

WIPO



AB/X/8

ORIGINAL: English

DATE: June 25, 1979

WORLD INTELLECTUAL PROPERTY ORGANIZATION GENEVA

GOVERNING BODIES OF WIPO AND THE UNIONS ADMINISTERED BY WIPO

Tenth Series of Meetings
Geneva, September 24 to October 2, 1979

CONTRIBUTION SYSTEMS

Memorandum by the Director General

SUMMARY

This document summarizes the contribution system existing at the present time in WIPO and some of the Unions administered by WIPO. It compares that system with the contribution system of the United Nations and with the main kinds of contribution systems of the other specialized agencies.

This document also suggests that the question of possible changes in the existing system be studied in detail and that a tentative choice be made from among the various options for reform to enable the study to concentrate on such choice.

Background

1. In its 1977 session, the WIPO Coordination Committee "decided to ask the Director General to prepare a preliminary study on the legal and practical aspects, particularly financial implications, of possible improvements in

[i] the budgeting cycles and

[ii] the contribution systems with particular regard to the share of developing countries in the contributions" (document AB/VIII/16, paragraph 236; emphasis added).

The said Committee asked that "the preliminary study should differentiate between improvements which would not necessitate changes in the Conventions and Treaties and those which would necessitate such changes" (loc. cit.) and that "the preliminary study should be carried out with the assistance of the WIPO Budget Committee, and the conclusions should be presented to the 1979 ordinary session of the WIPO Coordination Committee for a first consideration and for any decision on further procedure" (loc. cit.). These questions were later (in the 1978 sessions of the Governing Bodies) included also on the draft agendas of the 1979 sessions of the WIPO General Assembly and the Assemblies of the Paris and Berne Unions (document AB/IX/19, paragraph 214). They are now included also in the draft agenda of the 1979 session of the WIPO Conference.

2. This document deals only with one of the two questions mentioned above, namely, the question of the contribution systems. The other question (budget cycles) is the subject of a separate document.

The Situation in the United Nations System of Organizations

3. United Nations. In the United Nations, the contribution of any country cannot be higher than 25% (that is, one quarter) of the total of all contributions and cannot be lower than 0.01% (i.e., one ten-thousandth) of the total of all contributions. Within these limits, the percentage of the total of the contributions applicable to any State is established by the "Committee of Contributions" (an 18-member body) of the United Nations General Assembly on the basis of the State's "national income," corrected by certain other factors among which the most important is that, in the case of any State in which the yearly per capita income is below US\$1,800, the percentage that would otherwise result from national income is reduced according to a certain formula. The application of these principles for the years 1978 and 1979 gave the following results:

66 States were assessed (the minimum of)	0.01%	each
17 " " "	0.02%	each
2 " " "	0.03%	each
3 " " "	0.04%	each
1 State was assessed	0.05%	
1 " " "	0.06%	
2 States were assessed	0.07%	each
3 " " "	0.08%	each
2 " " "	0.09%	each
<hr/>		
(that is, 97 " " " less than 0.1%)		
32 " " " between 0.10% and 0.84%		each
9 " " " " 1.04% and 1.54%		each
1 State (Canada) was assessed	3.04%*	
1 " (Italy) " "	3.38%*	
1 " (United Kingdom) was assessed	4.52%*	
1 " (China) was assessed	5.50%	
1 " (France) " "	5.82%*	
1 " (Federal Republic of Germany) was assessed	7.70%*	
1 " (Japan) was assessed	8.64%*	
1 " (Soviet Union) was assessed	11.60%*	
1 " (United States of America) was assessed (the maximum of)	25.00%*	

* In WIPO, the following percentages of the contributions under the WIPO, Paris, Nice, Locarno, IPC and Berne Unions were assessed for 1979 for the said countries: Italy 2.51%, Canada 3.04%, Soviet Union 3.63%, United States of America 3.63%, Japan 4.53%, Federal Republic of Germany 5.11%, United Kingdom 5.11%, France 5.23%,

4. The application of the said principles shows that, among the 147 countries,

the 31 industrialized countries were assessed	86.4%
(eight of them having been assessed 69.7%)**	
the 115 developing countries (without China)	
were assessed	8.1%**
China was assessed	5.5%

5. Specialized Agencies. Out of the 15 specialized agencies of the United Nations, four apply the United Nations scale of contributions subject to the adjustment required on account of differences in membership; they are the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the World Health Organization (WHO).

6. Four specialized agencies base their scale of contributions on a combination of a variety of elements, one of them being, so to speak, the degree of activity of each member State in the field of main concern to the agency; they are the International Civil Aviation Organization (ICAO) where the special element is the State's "interest and importance in civil aviation," the World Meteorological Organization (WMO) where the special elements are the State's "use of meteorology in the national economy and the size of the national meteorological service," the International Atomic Energy Agency (IAEA) where the special element is "safeguards costs," and the Inter-Governmental Maritime Consultative Organization (IMCO) where the special element is the "gross registered tonnage" of the vessels registered in the State, also called "maritime interest."

