

WIPO



WO/PBC/IM/3/06/3.

ORIGINAL: English

DATE: November 27, 2006

E

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

PROGRAM AND BUDGET COMMITTEE

Informal Session

Geneva, December 11 to 13, 2006

OUTLINE OF THE DIRECTOR GENERAL FOR THE PROPOSED PROGRAM AND BUDGET FOR 2008/09

presented by the Director General

I. INTRODUCTION

1. This outline document for the proposed Program and Budget for 2008/09 is submitted to the Member States pursuant to the decision taken by the 2006 WIPO Assemblies regarding the proposals on a new mechanism to further involve Member States in the preparation and follow up of the program and budget (document A/42/9). The preparation of this outline has been guided by the inputs received from Member States in response to the questionnaire transmitted to the Member States on October 4, 2006. However, it represents the Director General's own perspective on key issues involved in the preparation of the proposed Program and Budget for 2008/09 and thus identifies certain challenges faced by WIPO, the strategic goals within which these challenges will be addressed, the principles that will guide the formulation of programs and activities, and the overall financial scenario within which these programs and activities may be implemented.

2. While it would be beyond the scope of this outline document to propose details of specific programs or activities, it is, however, considered useful to provide preliminary indications on the main thrust of some of these programs, and their linkages with the strategic goals mentioned above.

II. STRATEGIC AND PROGRAMMATIC OUTLOOK

Challenges

3. Sustained economic growth, creation of wealth and expansion of prosperity increasingly depend on creativity and innovation. Intellectual property (IP) plays a critical role in fostering creativity and innovation. An overarching challenge for WIPO is to ensure that IP policies and systems are formulated and structured in a balanced manner so as to promote innovation and creativity in all Member States. The ability to address successfully this challenge is contingent on the ability to address effectively a number of specific issues over the next biennium. These issues have acquired increasing salience in recent years, and include the need to:

(a) rapidly enhance the capacity of Member States to effectively utilize IP for economic, social and cultural development;

(b) assist Member States in putting in place IP policies that are in accordance with national developmental plans and take public interest objectives into account;

(c) assist Member States in utilizing options and flexibilities available in the international IP regime;

(d) respond effectively to growing demands for improved services under the global intellectual property protection systems, as well as to demands for the highest possible standards of these services;

(e) enable Member States to meet their obligations to protect and enforce intellectual property rights effectively; and

(f) provide an effective forum for the expeditious formulation of balanced IP norms and policies in response to emerging demands, for instance, in areas such as traditional knowledge and traditional cultural expressions, quality of patents, and those raised by new technologies, such as Internet based technologies.

4. These systemic challenges are accompanied by the parallel challenge of equipping the Organization with the skills, information technology (IT) systems and, above all, modern management practices and tools which would allow it to effectively undertake its mandated tasks.

Strategic Goals

5. To address these challenges, the proposed Program and Budget for 2008/09 will be organized under the following five strategic goals:

Strategic Goal One: Promoting A Balanced IP System and Realizing Its Development Potential

Strategic Goal Two: Strengthening IP Infrastructure, Institutions and Human Resources

Strategic Goal Three: Progressive Development of International IP Law

Strategic Goal Four: Delivery of Quality Service in Global IP Protection Systems

Strategic Goal Five: Greater Efficiency of Management and Administrative Support Processes

Guiding Principles

6. Programs and activities will be formulated under each of these strategic goals. The formulation of these programs will be guided by a number of principles, including:

(a) Programs that squarely address the key issues referred to earlier will be accorded priority.

(b) All proposed programs shall strive to provide a clear sense of what has been achieved so far, the objectives that shall be aimed at during the 2008/09 biennium, the activities that shall be proposed to attain the objectives, and the indicators of success.

(c) Program design and delivery shall be increasingly based on lessons learned from the assessment of past performance (evaluation).

(d) Programs in the area of international registration systems, management, and administration will be accompanied by efficiency-gains indicators and targets.

(e) Possible overlaps among programs will be addressed.

Programs and Activities: Preliminary Highlights by Strategic Goal

Strategic Goal One

Promoting A Balanced IP System and Realizing Its Development Potential

7. Programs 1 (Public Outreach and Communication) and 2 (External Coordination) will continue to promote awareness of the role of IP in modern economies, building cooperation with governments, international organizations and interested parties. They will also strive at reinforcing linkages with the United Nations system to promote a better understanding of WIPO's vision and objectives and develop partnerships. Emphasis will be placed on reinforced linkages with non-governmental organizations (NGOs), the user community, industry and consumer groups and other relevant sectors with a view to promoting a better understanding of the role of IP in development processes.

