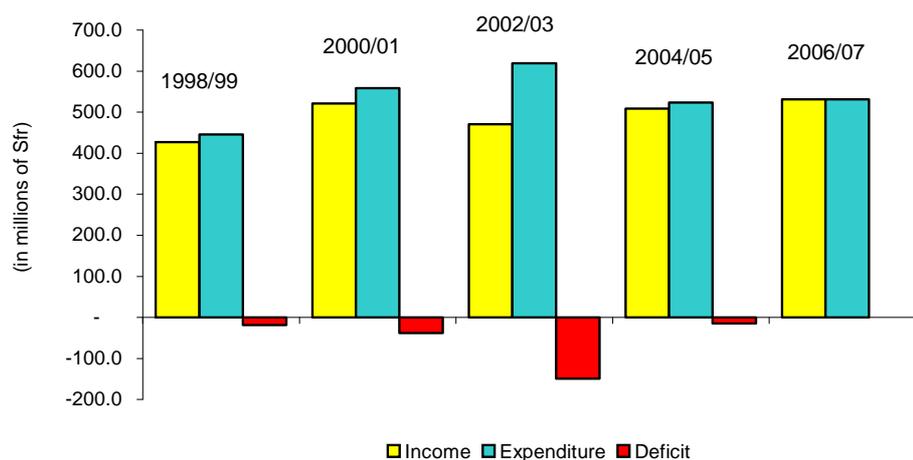


PART III: OVERALL BUDGET PRESENTATION

RESTORING BUDGETARY BALANCE

19. After four consecutive biennia of deficit budgets, for the 2006/07 biennium, the Secretariat is proposing a balanced budget. This shift in budgetary policy is illustrated in Chart 1, below. Income and expenditure patterns for 2006/07 are elaborated in the following paragraphs. For a snapshot of the main financial and other relevant parameters for the 2006/07 biennium as compared to 2004/05, please refer to Part II.

Chart 1. Biennial Budgets



OUTLOOK FOR INCOME

20. The main sources of WIPO's income are: fees received for services provided under the registration systems (PCT, Madrid, Hague); Member States' contributions; income from publications; income from the WIPO Arbitration and Mediation Center; monetary interest; and other, miscellaneous components.

21. Estimates for the 2006/07 biennium indicate overall income growth of 4.4 per cent as compared with the latest estimates for the 2004/05 biennium, yielding a total estimated income of 531 million Swiss francs. This follows growth of 8.1 per cent in the latest income estimates for 2004/05, as compared with the actual income for the 2002/03 biennium. The main factors responsible for this overall growth in the 2006/07 biennium are an estimated increase in the total number of PCT applications, from 243,500 in 2004/05, to 258,000 in 2006/07, and an estimated increase in the total number of Madrid registrations and renewals, from 71,700 in 2004/05, to 96,000 in 2006/07, all other sources of income remaining basically unchanged. Details on the various sources of income are given below. The relative share of the various sources of income in relation to the overall estimated income for 2006/07 is illustrated in Chart 3, overleaf. Estimated income for 2006/07 by source of income, is given in Chart 4, overleaf.

Chart 2: Income Evolution
(in millions of Swiss francs)

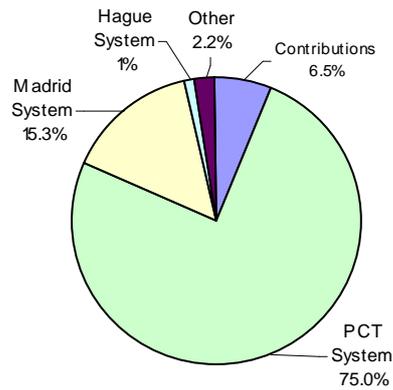
Income	1998/99	2000/01	2002/03	2004/05	2006/07	2008/09
	Actual			Revised	Estimate	Estimate
Contributions	41.1	34.8	34.5	34.5	34.5	34.5
Fees	360.9	441.1	406.1	456.1	485.0	498.9
Other	24.8	44.9	29.7	17.8	11.5	11.8
Total	426.8	520.8	470.3	508.4	531.0	545.2
Percentage Growth		22.0	-9.7	8.1	4.4	2.7

Proposed Program and Budget for 2006/07

Chart 3. 2006/07 Estimated Income
(in millions of Swiss francs)

	2006/07 Income	
	Estimate	% of Total
Contributions	34.5	6.5
Fees		
PCT System	398.0	75.0
Madrid System	81.5	15.3
Hague System	5.5	1.0
Total, Fees	485.0	91.3
Other	11.5	2.2
TOTAL	531.0	100.0

Chart 4. 2006/07 Estimated Income by Source



REGISTRATION SYSTEMS

PCT

22. In the 2004/05 biennium, the Secretariat developed a new model to improve its forecasts of the level of PCT applications (demand) and income. The model was presented to Member States at the Informal Information Meeting on PCT Demand and Income Predictability and Forecasting, which was held at WIPO in December 2004. This model has a 95 per cent confidence level: this margin of error compounds, however, over time. Its data are revised every three months.

