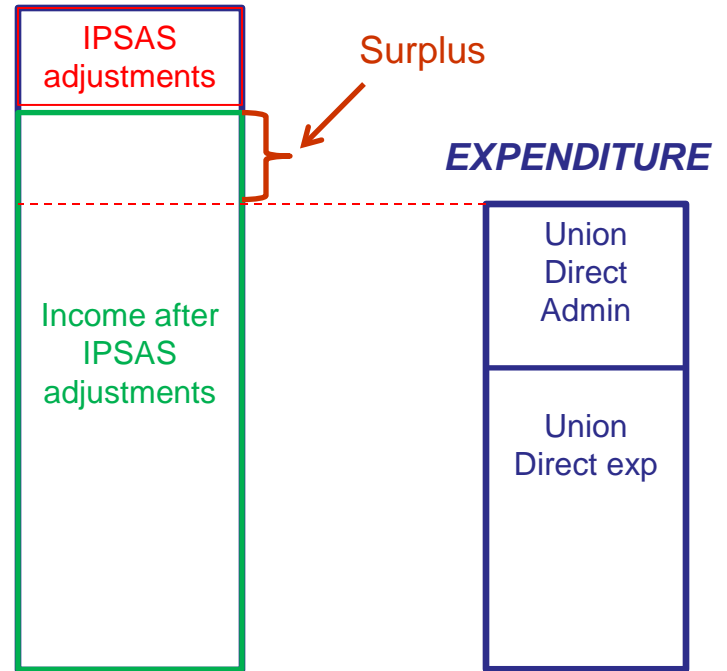
UNION RESERVES & WCF



If available reserve balance is above the target level then Step 2

STEP 2

UNION INCOME



If surplus, then Union has capacity to pay

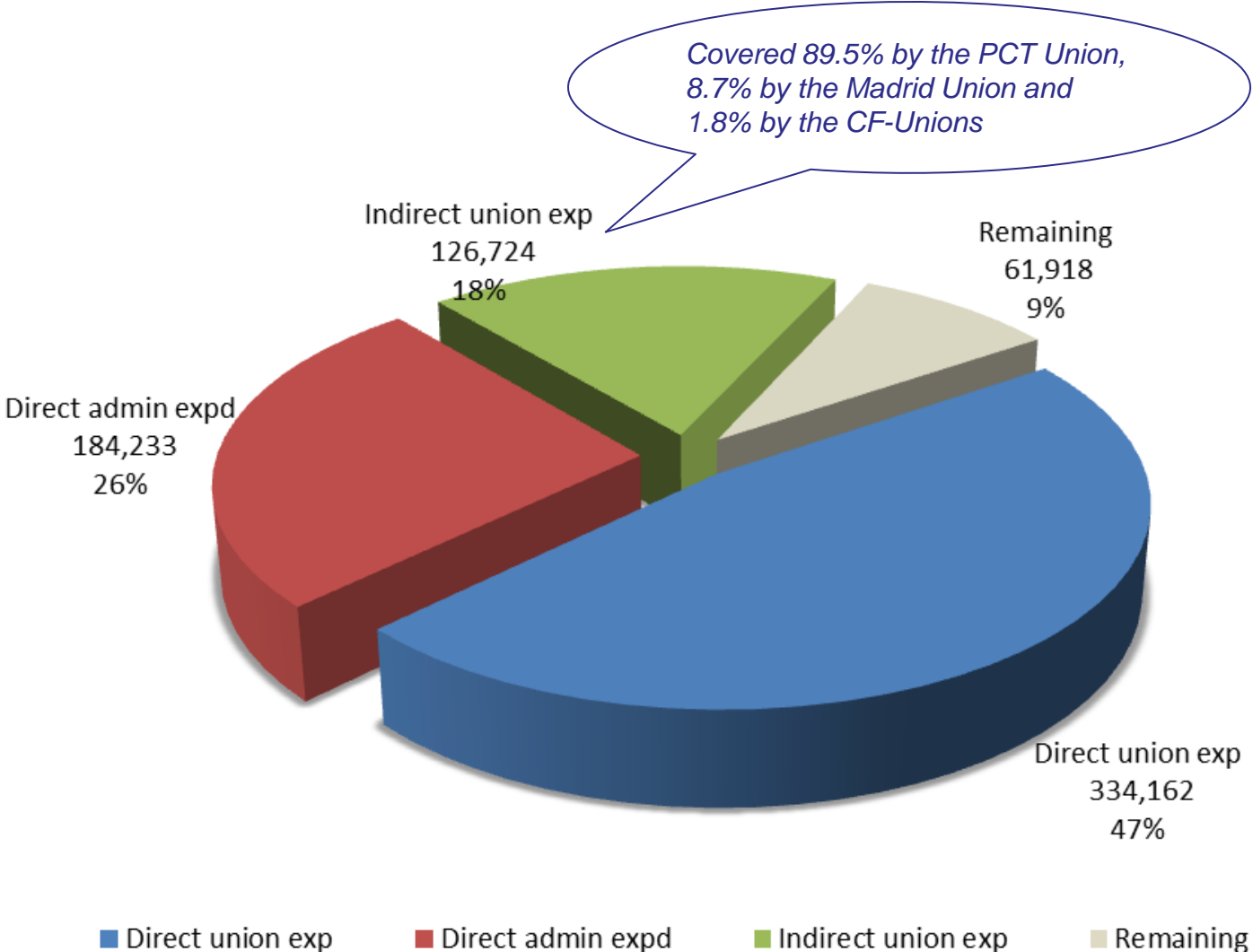
ALLOCATION OF INDIRECT UNION EXPENDITURE IN 16/17