8. Program 3 (Strategic Use of IP for Development) will be reinforced. The focus would be two-fold. Firstly, the program will focus on developing tools for policymakers which would enable them to have a deeper understanding of the role and impact of IP on development. The program will enhance policy dialogue on IP issues and develop policy-oriented research in order to enable policy-makers to take evidence-based decisions in the field of IP. Activities will also seek to assist countries to take into account flexibilities and various public interest objectives while developing strategies to promote innovation,

creativity and transfer of technology. Secondly, the program will focus on enhancing the understanding of the IP system by innovators, creators, research institutions, small- and medium-sized enterprises and creative industries in order to enhance their capacity to make effective use of the system, according to their specific needs.

9. The importance of properly understanding the role of IP in development and of mainstreaming the development dimension into all WIPO program areas has been at the core of discussions on the establishment of a WIPO Development Agenda and a key concern of the Organization and its Member States in recent years. Acknowledging that the issue of IP and development involves considerations that go beyond any specific program or strategic goal, the Development Agenda would continue to be placed under Strategic Goal One on the understanding that any agreed outcomes from the ongoing debate will be reflected in the implementation of all relevant programs and activities of the Organization.

10. Program 4 (Use of Copyright in the Digital Environment) would explore challenges and opportunities for copyright in the online environment which are coming to the fore in the worlds of business and technology. This would include consideration of how new business models and rights management technologies can promote access to digital content, including information in the public domain, while promoting creativity and addressing the interests of both owners and users of protected material. There will also be a focus on developing information tools that present licensing options in various sectors, combining traditional and quite recent approaches to help creators make informed choices about how to exercise their rights in a digital context, including for both commercial and non-commercial uses.

Strategic Goal Two

Strengthening IP Infrastructure, Institutions and Human Resources

11. The main objective of Programs 6 (Africa, the Arab Region, Asia and the Pacific, Least Developed Countries (LDCs)), 7 (Certain Countries in Europe and Asia), and 8 (Business Modernization of IP Institutions) will be to support countries in building national capacity, a knowledge base and an infrastructure supportive of their development priorities and dovetailed with their national plans. This would entail a range of activities including development of human resources in the area of IP, strengthening of relevant institutions and assistance for putting in place appropriate legislation. In the next biennium the emphasis will be on providing customized capacity-building programs for individual Member States. This will result in implementation of specific activities within the context of comprehensive action plans for individual countries. The action plans would be owned by the countries concerned and have clear criteria for evaluating success (benchmarks). These plans would enable countries, as well as WIPO, to better assess progress in strengthening institutional, human and infrastructural IP capacities, ensure cohesion of programs and optimal use of resources, and develop partnerships and synergies. Particular attention will be given to the special needs of the LDCs.

12. These programs will continue to be complemented by Program 11 (The WIPO Worldwide Academy). The program will seek to address the growing demands for practical as well as advanced, interdisciplinary courses to train various stakeholders, especially trainers. The possibility of establishing a new masters course on international IP law, through international partnerships with leading academic institutions, shall be explored. The current

programs of the Academy, especially the distance learning courses, will be significantly strengthened, both in terms of the subjects that are covered, as well as by increasing the number of persons who may easily access and benefit from these courses.

13. The existing Program 10 (IPR Enforcement) shall aim at strengthening the capacity of Member States to protect and enforce IP rights effectively. Accordingly, the program will focus on a number of key areas, including raising awareness of the important role of IP protection and enforcement for economic and social development, facilitating the exchange of information and experiences on IP enforcement matters, assisting Member States in strengthening their systems and infrastructure for the enforcement of IP rights, improving cooperation and coordination between the public and private sectors, rendering advice on the implementation of efficient national, sub-regional and regional IP enforcement systems, providing information and training to law enforcement officials in handling enforcement matters, and supporting and enhancing an informed policy debate at the international level by organizing regular meetings of the Advisory Committee on Enforcement (ACE).