23. As outlined at that meeting, the level of PCT income is influenced by a variety of factors: demand for PCT services; applicants' behavior; exchange rate fluctuations; performance of Receiving Offices (ROs) and International Searching and Preliminary Examining Authorities; and fields of technology.

24. Demand for PCT services (growth) is in turn influenced by a number of exogenous and endogenous factors. Exogenous factors include: performance of the economy globally, and in countries of the highest and fastest growing demand; research and development (R&D) investment levels; technological confidence levels; and exchange rate fluctuations. Endogenous factors include: the level of PCT fees as compared to other filing routes; the attractiveness and value of PCT services as compared to other filing routes; the overall credibility of performance of the patent system; and individual corporate patent strategies.

25. The performance of ROs influences PCT income because fees paid by applicants to ROs are only received by the International Bureau from the ROs when it receives the corresponding applications. In other words, when transmittal is delayed, receipt of income may be delayed as well. Exchange rate fluctuations, between the time applications are filed with an RO and the time their corresponding fees reach the International Bureau, also influence income, sometimes significantly.

26. Applicants' behavior also influences PCT income in a variety of ways, as follow:

(i) Page Fee: The International Bureau receives 15 Swiss francs for every page over 30 pages in a given application. Income from page fees was around 30 million Swiss francs in 2004. The Secretariat is of the view that the concept of page fees will eventually need to be rethought to account for the electronic filing and processing of applications. However there are currently no plans to change the page fee structure in the 2006/07 biennium.

(ii) Electronic Filing: Electronic filing influences income because, when applicants use electronic (instead of paper) filing, they benefit from discounts. This is one of the changes resulting from the PCT Reform Process. Use of electronic filing in 2004 was still moderate (discounts totaled 8.4 million Swiss francs). It is currently estimated that in 2005 use of electronic filing will increase

(producing an estimated 11.0 million Swiss francs in discounts) and that in 2006 and 2007 discounts may reach 13.3 million Swiss francs and 15.5 million Swiss francs, respectively.

(iii) International Preliminary Examination: Making use of international preliminary examination under Chapter II of the PCT influences income because applicants must pay an additional fee (a "handling fee"). One of the changes introduced by the PCT Reform Process is that all applicants, as part of the international filing fee, receive a written opinion from the International Searching Authority as to whether the claimed invention appears to meet the requirements of patentability under the treaty. Because of this change, Chapter II (or handling fee) income has fallen from 18 million Swiss francs in 2002 to around nine million Swiss francs in 2004. It is difficult to predict exactly how much further, or how quickly, Chapter II filings may fall. Based on current estimates, Chapter II income may fall to 6.7 million Swiss francs in 2005 (or a 62.8 per cent reduction compared to 2002), and to 4.9 million Swiss francs and 3.5 million Swiss francs in 2006 and 2007, respectively.

27. Based on the above model, demand for PCT is expected to grow by 1.4 per cent in 2006 and by 4.8 per cent in 2007, to an estimated level of 126,000 applications in 2006 and 132,000 applications in 2007. Based on the latest evaluation of the impact of the factors outlined above, and with no change in the current level of fees, total PCT income for the next biennium is estimated at 398 million Swiss francs. The current PCT fee schedule is shown in Chart 5, below.

Chart 5. PCT Fee Schedule
(as of January 1, 2004)
(in Swiss francs)

Basic Fee	1,400
Fee for pages over 30	15
E-filing Fee Reduction	-100 (Easy)
	-200 (PDF)
	-300 (XML)
RO/IB transmittal fee	100
Handling Fee	200

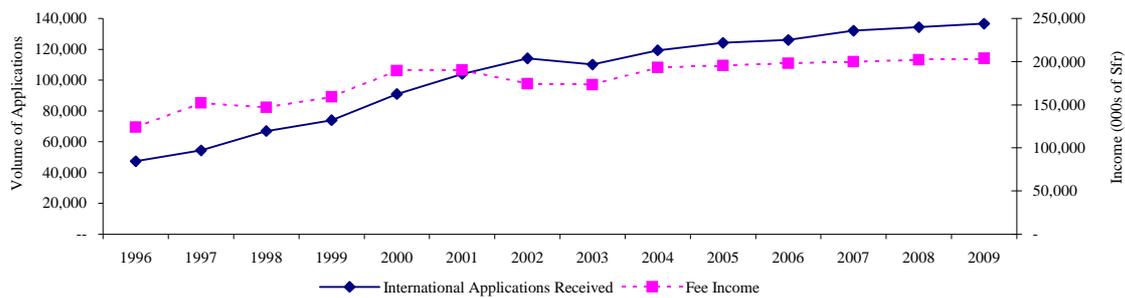
28. As compared to document WO/PBC/IM/05/2 (Short and Long-Term Financial Situation of WIPO) presented at the February 2004 informal session of the Program and Budget Committee, these income forecasts are slightly more positive. This is due to recent data showing that during the second half of 2004, PCT filings from major industrialized countries have shown a slight upwards trend.