7. Three agencies have what could be called a "quasi-voluntary contribution system." They are WIPO (including in particular the Paris Union and the Berne Union), the Universal Postal Union (UPU) and the International Telecommunication Union (ITU). In that system, each State is free to choose a contribution "class" to which a certain number of "units" are assigned; the total amount of the contributions is divided by the total number of units to give the "amount per unit"; the amount to be paid by each State is arrived at by multiplying the "amount per unit" by the number of units assigned to the class which that State has chosen. The number of classes and the number of units assigned to each class are as follows:

WIPO: three classes (10, 3 and 1 units)
Paris and Berne Unions: seven classes (25, 20, 15, 10, 5, 3 and 1 units)
UPU: eight classes (50, 25, 20, 15, 10, 5, 3 and 1 units)
ITU: fifteen classes (30, 25, 20, 18, 15, 13, 10, 8, 5, 4, 3, 2, 1½, 1 and ½ units).

8. It follows from the above that the ratio between the lowest and highest class in WIPO is 1:10; in the Paris and Berne Unions, 1:25; in UPU, 1:50; in ITU, 1:60. (In the United Nations, it is 1:2500.)

9. The other agencies have even different contribution systems but they are so special, corresponding as they do to their very special natures, that they do not seem to be relevant to the present memorandum.

10. The following two unique features of the present contribution system in WIPO may deserve special mention: (i) States which are members of the Paris Union or the Berne Union pay no contributions to WIPO as such; (ii) any State which is a member of the Paris, Berne, Nice, IPC or Locarno Unions has to pay separate contributions to each of the Unions of which it is a member. (Contributions to the PCT, Madrid and Hague Unions are payable only if the expenses of those Unions cannot be covered from their income from fees; such "deficit-covering" contributions, however, are not assessed according to the class-and-unit system but according to principles based mainly on the extent of the "use" of the PCT, Madrid and Hague Union services by the nationals of the various member States. This memorandum does not deal with deficit-covering contributions.)

** In WIPO for the year 1979, 36 industrialized countries were assessed 74.90%, whereas 66 developing countries were assessed 25.10%. China is not a member.

Possible Reform of the Contribution System

11. There seem to be two main questions which deserve consideration in connection with a possible reform of the contribution system: (i) whether, subject to certain changes in detail, the present, quasi-voluntary, class-and-unit contribution system should be maintained or should be replaced by a system of "assessment," and (ii) whether the present "multiple" system (that is, essentially, as many separate contributions as there are Unions) should be continued or should be replaced by a "unitary" system (one contribution to WIPO and none to the Unions, although the amount of the single contribution should vary according to the identity of the Unions of which the contributing State is a member).

12. Quasi-voluntary versus assessed contributions. The advantage of the present quasi-voluntary system is that (albeit within certain limits) the amount of any State's contribution is not imposed on that State (by a decision of an appropriate intergovernmental body) but, essentially, is chosen by that State itself. The disadvantage of that system is that the resulting amount is based on the subjective judgment of the interested State rather than on some predetermined objective criteria applied by an impartial body.

13. Even if the class-and-unit system is continued, it would seem to be desirable to increase the difference between the number of contribution units assigned to the lowest class and the number assigned to the highest class, in order, mainly, to create a possibility for developing countries to pay a lower percentage of the total contributions than they pay under the present system. Furthermore, it would seem to be desirable to increase the number of classes in order, mainly, to allow for a choice corresponding more exactly to what each State believes to be its just share compared with the share of each of the other States. For example, the present seven classes could be increased to ten, the corresponding units being 1, 2, 3, 5, 10, 20, 40, 60, 80 and 100, which would mean changing the present 1:10 ratio (for WIPO) or 1:25 ratio (for the five Unions) between the lowest and the highest amount to a ratio of 1:100.

14. Should the class-and-unit system be replaced by a system of assessed contributions, the principles defining the scale of contributions could either be left to the supreme Governing Bodies or written into the treaties themselves. The principles could be, for example, that a certain part (e.g., one half) of the contributions would be assessed according to the scale of the United Nations, whereas the other part (e.g., the second half) of the contributions would be assessed on the basis of the intensity of intellectual property activity in each State; such intensity could be measured by the number of patents, trademark registrations, books published, motion pictures produced, and the like.

15. Multiple versus unitary system. The advantage of the present multiple system is that it is easier to demonstrate that only the members of any given Union pay for the activities of that Union. The disadvantages of that system are manifold: complexity of the budgets and the accounts of the International Bureau; increased costs for monitoring, billing and collecting the contributions by the International Bureau; increased complexity and costs for the member States to keep a watch on their obligations, to explain (over and over again) to the financial authorities why WIPO's system is different and what it consists of, to budget separately for each contribution, etc.