Strategic Goal Three

Progressive Development of International IP Law

Patents

14. Member States have been unable to agree upon a work plan for the Standing Committee on the Law of Patents (SCP) up until the date of this document in the current biennium. At the same time, issues relating to patent law at the international level are assuming more and more importance, whether on the functional level, where demand for patents continues to rise and to become increasingly internationalized, creating backlogs in processing, unacceptably long pendency times and concerns about the quality of titles, or on the policy level, where the impact of patents is perceived to be of greater importance in a world increasingly reliant on technology.

15. At the date of this document, proposals for a new work plan for the SCP, which Member States are due to submit before the end of 2006, have not yet been received and the comments in this document are necessarily subject to those proposals. Within Program 12 (Law of Patents), the International Bureau will pursue the objective of endeavoring to establish a consensus-based work plan that takes into account the wish of a number of Member States to see work progress on harmonizing certain underlying operational concepts in the patent system, such as the prior art, in order to create the conditions that would allow patent offices to use the work product of other offices to a greater extent, and the wish of a number of other Member States to see work progress on broad policy issues concerning the role and impact of the patent system. In addition, the International Bureau will seek to enhance the role of WIPO as a forum for the discussion of current issues of any nature that are perceived to be of importance to the policy and operation of the patent system.

Trademarks, Industrial Designs, Geographical Indications

16. Based on Member States' proposals, Program 13 (Law of Trademarks, Industrial Designs and Geographical Indications) will, through the work of the Standing Committee for the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) explore

possibilities of defining a concerted approach with respect to the protection of rights in trademarks, industrial designs and geographical indications, in particular with respect to procedural aspects concerning the acquisition or maintenance of these intellectual property rights.

Copyright

17. In the Standing Committee on Copyright and Related Rights (SCCR) there have been requests that the Committee address the issue of limitations and exceptions to rights, especially regarding the education and library sectors and visually-impaired persons. Other issues have also been raised by the Committee, such as the applicable law in respect of international infringements, and the implementation of the WCT and WPPT, particularly regarding provisions on technological measures of protection. The Committee will focus its future work on these issues.

Traditional Knowledge, Traditional Cultural Expressions and Genetic Resources

18. Both expectations and demand from Member States for continued progress in the development of an appropriate legal framework for the protection of traditional knowledge and traditional cultural expressions (folklore) and in relation to the intellectual property aspects of genetic resources are high. In Program 15, the International Bureau will continue to service the Intergovernmental Committee on Intellectual Property and Traditional Knowledge, Folklore and Genetic Resources (IGC) with a view to reaching a satisfactory outcome of the discussions that have been taking place in the IGC.

19. In addition, the International Bureau will continue its work on capacity building for national and regional regimes and systems for the protection of traditional knowledge and traditional cultural expressions. In particular, it will continue work on the development of practical guides and tool-kits, as well as legislative advice. It will develop guidelines for intellectual property management in the archiving and recording of cultural heritage and further develop tools, particularly a database, accessible to patent offices and the general public, for better managing the interface between the patent system and disclosed traditional knowledge and genetic resources.

20. In the related area of the life sciences, the International Bureau will focus its activities on the development of practical guides, background studies and patent landscapes with a view to providing sound information on current legal, ethical and technological policy issues arising out of the rapid advances in the life sciences.

Strategic Goal Four

Delivery of Quality Service in Global IP Protection Systems

21. WIPO is faced with a constantly increasing demand for services provided under the various global IP protection systems: the Patent Cooperation Treaty (PCT), Madrid, the Hague and Lisbon Registration Systems, Arbitration and Mediation Services. The demand, especially for the services of the PCT and Madrid systems, has also become more broadly based, with a number of emerging economies becoming significant users of these systems.

22. The increase in PCT applications for 2007 is projected at six per cent, following annual growth rates of 6.4 per cent in 2004, 10.8 per cent in 2005 and an expected 5.6 per cent in 2006. This reflects, on the one hand, the confidence of the user community in the services provided by WIPO. On the other hand, it presents a significant challenge to the Organization of satisfying the justified expectations of users for consistent, high quality services. In the last two biennia, due to budgetary constraints, WIPO's capacity to provide such services has been considerably stretched. This would need to be rectified. In the 2008/09 biennium, additional resources will need to be allocated to the divisions responsible for the global IP protection systems, especially to ensure the requisite numbers of qualified staff, and to upgrade and modernize automated processing systems.