29. As stated above, the level of PCT income also depends on exchange rate fluctuations between the Swiss franc (the currency in which WIPO's expenditures are budgeted) and the currencies in which PCT fees are paid by applicants (in 2004, 42 per cent of PCT fees were paid in US dollars, 25 per cent in euros and 16 per cent in yen). Due to exchange rate fluctuations, the *theoretical income* resulting from the number of applications multiplied by the average fee paid by applicants in a given period, may be different from the *actual income* accruing to WIPO accounts in Swiss franc value. As mentioned above, backlogs of applications from receiving offices may also contribute to create discrepancies between theoretical income and actual income.

30. For the 2008/09 biennium, it is expected that PCT demand will grow at a rate of 1.7 per cent per year.

31. The evolution of PCT applications (demand) and income from 1996 to 2003 and current estimated projections for 2004/05, 2006/07 and 2008/09 are shown in Graph 1, overleaf.

Graph 1. Growth of PCT Applications (Demand) and Evolution of Income



Madrid

32. Madrid income is mainly determined by the number of registrations and renewals recorded in the International Register and the level of applicable fees. In addition, fees are received by the International Bureau for the recording of subsequent designations and other modifications to registrations and for the furnishing of extracts from the International Register. The current Madrid schedule of fees may be found on the WIPO Internet site (<<http://www.wipo.int/madrid/en/fees/sched.htm>>). The Madrid fee level and fee structure have remained unchanged since 1996, when the Madrid Protocol came into operation. No changes are envisaged to the schedule of fees payable under the Madrid system in the 2006/07 biennium.

33. Income from fees under the Madrid system is anticipated to increase from 49.7 million Swiss francs in the 2002/03 biennium to 62 million Swiss francs in the 2004/05 biennium (a 24.7% increase). This results from a substantial overall increase in operations in the 2004/05 biennium. In particular, registrations and renewals are expected to increase from 56,700 in 2002/03 to 71,700 in 2004/05 (a 26.4% increase). This growth can be mainly attributed to the impact of the accession by the United States of America on November 2, 2003, as well as to a large increase in the use of the system in a number of other Contracting Parties.

34. As compared to document WO/PBC/IM/05/2, presented at the February 2005 informal session of the Program and Budget Committee, the Madrid income forecast for the 2004/05 biennium is more positive. This is mainly due to productivity gains achieved during the biennium and a recent plan to capture, in 2005, accumulated backlogs, through an energetic internal redeployment plan. Based on this plan, an additional amount of over three million Swiss francs would be accrued to WIPO income in 2005, as compared to the figures given in February 2005.

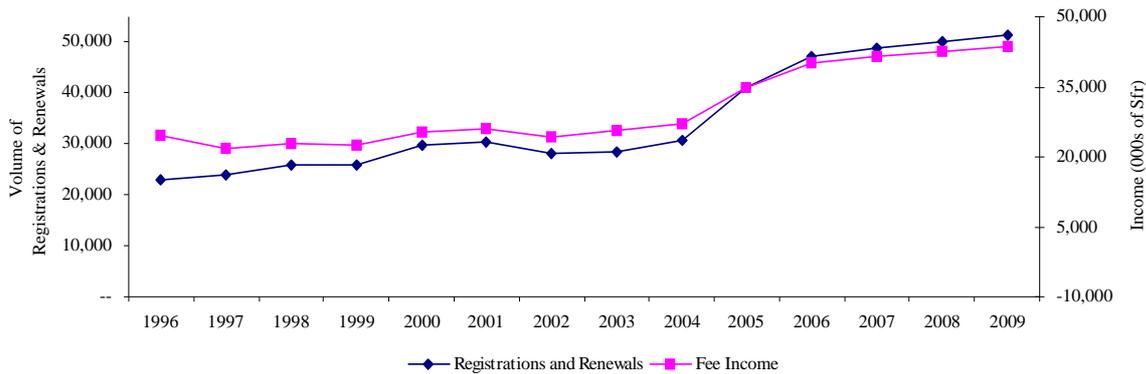
35. In the 2006/07 biennium, a total of 96,000 registrations and renewals are expected to be recorded in the International Register. This represents a 33.9% increase over the level of the 2004/05 biennium. This estimate is based on the most recent trends concerning the filing of applications under the Madrid system as well as on the change of the renewal cycle which will take effect in 2006. During the 2006/07 biennium, growth in the number of applications is expected to continue based on the same factors which accounted for the growth in 2004/05, plus the accession of new Contracting Parties, including the European Community, which joined the Madrid Protocol on October 1, 2004. As a result, fee income from Madrid operations in 2006/07 is expected to increase to 81.5 million Swiss francs (a 31.5 per cent increase over 2004/05).