Step 1 Total Indirect Union Expenditure	126,724	<i>(Programs 1, 3, 8, 9, 10, 11, 15, 16, 17, 18, 19, 20, 30)</i>					
	CF- Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	TOTAL	
Step 2 Relative Ratios of Unions' Capacity to Pay*	1.8%	89.5%	8.7%	0%	0%	100%	
Step 3 Allocation of Union Indirect Expenditure by Unions (applying % in Step 2 to total Indirect Union Expenditure):							
Indirect Union Expenditure by Union	2,242	113,412	11,070			126,724	

*Note:	2016/17 Estimated income before IPSAS adj.	35,645	578,241	130,630	11,055	727	756,297
	IPSAS adjustments to income	-	(7,514)	(419)	(147)	-	(8,080)
	2016/17 Estimated income after IPSAS adj.	35,645	570,727	130,211	10,908	727	748,217
	2016/17 Direct Union expenditure	21,858	235,553	66,577	8,802	1,372	334,162
	2016/17 Direct Admin expenditure	9,634	125,091	43,128	5,566	815	184,233
	Sub-total	31,492	360,643	109,704	14,368	2,187	518,394
	Difference (Biennial capacity to pay)	4,153	210,084	20,507	-	-	234,743
	Relative Ratios of Unions' Capacity to Pay	1.8%	89.5%	8.7%	-	-	100%