23. In the PCT System, the main emphasis will continue to be to receive, process and translate PCT applications and associated data for publication and distribution throughout the PCT network of offices at the most reasonable cost commensurate with the high quality and innovative services necessary to maintain or establish the PCT as the preferred filing route for international patent applications. In order to achieve this objective, three areas, in particular, require special attention and investment.

24. The first area is responsiveness to the changing geography of demand in the PCT System, which has seen well above-average growth from Japan (22.5 per cent in 2005), the Republic of Korea (31.8 per cent in 2005) and China (46.2 per cent in 2005) in the past several years. This change in the composition of demand has implications for staff skills in the appropriate languages and for IT systems, where systems for filing and processing in XML format need to be strengthened.

25. The second area is information technology. The PCT has experienced considerable success in the deployment of information technology for filing (over 50 per cent of applications in 2005 were filed on electronic media), internal processing (a full electronic dossier is deployed) and the receipt and distribution of data from offices in the last three years. The years 2006 and 2007 are being devoted primarily to consolidation and system integration in view of the very rapid developments of the preceding years. In the next biennium, some investment will be required in new projects to maintain the position so far achieved and to introduce several enhanced services, most notably, XML processing (as indicated above), private file inspection and a terminology database and multilingual search engine to introduce more linguistic diversity and friendliness in the search functionality of the PCT database, PatentScope.

26. The third area is the reinforcement of the PCT System as the central node of the international patent system. Here, efforts will continue and will be reinforced, in particular, in the areas of the technological and statistical information made available through the PCT for users, industry, policy makers and the general public, the quality framework for international searching and examining authorities, the importance of the international search report and opinion to the PCT system, and, where possible, the simplification of legal and administrative procedures. It is expected that the more general work that has been going on for the reform of the PCT will have been completed in the current biennium, in which case Program 17 (PCT Reform) will cease to exist as a separate program.

27. Information technology has opened new opportunities for cooperation between IP offices and for benefiting from the technology disclosed through the patent system. Within Program 19 (Patent Information, Classification and IP Standards), efforts will focus on these opportunities for consolidating the implementation of the reformed International Patent Classification (IPC), advancing standardization and making available the technology disclosed in patents, particularly in developing countries.

28. Under the Madrid system, the rapid growth rates in the number of international applications in recent years (from 23,872 applications in 2003 to some 36,300 in 2006) are expected to be followed by more modest growth rates (around four per cent) in the next biennium. Under the Hague system, the decrease in the number of registrations since 2003, is forecast to be followed by rapid growth as of the end of 2007, when the European Community is expected to join the Hague System.

29. As regards the Madrid system, in the next biennium Program 18 will concentrate on four critical areas: rationalization and further automation of work procedures, enhanced use of information technology, development of the legal framework (through the Working Group on the Legal Development of the Madrid System), and further promotion of the system vis-à-vis new Member States as well as end users. Efficiency gains will be sought through, in particular, further automation of work procedures, the outsourcing of certain clerical tasks and the expansion of electronic communication with national/regional offices as well as with users. Promotional activities will in particular focus on the analysis of the comparative advantages of the Madrid system for businesses.

30. With respect to the Hague system, it is expected that the European Community will accede to the Geneva Act at the end of 2007 or early 2008. In order to respond efficiently and effectively to the increase in international applications to be expected following this accession, rationalization and automation will be pursued in a similar way to that described above with respect to the Madrid system.

31. These considerations also apply to the Lisbon system. Interest in the Lisbon system is growing, resulting in several new accessions over the past couple of years as well as an increased demand for information concerning appellations of origin registered under the system. Automation of procedures under the system and publication of registered data on the Internet will therefore be pursued as a matter of priority.

32. The increased demand for intellectual property, as well as the internationalization of that demand has seen a corresponding rise in demand for neutral dispute-resolution services. The WIPO Arbitration and Mediation Center will, in Program 21, seek to maintain the quality and efficiency of its services in domain name dispute resolution, where, on average, 4.2 new cases are received by the Center per calendar day in the current year, and to reinforce its position as the leading provider of these services worldwide. The Center will also seek to extend the use of its services for the mediation and arbitration of intellectual property disputes outside the area of domain names, particularly in response to the changing geographical nature of demand, which has introduced greater geographical diversity in the parties to disputes that occur as a normal part of competitive business.