36. The International Bureau is developing a model to forecast more precisely Madrid demand and income. This will be done in cooperation with relevant national offices.

37. For the 2008/09 biennium, it is expected that overall Madrid registrations and renewals will grow by six per cent and that overall Madrid fee income will also grow by six per cent, as compared to 2006/07.

38. The evolution of Madrid registrations and renewals and income from 1996 to 2003 and current projections for 2004/05, 2006/07 and 2008/09 are shown in Graph 2, overleaf.

Graph 2. Evolution of Madrid Registration and Renewals and Evolution of Income



Hague

39. The level of income of the Hague system is mainly determined by the number of registrations and renewals recorded in the International Register and by the level of applicable fees. In addition, fees are received by the International Bureau for recording of modifications to registrations and the furnishing of extracts from the International Register. The current schedule of fees for the Hague system may be found on the WIPO Internet site (<<http://www.wipo.int/hague/en/fees/sched.htm>>). The Hague fee level and fee structure as established in 1996 has been the subject of changes in 1999, 2002 and 2004. No changes are envisaged to the schedule of fees payable under the Hague system in the 2006/07 biennium.

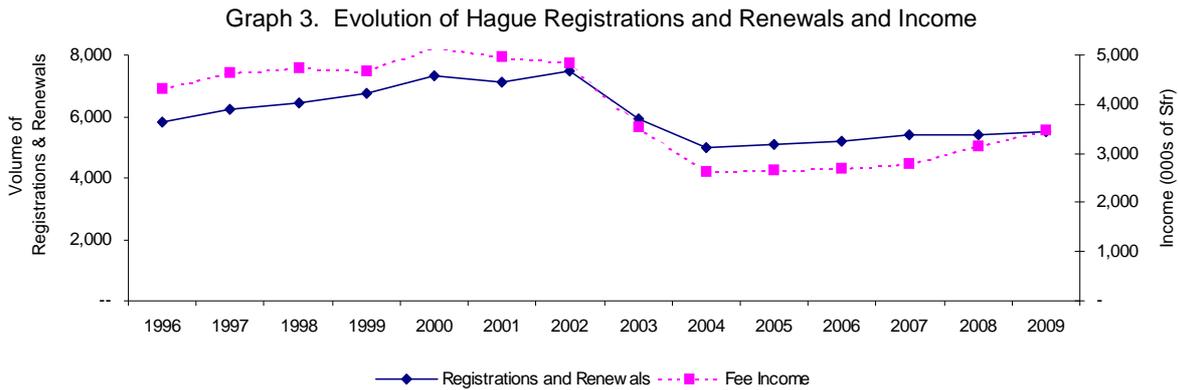
40. Income from fees under the Hague system is anticipated to decrease from 8.4 million Swiss francs in the 2002/03 biennium to 5.3 million Swiss francs in the 2004/05 biennium (a 36.9% decrease). This results from a substantial decrease in operations in the current biennium. In particular, registrations and renewals are expected to decrease from 13,400 in the 2002/03 biennium to 10,100 in the 2004/05 biennium (a 24.6% decrease). This decrease can be mainly attributed to the impact of the entry into operation of the European Community's Design Registration System.

41. In the 2006-2007 biennium, a total of 10,600 registrations and renewals are expected to be recorded in the International Register. This represents a 4.9% increase over the figures for 2004/05. This estimate is based on expected accessions to the Geneva Act of the Hague Agreement and consequent increased use of the System. As a result, fee income from Hague operations in the 2006/07 biennium is expected to increase to 5.5 million Swiss francs (a 3.8 per cent increase over the current biennium).

42. The International Bureau is developing a model to forecast more precisely Hague demand and income. This will be done in cooperation with relevant national offices.

43. The evolution of Hague registrations and renewals and income from 1996 to 2003 and current estimated projections for 2004/05, 2006/07 and 2008/09 are shown in Graph 3, overleaf.

Proposed Program and Budget for 2006/07



MEMBER STATES' CONTRIBUTIONS

44. It is expected that income from Member States' contributions in 2006/07 will remain at the same level as that of 2004/05: 34.5 million Swiss francs. This figure is based on current membership and contribution classes. The level of contributions is shown in Appendix A.

OTHER SOURCES OF INCOME

Publications

45. The Organization's income from publications declined to approximately four million Swiss francs during the 2004/05 biennium. This decline is due in large part to a growing number of publications being made available for downloading free of charge via the WIPO website. It is not anticipated that any increase in revenues would be foreseeable under the current situation. The Organization is currently exploring ways to develop more value-added products based on existing and new publications which could be sold and delivered online. This type of endeavor, however, would require a decision to charge for certain information that is now available free of charge. Based on these factors, estimated revenues from publications in the 2006/07 biennium is 3.6 million Swiss francs.