16. Should a unitary system be adopted together with a system of assessed contributions, it would probably be desirable to add a third element to the principles on which the assessment would be based, namely, the membership in any given Union. For example, the amount resulting for each State on the basis of the calculation effected according to what is said in paragraph 14, above, would be multiplied by 1 if the State is a member only of the Paris Union, by 0.5 if the State is a member only of the Berne Union, by 1.5 if the State is a member of both the Paris and Berne Unions, and by an additional fraction of, say, 0.3, 0.2 and 0.1, respectively, if the State is a member also of the IPC, Nice or Locarno Unions. If the State is a member of WIPO but not a member of any of the Unions, the coefficient could, for example, be 0.4.

17. An intermediary solution would be to introduce the unitary system only for the Paris Union and its three sub-Unions in question (IPC, Nice, Locarno). This solution would reduce the present six kinds of contributions (WIPO, Paris, Berne, IPC, Nice, Locarno) to three (WIPO, Industrial Property, Berne).

Procedure for Effecting a Reform

18. Any of the possible changes mentioned in the preceding chapter would require amendments to certain provisions of the treaties involved. This would apply even if only the classes and their units were to be changed since the contribution classes and the number of contribution units corresponding to each class are specified in the WIPO, Paris and Berne Conventions; and it would also apply if the reform consisted of the adoption of a system of assessed contributions and/or the introduction of a unitary system, because the principles of the class-and-unit system and the financial distinctness of each Union are written into each of the six treaties under consideration.

19. Amending the treaties and the entry into force of the amendments would take years. Intricate transitional questions would have to be solved for the period during which some States would be bound but others not yet bound by the amended provisions. These delays could be avoided only if the member States, by a unanimous decision, agreed to accept the application of the new system while waiting for the entry into force of the amendments for all of them. Such a decision would not be in conformity with the treaties but, if made unanimously by all the States concerned, no one could object to it. Such a solution is not without precedents: (i) The budget-making power of the Assemblies has replaced de facto the budget-making power of the Swiss Confederation in view of the fact that the Conferences of Representatives of the States members of the Paris and Berne Unions but not members of the Assemblies of the said Unions sit together with and share the decisions of the Assemblies. (ii) The Assemblies of all Unions suspended, for several years, the application of the treaty provisions providing for the creation of working capital funds. (iii) The supreme Governing Body of the Union for the Protection of New Plant Varieties (UPOV) created additional contribution classes not provided for in the UPOV Convention.

20. In view of the complexity and the importance of these questions, it is suggested that an ad hoc working group on contributions (whose composition would have to be decided) be entrusted with the task of working out detailed proposals. It would be useful if a tentative choice among the various options could be made because working out detailed proposals on all the various options would cause an inordinate amount of work and documents so voluminous that it would be impossible to read them. It would also seem essential and urgent to decide whether any interim solution of the kind mentioned in the preceding paragraph should be included in the task of working out proposals.

Decisions

21. The WIPO Coordination Committee is invited to give advice on the suggestions made in this document.

22. The General Assembly and Conference of WIPO and the Assemblies of the Paris and Berne Unions are invited to make decisions on the suggestions made in this document.

Budget Committee

23. The views of the WIPO Budget Committee on this document and the comments of the Director General on such views are reflected in the Annex to this document.

[Annex follows]

ANNEX

VIEWS OF THE WIPO BUDGET COMMITTEE;
COMMENTS OF THE DIRECTOR GENERAL ON THOSE VIEWS

Views of the WIPO Budget Committee

1. The WIPO Budget Committee, in its May 1979 session,* considered the present document (which, then, had the number WO/BC/III/5 and did not include this Annex). Its report (WO/BC/III/11) contains the following passages on the question of the contribution system:

"(i) the Budget Committee recommends that a possible reform of the contribution system be further studied;

"(ii) the Delegation of the Soviet Union said that it was interested in being a member of the working group if such a working group were constituted (as suggested in document WO/BC/III/5, paragraph 20);

"(iii) the Delegations of Germany (Federal Republic of), the United States of America and Japan expressed the view that the said study should be entrusted to the Budget Committee itself rather than to an ad hoc working group."

Comments of the Director General

2. Since the recommendation of the Budget Committee goes only so far as to recommend that the question be "further studied," the following questions, raised directly or indirectly in the present document, will have to be decided upon without advice from the Budget Committee:

(i) What is the objective to be attained?

(ii) On which options should the study concentrate?

(iii) Who should carry out the study and following what timetable?

[End of Annex
and of document]

* The following 13 States (out of the 14 States members of the WIPO Budget Committee) were represented at the session: Brazil, Cameroon, Canada, Czechoslovakia, Egypt, France, Germany (Federal Republic of), India, Iraq, Japan, Soviet Union, Switzerland, United States of America.