*Strategic Goal Five**Greater Efficiency of Management and Administrative Support Processes*

33. A number of far-reaching initiatives have recently been taken to strengthen the management and streamline the working methods and procedures of the Organization. These include more robust oversight and audit mechanisms, including the establishment of an independent Audit Committee, the development of a preliminary Human Resource (HR) Strategy (to be validated by the outcome of the desk-to-desk assessment of human and financial resources of the Organization) stringent rules on procurement, and strengthened internal control mechanisms. In the next biennium work will focus on consolidating these achievements as well as developing guidelines, handbooks and manuals for the monitoring and evaluation of work in various program areas and on providing support and guidance to all operational units in managing for results.

34. Program 24 (Internal Oversight) will be reinforced to ensure adequate resources for the implementation of the WIPO Internal Audit Charter (also taking into account the work of the Working Group of the Program and Budget Committee (PBC) that will be convened on December 14, 2006, to revise the said Charter).

35. In the 2004/05 biennium, only essential capital investment was possible in the area of information technology. The situation is largely similar in the current biennium. As a result, while the IT Service Catalog has remained adequate to meet reasonable business requirements, the underlying technical infrastructure at WIPO has depreciated to the extent that it now requires significant focused reinvestment. This is because the business sectors of WIPO continue to face increased user demand for IP services at consistently greater quantity and higher quality, while the major business sectors (PCT and Madrid) continue to modify and modernize their business processes which, at least initially, need to be reflected and reinforced through WIPO's IT service capabilities.

36. The Organization is preparing a revised IT Strategic Plan. IT programs and activities for the 2008/09 biennium will be elaborated on the basis of this plan. As part of this plan, in the next biennium the Organization will look for opportunities to strategically outsource non-business-related IT services and to establish commercial or inter-agency partnerships to realize the strategy. Efficiencies gained from any outsourcing initiatives will enable the reinforcement of a new focus on business-driven IT service provision.

37. The IT Program will also engage in providing modern IT functionalities to key organizational processes, with priority on management of human resources, management of purchases and other procurement actions, and management of the assets of the Organization.

38. The upgrading of the information and physical security of the Organization would need to be particularly addressed in the next biennium, possibly through a separate program (currently, this is dealt with under Programs 27 (Information Technology) and 29 (Premises Management)).

III. FINANCIAL OUTLOOK

39. The financial health of the Organization was fully restored by the end of the 2004/05 biennium, with a surplus of 11.5 million Swiss francs and an income growth of 11.1 per cent compared to the actual figure for 2002/03. This brought the level of reserves above that targeted by Member States. Stringent budgetary discipline and a number of cost saving measures and rationalizations also contributed significantly to this outcome. On the other hand, the positive income forecast contained in the Program and Budget for the 2006/07 Biennium (4.4 per cent growth over the Revised Budget for 2004/05) is being corroborated by current projections, with a likely upward correction due to higher-than-forecast levels of demand for services under the PCT and Madrid systems.

40. While these positive financial indicators confirm the sustainability of budgetary balance for the 2006/07 biennium, the Secretariat is engaged to sustain the managerial reform process begun in 2005. In particular, a comprehensive revision of the Financial Regulations and Rules of the Organization is underway in consultation with the Audit Committee. This will enable the Organization to elevate at the level of Financial Regulations and Rules, the new procurement rules and procedures adopted in 2006 which are presently at the level of administrative instructions. It will also enable further rationalization and streamlining of several other managerial and internal control processes, as presented to the 2006 Assemblies in document A/42/11.

41. Regarding personnel, the headcount of employees, all categories included, has stabilized at the December 2005 level, notwithstanding the vigorous expansion of demand for services under the PCT and Madrid systems. Personnel costs have thus been contained and stabilized, in spite of a number of mandatory upward adjustments to the UN salary scale. While internal redeployment has been encouraged, selected recruitment has been made to equip key operational areas (in particular, in the international registrations services) with the required technical and linguistic profiles.

42. Following the approval of the Charter for the Management of the New Construction Project, and the signing of the contract with the selected pilot (external management firm) on November 23, 2006, preparations are underway for the selection of the general contractor and the lending bank. Under this revised timeline, the new construction project would be started in February 2008 and completed by early 2010.