WIPO Arbitration and Mediation Center

46. The Arbitration and Mediation Center's income is based on fees for services provided under the Uniform Domain Name Dispute Resolution Policy (UDRP) procedures and under the Arbitration and Mediation procedures, as well as participation fees for conferences and workshops organized by the Center. It is estimated that in 2006/07 the income of the Center will be around two million Swiss francs, of which almost 1.5 million Swiss francs is for UDRP procedures (at an estimated rate of three new cases per day). A gradual increase in the number of Arbitration and Mediation procedures is also expected, based on an expected increase in the types of intellectual property transactions that lend themselves to resolution through procedures other than court litigation, and a continuation of the Center's awareness-raising activities. These figures are expected to remain stable in the medium term, except for income for arbitration and mediation procedures, which is expected to grow in 2008/09.

Bank Interest and Other Miscellaneous Income Components

47. In the 2006/07 biennium, bank interest and other miscellaneous income components (including rentals from UPOV, support costs from funds-in-trust, and other miscellaneous sources) are expected to generate a total of 5.9 million Swiss francs.

Exchange Rate Gains and Losses

48. Fluctuations in exchange rates among major currencies influence the level of WIPO's income in two ways: firstly, because, as explained in paragraph 29, above, PCT fees are paid by most applicants in currencies other than the Swiss franc, and the corrective system available under the PCT system leaves a theoretical five per cent risk of loss for the International Bureau; secondly, because, once the International Bureau receives payment in currencies other than the Swiss franc, it needs to convert it into that currency. Depending on the moment when conversion into Swiss francs is made, gains or losses may be incurred. To attenuate these cash management risks, the International Bureau maintains in United States dollars the amounts corresponding to payments which may be made in United States dollars, such as, for instance, payments to the United Nations Joint Staff Pension Fund (UNJSPF) and in euros in the amounts corresponding to payments which may be made in euros, such as, for instance, payments for procurement of goods or services in the euro zone. For the remaining amounts to be converted, the International Bureau consults regularly with major banks. To further reduce these risks, the International Bureau is studying the possibility of hedging exchange rate risks by means of currently available financial products.

EXTRABUDGETARY RESOURCES

49. While the Organization's income is entering a period of more moderate and stable growth, there is nevertheless an ever increasing demand for its services, in particular regarding cooperation with developing countries and countries in transition. To help meet this need the Organization is proposing to embark on more proactive extrabudgetary resource mobilization.

50. In the recent past, a number of Member States have provided extrabudgetary funding by means of contributions in kind, cost-sharing agreements for specific activities (such as seminars, workshops or training activities), or provision of funds to WIPO under special Fund-in-Trust (FIT) arrangements. In the 2004/05 biennium, WIPO had FIT arrangements with the governments of Austria, France, Germany, Italy, Japan, Republic of Korea, and Spain, as well as the European Union, the International Organization of French-Speaking Countries, and the Geneva International Academic Network. These FIT arrangements have also enabled the funding of Junior Professional Officers (JPOs) attached to WIPO headquarters in Geneva. In the 2004/05 biennium, the governments of Austria, Germany, Italy, Japan and Korea, and the International Organization of French-Speaking Countries provided a total of eight JPOs.

51. As shown in Table X, it is estimated that a total amount of 12.9 million Swiss francs may be available to WIPO in the 2006/07 biennium under FIT arrangements. Other additional resources are also expected to continue to be made available through cost-sharing agreements and contributions in kind.

52. As described under Program 23, in 2006/07 WIPO proposes to build on this through a more proactive strategy targeting a broader spectrum of the donor community: governments, inter-governmental organizations, non-government organizations, academic institutions, and, subject to guidelines to be approved by the Member States, the private sector.

OUTLOOK FOR EXPENDITURE

53. The proposed level of expenditure for the 2006/07 biennium is 531 million Swiss francs. This amount represents only a 1.5 per cent increase over the 2004/05 Revised Budget and, in fact, a decrease of 16.8 per cent compared to the originally approved budget for the 2004/05 biennium (638.8 million Swiss francs).

54. Table I shows proposed expenditure by Object of Expenditure, Table II, by Program, and Tables III and IV, by Union. Table V shows the proposed number of posts, by Program. A definition of the various budget headings is given in Appendix B.

55. As recommended by the Joint Inspection Unit in its February 2005 report (JIU/REP/2005/1), the proposed level of expenditure for the 2006/07 biennium is based on the level of the 2004/05 Revised

Proposed Program and Budget for 2006/07

Budget. A comprehensive needs assessment of the human and financial resources of the Organization, also as recommended by the JIU in its report, will take place in the second half of 2005 and the first half of 2006. Based on the outcome of this comprehensive exercise, the level of budgeted expenditure for 2006/07 may need to be adjusted. This would be proposed to Member States, as need be, in the course of the first year of the biennium (2006).

56. The proposed level of expenditure for 2006/07 represents an adjustment of eight million Swiss francs or 1.5 per cent over the level of the Revised Budget for 2004/05. The main reason for this is the need to absorb additional workload in the PCT and Madrid systems.