*%-ages are rounded for the purposes of the presentation

SHARE OF INDIRECT UNION EXPENDITURE OF TOTAL ESIMATED EXPENDITURE IN 2016/17



EXPENDITURE ALLOCATION CONSIDERATIONS

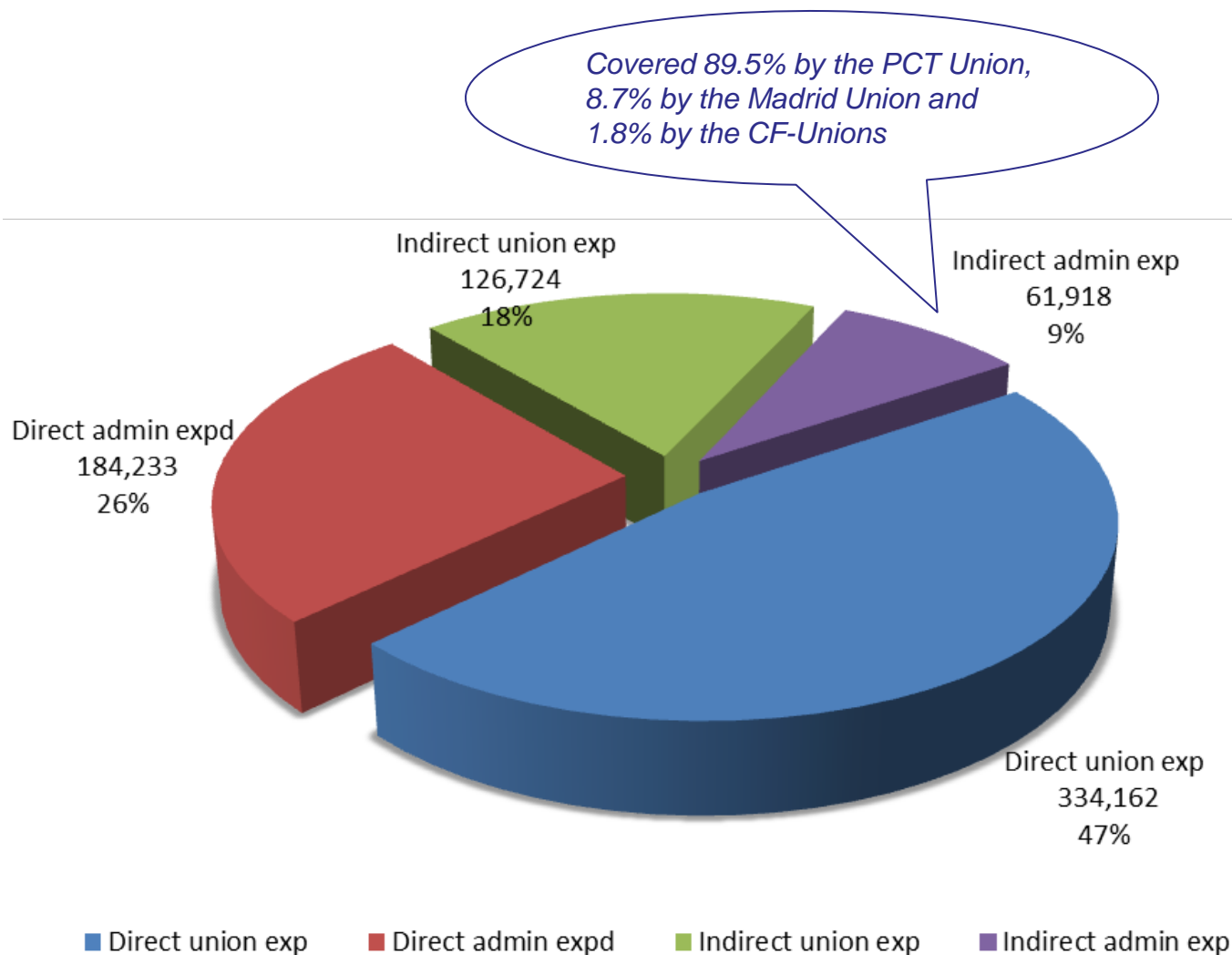
Types of Expenditure	Allocation considerations
<u>Indirect Administrative Expenses</u>	<p>The share of the costs of all administration and management-related Programs under Strategic Goal IX (Programs 21-28) and Unallocated not allocated as Direct Administrative Expenses</p> <p>Indirect Administrative Expenditure = Total cost of Programs 21-28 and Unallocated – Union Direct Administrative Expenditure</p> <p>The Indirect Administrative Expenditure are allocated to the Unions based on Unions' <i>biennial capacity to pay</i></p>

ALLOCATION OF INDIRECT ADMIN EXPENDITURE

Step 1 Total Admin expenditure-	246,151						
Direct Admin expenditure=	184,233						
Indirect Admin expenditure	61,918						
	CF- Unions	PCT Union	Madrid Union	Hague Union	Lisbon Union	TOTAL	
Step 2 Relative Ratios of Unions' Capacity to Pay*	1.8%	89.5%	8.7%	-	-		100%
Step 3 Allocation of Indirect Admin Expenditure by Unions (applying % in Step 2 to total Indirect Union Expenditure):							
Indirect Admin Expenditure by Union	1,095	55,414	5,409				61,918

*Note:	2016/17 Estimated income before IPSAS adj.	35,645	578,241	130,630	11,055	727	756,297
	IPSAS adjustments to income	-	(7,514)	(419)	(147)	-	(8,080)
	2016/17 Estimated income after IPSAS adj.	35,645	570,727	130,211	10,908	727	748,217
	2016/17 Direct Union expenditure	21,858	235,553	66,577	8,802	1,372	334,162
	2016/17 Direct Admin expenditure	9,634	125,091	43,128	5,566	815	184,233
	Sub-total	31,492	360,643	109,704	14,368	2,187	518,394
	Difference (Biennial capacity to pay)	4,153	210,084	20,507	-	-	234,743
	Relative Ratios of Unions' Capacity to Pay	1.8%	89.5%	8.7%	-	-	100%

SHARE OF INDIRECT ADMINISTRATIVE EXPENDITURE OF TOTAL ESTIMATED EXPENDITURE IN 2016/17



THANK YOU