43. The proposed Program and Budget for 2008/09 will be built on the basis of this restored financial and organizational situation. The policy of budgetary balance, which was started with the 2006/07 Program and Budget, will therefore be continued and sustained. Accordingly, the level of expenditure in the proposed Program and Budget for 2008/09 will closely match the expected level of income. This proposed Program and Budget for 2008/09 will be submitted to the first formal session of the PBC in 2007. For the purposes of the December informal session of the PBC, a set of preliminary indications on the likely evolution of income, expenditure, and reserves in the mid term are given below.

44. Table I shows the preliminary mid-term scenario for the evolution of the income of the Organization by major source of income.

Table 1
**PRELIMINARY MID-TERM SCENARIO FOR THE EVOLUTION
 OF BIENNIAL INCOME (2008-2011)**

As of November 30, 2006
(in millions of Swiss francs)

	<i>Actual 2004/05</i>	<i>Initial 2006/07</i>	<i>Revised 2006/07</i>	<i>Estimated 2008/09</i>	<i>Estimated 2010/11</i>
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>
Contributions	34.4	34.5	34.5	34.5	34.5
Fees					
PCT	400.6	398.0	431.3	472.7	513.8
Madrid	60.8	81.5	86.5	94.3	103.1
Hague	5.0	5.5	5.5	9.2	13.0
<i>Sub-total, Fees</i>	<i>466.4</i>	<i>485.0</i>	<i>523.3</i>	<i>576.2</i>	<i>629.9</i>
Other	21.8	11.5	22.4	25.9	28.4
TOTAL	522.7	531.0	580.2	636.6	692.8

45. As Table I shows, the actual income for the current (2006/07) biennium is now expected to be 580.2 million Swiss francs or 9.3 per cent higher than estimated in the initial budget (531 million Swiss francs). This higher-than-expected level of income is mainly due to the higher-than-forecast level of demand for services under the PCT and the Madrid systems. This upward adjustment will be reflected in the Revised Budget for 2006/07. As Table I also shows, it is expected that—all other factors remaining unchanged—income in the medium term will grow at 9.7 per cent in 2008/09, as compared to the revised estimates for 2006/07, and at 8.8 per cent in 2010/11, as compared to the 2008/09 biennium. This compares to 11.0 per cent growth under the 2006/07 revised estimates, as compared to the 2004/05 actual income.

46. This positive income forecast is based on the analysis of the likely evolution of demand for services under the PCT, Madrid and Hague systems, as illustrated by Table II.

Table II
**PRELIMINARY MID-TERM SCENARIO FOR THE EVOLUTION OF DEMAND FOR SERVICES
 UNDER THE PCT, MADRID AND HAGUE SYSTEMS (2008-2011)**
 As of November 30, 2006

	<i>Actual 2004/05</i>			<i>Budgeted 2006/07</i>			<i>Revised 2006/07</i>			<i>Estimated 2008/09</i>			<i>Estimated 2010/11</i>		
	<i>2004 A</i>	<i>2005 B</i>	<i>2004/05 C</i>	<i>2006 D</i>	<i>2007 E</i>	<i>2006/07 F</i>	<i>2006 G</i>	<i>2007 H</i>	<i>2006/07 I</i>	<i>2008 J</i>	<i>2009 K</i>	<i>2008/09 L</i>	<i>2010 M</i>	<i>2011 N</i>	<i>2010/11 O</i>
PCT															
IAs filed	122,600	135,829	258,429	126,000	132,000	258,000	143,500	152,100	295,600	161,200	170,100	331,300	178,900	188,100	367,000
Madrid															
Applications	29,473	33,565	63,038	34,400	35,400	69,800	36,300	38,000	74,300	39,300	40,600	79,900	42,000	43,500	85,500
Registrations	23,379	33,170	56,549	33,600	34,500	68,100	36,500	39,000	75,500	38,200	39,500	77,700	40,900	42,400	83,300
Renewals	7,345	7,496	14,841	13,700	14,200	27,900	15,000	18,000	33,000	20,000	21,000	41,000	24,000	23,000	47,000
Hague															
Registrations	1,415	1,137	2,552	1,500	1,600	3,100	1,150	1,800	2,950	3,800	5,000	8,800	6,000	7,000	13,000
Renewals	3,591	3,885	7,476	3,700	3,800	7,500	3,800	4,000	7,800	3,200	2,700	5,900	2,700	2,600	5,300

47. The data contained in Table II are based on the forecast models developed by the Secretariat. The PCT forecast model has a margin of error of +/-5 per cent for 2007 at an 80 per cent confidence level. This margin of error is increased to 7 to 10 per cent for 2008-2011 as the forecast horizon is increased. The model is based on the analysis of the past 15 years' conditions; however, it should be noted that exogenous factors, such as evolution of the structure of the world economy, could lead to a changed model, and subsequently revised results. The Madrid model has, on average, a margin of error of 10 per cent per year. The forecast concerning Hague is based on the assumption that the European Union will join the Hague system in 2008/09.