57. Concerning PCT, a total of six new posts are proposed to be established in 2006/07 for five examiners (in the Chinese, Korean and Japanese languages) and one translator, for an estimated biennial expenditure of 1.6 million Swiss francs. (Based on current estimates, in 2006 the number of PCT applications will grow by 1.4 per cent over the 2005 level. In the 2004/05 biennium, a workload increase of over 8.7 per cent over the levels of the preceding biennium was absorbed through internal redeployment, and in 2004 alone, an efficiency gain of 18.5 per cent over 2003 was attained. It would not be possible for the Secretariat to continue to absorb additional workload in the PCT only through redeployment, also in view of the language skills required to deal with certain applications). For more details, please see Program 16.

58. Concerning Madrid, a total of 14 new posts are proposed to be established in 2006/07, for an estimated biennial expenditure of 3.5 million Swiss francs. Of these, six will be reserved for examiners and eight for translators. (Based on current estimates, in the 2006/07 biennium the number of registrations and renewals under the Madrid system, is expected to grow by 33.9 per cent over the 2004/05 biennium level. In 2005 alone, a workload increase in registrations of over 30 per cent over 2004 was absorbed through internal redeployment (including in response to the new needs created by the introduction, as of 2004, of the Spanish language as an additional official working language under the Madrid system) and efficiency gains. Due to the skills and language combination required to deal with these applications, it would not be possible for the Secretariat to continue to absorb additional workload in the Madrid system in 2006/07 only through the redeployment of existing staff). For more details, please see Program 18.

59. Further adjustments to the level of the revised budget for 2004/05 reflect the 1.1 per cent annual rate of inflation for non-personnel expenditure officially established in the framework of the United Nations System, statutory modifications to salary scales expected to be mandated by the International Civil Service Commission (ICSC), and a limited number of reclassifications and promotions.

60. Finally, an upward adjustment of one million Swiss francs is proposed to cover new requirements in the area of security which are mandated by the implementation of the recommendations of the United Nations Minimum Operating Security Standards (MOSS). For more details, please see Program 29.

61. Chart 6, below, compares levels of expenditure in the initially approved budget for 2004/05, the 2004/05 revised budget, and the proposed 2006/07 budget.

Chart 6. Expenditure
(in millions of Swiss francs)

	Original 2004/05	Revised 2004/05	Proposed 2006/07
Operational Expenditure	558.7	514.5	526.4
New Construction	80.1	8.5	4.6
TOTAL	638.8	523.0	531.0

8.0 million Swiss francs
(difference between 2004/05 Revised
and 2006/07 Proposed Budgets)

Additional Workload in PCT and Madrid	5.16
Security	1.0
Other Adjustments	1.84
TOTAL	8.0

ALLOCATION OF RESOURCES BY OBJECT OF EXPENDITURE

Personnel Expenditure

62. As stated above, the level of personnel expenditure proposed in this document essentially reflects the recommendations of the report of the JIU. Pending the completion of the comprehensive desk-to-desk needs assessment of the human and financial resources, which WIPO will entrust, in 2005, to independent external expertise, it is in fact proposed that employment levels for 2006/07 be maintained at the level of the 2004/05 Revised Budget (except, as mentioned above, to absorb growth under the PCT and Madrid systems). As also mentioned above, based on the recommendations of the JIU Report, reclassifications and/or promotions expected to take effect in the course of the 2006/07 biennium have been budgeted for, for the prior approval of Member States.

63. In 2006/07, the Secretariat plans to continue to respond to the operational needs of the Organization through the combined use of four main categories of personnel: (i) employees holding posts under the regular budget (in the General Service (GS), Professional (P) and Higher categories, plus Director General, Deputy Directors General (DDG) and Assistant Directors General (ADG) levels); (ii) headquarters consultants; (iii) employees holding short-term contracts; and (iv) holders of Special Service Agreements (SSAs). In an effort to increase transparency, the Secretariat has budgeted proposed expenditure for each of these four categories of personnel in a separate line, including at individual program level.

64. Concerning category (i) (Posts), Table V shows the proposed variation in the number of posts for the 2006/07 biennium as compared to 2004/05. It is stressed that 935 posts are proposed for 2006/07, as compared to 1,004 in the originally approved budget for 2004/05 and 915 in the 2004/05 Revised Budget. As Table V shows, the proposed 20 additional posts for 2006/07 are exclusively proposed to absorb additional workload in the PCT and Madrid system (Programs 16 and 18). For more details, see also Part VIII of this document (Revised Budget for 2004/05).

65. Concerning category (iii), (Short-term Employees), it is noted that while in the past, expenditure for this category of personnel was partly budgeted for by means of vacant posts, as of the 2006/07 biennium, and following positive feedback from Member States, the Secretariat will budget it only under a separate budgetary line.

66. Finally, Table VI shows a comparison between actual personnel expenditure in 2002/03, estimated personnel expenditure in 2004/05 (as reflected in the 2004/05 Revised Budget), and proposed personnel expenditure for 2006/07.

Expenditure Related to the New Construction

67. By proposing to restart the new construction in 2006 the Secretariat does not intend to increase the size of its workforce but, rather, to accommodate the existing workforce in a more rational and cost-effective way. As discussed at the February 2005 informal session of the Program and Budget Committee, in the 2004/05 biennium, WIPO continued to incur substantial expenses in the rental of office space and parking places for its employees. These office-space and parking-place needs will not diminish, even with the forecast moderate growth of the registrations systems. This projection is based on the fundamental assumption that the number of persons employed by the Organization will remain basically stable from 2005 to 2009 (0.7 per cent average yearly growth, or 10 new employees, having been allowed to cover, in a very conservative fashion, the expected growth of demand for PCT and Madrid services during this period, it being understood that expected efficiency gains from the automation of the PCT will contain the growth of the number of PCT staff to the extent possible). By proceeding with the new construction (planned to be completed in 2008), the Organization would be able to accommodate all its employees in the new administrative building and in already-existing WIPO-owned premises, without the need to rent any other office space. This would represent significant savings. It should also be noted that, according to a recent market survey, it would not be possible to rent office space in Geneva that would meet WIPO requirements (in terms of number of work places, convenient location and cost-effectiveness) at a cost lower than that currently paid by WIPO for the Procter and Gamble, CAM and *Nations* buildings.

68. Proposed expenditure for the new construction project in the 2006/07 biennium amounts to 4.6 million Swiss francs. For further details, please see Program 31.

ALLOCATION OF RESOURCES BY PROGRAM

69. Proposed allocation of resources by Program is shown in Table II. Table II warrants a number of comments.

70. First, the proposed resource allocation for cooperation with developing countries is to be found under several programs: mainly, Program 3 (Strategic Use of IP for Development), Program 6 (Africa, Arab, Asia and the Pacific, Latin American and the Caribbean Countries, LDCs), Program 8 (Business Modernization of IP Institutions), Program 9 (Collective Management of Copyright and Related Rights), and Program 4 (Use of Copyright in the Digital Environment), as well as, as in previous biennia, Program 11 (the WIPO Worldwide Academy). Program 7 (Certain Countries in Europe and Asia) will also benefit from activities undertaken under Programs 3, 4, 8 and 9. While Programs 6 and 7 will continue to act as main focal points for the respective regions, and provide assistance in the modernization of national intellectual property systems, including legislation and infrastructure, new Program 3 will focus on assisting developing countries and countries in transition in making most effective use of IP for wealth creation. This new Program will also act as required on the WIPO Development Agenda. It will also continue activities started in previous biennia in the areas of economic value of IP, IP and SMEs, and IP asset management.

71. A comparison of resources available for cooperation with developing countries in the 2004/05 Revised Budget and the 2006/07 Proposed Budget is given in Chart 7, below. As Chart 7 shows, resources allocated to cooperation with developing countries in the Proposed Budget for 2006/07 are higher than in the 2004/05 Revised Budget.

Chart 7. Comparison of Resources for Cooperation
with Developing Countries between Biennia
(in millions of Swiss francs)

Revised 2004/05		Proposed 2006/07	
Sub-Program 05.2 (Copyright-based Business and Culture Development)	1.6	Program 3 (Strategic Use of IP for Development)	12.3
Program 08 (Cooperation with Developing Countries)	51.1	Program 4 (Use of Copyright in the Digital Environment)	2.6
Program 10 (the Academy)	13.5	Program 6 (Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, LDCs)	37.6
Sub-Programs 11.1 (IP Policy and Development) and 11.2 (Innovators and SMEs)	5.5	Program 8 (Business Modernization of IP Institutions)	4.8
		Program 9 (Collective Management of Copyright and Related Rights)	2.1
		Program 11 (the Academy)	14.3
Total:	71.7	Total:	73.7

72. Second, the proposed allocation of resources for Programs 1 (Public Outreach and Communication) and 2 (External Coordination), also reflects the Secretariat's proposal to launch a more proactive communication policy on all aspects of IP, with particular attention to the opinions held by certain civil society groups which question, in various fora, IP.

73. Third, the proposed allocation of resources under Program 13 (Law of Trademarks, Industrial Designs and Geographical Indications), covers the cost of the diplomatic conference planned to be held in 2006 to consider the revision of the Trademark Law Treaty (TLT). The same applies to Program 14 (Law of Copyright and Related Rights) for a diplomatic conference to be held possibly in the 2006/07 biennium in relation to the issues of the protection of audiovisual performances and the protection of broadcasting organizations, respectively. Likewise, provision is made under Program 12 (Law of Patents) for the possibility of a diplomatic conference in the area of substantive patent law harmonization, although Member States have not yet taken a decision to convene such a conference. The provision is thus of precautionary nature. Concerning Program 15 (TK, Traditional Cultural Expressions and Genetic Resources), the proposed allocation of resources builds on the policy platform which has been established in previous biennia through the WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (the IGC), and which is currently being consolidated in the form of common objectives and core principles.