48. Based on the data in Tables I and II, a possible scenario for the evolution of biennial (budgeted) expenditure is shown in Table III.

Table III
**PRELIMINARY MID-TERM SCENARIO FOR THE EVOLUTION
OF BIENNIAL EXPENDITURE (2008-2011)**

As of November 30, 2006

(in millions of Swiss francs)

	<i>Actual 2004/05 A</i>	<i>Initial 2006/07 B</i>	<i>Revised 2006/07 C</i>	<i>Preliminary 2008/09 D</i>	<i>Preliminary 2010/11 E</i>
Expenditure	511.2	531.0	567.0	610.8	652.5

49. These preliminary data will be validated by the Secretariat in the coming months, with a view to presenting them in a more definite form in the Revised Budget for 2006/07 and the proposed Program and Budget for 2008/09. These data are based on a preliminary estimate of the impact of inflation on non-personnel and personnel costs, a preliminary estimate of the additional resources needed by the PCT, Madrid and Hague systems to absorb the additional demand for services illustrated in Table II, and a tentative assumption of three per cent yearly growth for non-personnel expenditure. They are also based on the assumption of a biennial provision for the liability for separation from service (calculated at six per cent of biennial staff costs). Please also see paragraphs 57 and 58 below.

50. As Table III shows, the level of the Revised Budget for 2006/07 is now expected to be 567.0 million Swiss francs. This adjustment is mainly due to the increase in the number of posts in the PCT and Madrid sectors in view of the higher-than-initially budgeted level of demand (workload) for services (flexibility clause). It is also due to the creation of a provision to start covering the actuarial financial liability related to separation from service. Finally, it is also partially related to the expected need to upgrade, in the course of 2007, the security standards of the Organization, as compensated by savings in certain programs such as the New Construction.

51. The preliminary mid-term scenario for expenditure contained in Table III needs to be validated by a number of factors, including the outcome of the desk-to-desk assessment project. The first deliverable of the project (a draft Human Resources Plan for the 2008/09 biennium) is targeted to be provided by the selected contractor by the end of March 2007. It will be taken into account in the proposed Program and Budget for 2008/09, to be submitted to the Program and Budget Committee before July 1, 2007. The final report of the project (a Human Resources Plan for the 2008/09 biennium) is expected to be provided before the end of June 2007 and will be submitted to the Assemblies of WIPO Member States in September 2007.

52. Finally, Table IV illustrates, on a preliminary basis, the likely evolution, in the mid-term, of the five main financial parameters the Organization.

Table IV
PRELIMINARY MID-TERM FINANCIAL SCENARIO (2008-2011)

As of November 30, 2006

(in millions of Swiss francs)

*Variant A**

	<i>Actual</i> 2004/05 A	<i>Initial</i> 2006/07 B	<i>Revised</i> 2006/07 C	<i>Estimated</i> 2008/09 D	<i>Estimated</i> 2010/11 E
1. Income	522.7	531.0	580.2	636.6	692.8
2. Expenditure					
Personnel	368.4	353.9	382.4	404.8	430.8
Non-personnel	142.8	177.1	184.6	206.0	221.6
<i>Total, Expenditure</i>	<i>511.2</i>	<i>531.0</i>	<i>567.0</i>	<i>610.8</i>	<i>652.5</i>
3. Surplus/Deficit	11.5	0.0	13.3	25.8	40.4
4. Reserve	126.9	126.9	140.2	166.0	206.3
5. Reserve Target	92.0	95.6	102.1	109.9	117.4
6. Difference**	34.9	31.4	38.2	56.0	88.9

* The target level of reserves corresponds to 18 per cent of biennial expenditure