74. Fourth, as concerns programs under Strategic Goal Five, following the substantial capital investments made in previous biennia, the resources allocated to Program 27 (Information Technology) will be mainly absorbed by the running cost of the WIPO IT system. On the other hand, further investments will be necessary in the area of security (MOSS) and are reflected in the allocation of Program 29 (Premises Management). Finally, it is emphasized that efficiency gains realized by means of a thorough revision, by the Secretariat, in 2004 and 2005, of administrative policies and practices has made it possible to proportionately reduce, compared to previous biennia, allocation of resources to Program 25 (Human Resources Management), Program 26 (Financial Operations), Program 29 (Premises Management), and Program 30 (Travel and Procurement).

75. Fifth, and foremost, the proposed allocation of resources for Program 24 (Internal Oversight), reflects the proposal to strengthen internal audit and oversight functions at WIPO, on the basis of the draft Internal Audit Charter submitted to the April 2005 session of the Program and Budget Committee and proposed to be incorporated as an annex to the WIPO Financial Rules and Regulations.

ALLOCATION OF RESOURCES BY UNION

76. Proposed allocation of resources by Union is shown in Table III.

77. Concerning allocation of PCT Union resources, Table III should be read in conjunction with the information contained in Table VII. Table VII, which is presented to Member States for the first time, is intended to show the amount of resources estimated to be required by the PCT Sector in addition to those budgeted in the 2006/07 Proposed Program and Budget under Program 16.

78. This new table has been prepared on the basis of the following methodology. Firstly, the Secretariat has calculated which proportion of the total number of WIPO employees work in the PCT Sector: based on latest data, this proportion (ratio) is 39.6 per cent. Secondly, it has applied this ratio to the expenditure of those common administrative support programs which also provide support to the PCT Sector and without which the PCT sector could not function (mainly, premises, premises maintenance, human resources management, financial operations, budget and control, procurement, IT services). A 50 per cent ratio has also been applied to programs with a strong link to the operations of the PCT (Programs 12 (Law of Patents) and 19 (Patent Information, Classification and IT Standards). As Table VII shows, based on this methodology, the total amount of resources expected to be required in the next biennium for the operation of the PCT sector is 229.6 million Swiss francs or 43.2 per cent of the Organization's total budget. This methodology may be further refined in future.

STATEMENT OF EFFICIENCY-GAIN TARGETS FOR THE 2006/07 BIENNIUM

79. A list of efficiency gain targets for the 2006/07 biennium is provided in Chart 8, below.

Chart 8. Efficiency-Gain Targets for 2006/07

Area	Baseline/ Benchmark	Efficiency/ Benchmark Target 2006/07	Anticipated Efficiency Gain over 2004/05	Main Means of Achieving Target
Ratio of PCT staff to number of PCT applications	1:500 (489/243,500) (2004/05)	1:530 (493/258,000)	6 per cent	Re-engineering of PCT business processes and return on PCT investments in IT
Cost of translation (average cost per page)	246 Swiss francs (2004)	22.1 Swiss francs per page	10 per cent	Review of internal processes and lower costs through new tenders
Cost of air travel (average ticket costs ¹)	2,535 Swiss francs (2004)	1,900 Swiss francs	25 per cent	Negotiated air fares and centralized purchase; increased use of low cost carriers
Average cost of telephone calls, per call	0.28 Swiss francs (2004) (2000 = 0.60 Swiss francs)	0.23 Swiss francs	18 per cent	Lower cost through new tenders
Mail Services 1) Number of items	1.1 million (2004)	1.0 million	9 per cent	Electronic distribution and Internet publishing
2) Average weight per item	186 grams	170 grams	9 per cent	Replacement of paper with other media

BUDGETARY BALANCE AND LEVEL OF RESERVES

80. Based on the proposals contained in this document, full budgetary balance would be achieved as of the 2006/07 biennium. As a result, at the end of the 2006/07 biennium the level of reserves would be the same as at the end of 2005. This amount (100.8 million Swiss francs) is in line with the recommendations made by the Member States in 2000, in respect of the level of reserves for the Organization. Please also see Table VIII.

PRELIMINARY FINANCIAL SCENARIO FOR THE MEDIUM TERM

81. Table VIII shows, on a preliminary basis, the likely financial scenario of the Organization in the medium term. As Table VIII shows, the full budgetary balance achieved as of the 2006/07 biennium would be sustainable in the medium term.

¹ Based on the 12 most frequent mission destinations (two per region)

82. As Table VIII also shows, the re-start of the new construction project in 2006, by means of a bank loan, as proposed by the Secretariat, would have only a marginal impact on the medium-term financial situation of the Organization. Upon completion of the new construction, in 2008, the yearly cost of the bank loan would be lower than the amount which the Organization would have to pay if, instead of building the new construction, it continued to rent the Procter and Gamble, CAM and *Nations* buildings.