** Difference between the reserve target and the anticipated level of reserves

*Variant B**

	<i>Actual</i> 2004/05 A	<i>Initial</i> 2006/07 B	<i>Revised</i> 2006/07 C	<i>Estimated</i> 2008/09 D	<i>Estimated</i> 2010/11 E
1. Income	522.7	531.0	580.2	636.6	692.8
2. Expenditure					
Personnel	368.4	353.9	382.4	404.8	430.8
Non-personnel	142.8	177.1	184.6	206.0	221.6
<i>Total, Expenditure</i>	<i>511.2</i>	<i>531.0</i>	<i>567.0</i>	<i>610.8</i>	<i>652.5</i>
3. Surplus/Deficit	11.5	0.0	13.3	25.8	40.4
4. Reserve	126.9	126.9	140.2	166.0	206.3
5. Reserve Target	127.8	132.7	141.7	152.7	163.1
6. Difference**	-0.9	-5.8	-1.5	13.3	43.2

* The target level of reserves corresponds to 25 per cent of biennial expenditure

** Difference between the reserve target and the anticipated level of reserves

53. These are: the level of income (extracted from the estimates in Tables I and II); the level of expenditure (extracted from the estimates in Table III); the result (surplus/deficit); the level of reserves; and the difference between this anticipated level of reserves compared to the target level. Table IV has two variants: in Variant A, the target level of reserves (18 per cent of biennial expenditure) is the one established by the Assemblies of Member States in the year 2000. The reserve target level in Variant B is the one recommended by the External Auditor in his "Report on the Auditing of the Accounts of the World Intellectual Property Organization (WIPO) for the 2004-2005 Biennium" dated June 21, 2006 (25 per cent of biennial expenditure). In order to conduct an informed process of consultation with Member States on this issue, the Secretariat has contacted the External Auditor to obtain additional information on the rationale of his recommendation. This will be shared with Member States at the December meeting.

54. As Table IV shows, all other parameters remaining unchanged: in the medium term the Organization would be able to have a sufficient level of reserves and, at the same time, develop a surplus. The level of this surplus is obviously higher under Variant A than under

Variant B because the lower the target level established for the reserves, the higher the level of the surplus.

55. In the coming months the Secretariat will begin consultations with Member States on whether this potential surplus should be utilized to allow for a higher level of expenditure in the Program and Budget for the 2008/09 and 2010/11 biennia (to support, for instance, the expansion of certain programmatic areas of work of the Organization); whether it should be utilized for specific investments (to upgrade, for instance, the IT infrastructure and/or the physical and information security of the Organization), or whether it should be utilized to repay, in advance of the original repayment schedule, part of the loan for the financing of the new construction project (the last option has been suggested by a Member State in its reply to the questionnaire on the draft Program and Budget for 2008/09). Another possible option would be to erode at least partially this potential surplus by reconsidering, in consultation with Member States, the level of fees paid by users for the services provided by the Organization under the PCT. This option has been put forward by a Member State in its reply to the questionnaire (15 per cent reduction). A balanced combination of the four main options mentioned above would, of course, also be possible.

56. Concerning the human resources of the Organization, the attention of the Member States is also drawn to the fact that today, out of 1,250 employees working at WIPO, only some 900 occupy budgeted posts, while some 350 others are employed under short-term contractual arrangements: of these, some 250 are general service (GS) employees. In preparation for the next program and budget, the Secretariat plans to start a dialogue with the Member States in order to identify appropriate solutions to deal with the contractual status of these employees. To the extent to which a number of these employees consider that they deliver tasks of a core—and not temporary—nature, they have expressed, on several occasions, including at the 2006 session of the WIPO Assemblies, through the voice of Staff Council representatives, their dissatisfaction with their present status which they see as discriminatory in respect of colleagues occupying, for the same kind of functions, budgeted posts.

57. The organizations of the UN system plan to shift from the UN accounting standards to the International Public Sector Accounting Standards (IPSAS), ideally by the year 2010. An analysis of the advantages and disadvantages of this shift is being completed by the Secretariat. Its budgetary implications will be factored into the proposed Program and Budget for 2008/09.

58. The transition to these new standards in 2010 will oblige the Organization to show the liability for separation from service and after-service medical benefits in the accounts. The amount of this actuarial liability will therefore constitute, as of 2010, an additional parameter for assessing the likely evolution of the financial situation of the Organization in the medium term. The Organization will submit to the Member States, together with the proposed Program and Budget for 2008/09, a medium-term plan to adequately cover this actuarial liability (at the end of 2005, an independent study commissioned by the Secretariat estimated this actuarial liability at 70.9 million Swiss francs, of which 47 million are uncovered).

[End of document]