

# WIPO



WO/PBC/14/8

ORIGINAL: English

DATE: August 15, 2009

WORLD INTELLECTUAL PROPERTY ORGANIZATION  
GENEVA

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## PROGRAM AND BUDGET COMMITTEE

### Fourteenth Session

Geneva, September 14 to 16, 2009

#### STATUS OF THE UTILIZATION OF RESERVES

*Document prepared by the Secretariat*

1. This document provides an updated overview of (i) Reserves and Working Capital (RWC) funds projected to be available at the end of the 2008/09 biennium; (ii) a summary overview of the financial impact of the proposals approved by the Assemblies of the Member States at their 2008 session, and those submitted for consideration to the Program and Budget Committee (PBC) at its fourteenth session as well as to the Assemblies of the Madrid and Hague Unions for the use of the RWC funds; and (iii) the impact of these proposals on the liquidity levels of the RWCF funds.

2. Progress reports for the projects previously approved by the Assemblies for funding from the RWCF are submitted separately to the PBC, with actual expenditures against these shown in their respective progress reports. Proposals for the utilization of the RWCF are also presented as separate documents, each on their own merit, for consideration by Member States.

#### Available Reserves

3. As Table 1 below indicates, the total level of RWC funds is estimated to remain at the level of 235.8 million Swiss francs at the end of the 2008/09 biennium, unchanged from the level reported in the 2008 Interim Financial Statements (in document WO/PBC/IM/1/09/2 and reproduced in document WO/PBC/14/2). This is the result of the Secretariat's estimates for income and expenditure for the second year of the 2008/09 biennium, for which neither surplus nor deficit is foreseen to be generated for the Organization overall. It should be noted,

that these estimated figures are presented here for information purposes only, as the proposed Program and Budget for the 2010/11 biennium continues to retain the approved Revised 2008/09 Program and Budget figures for purposes of comparison.

Table 1: Financial Overview for 2008/09 and 2010/11  
(in millions of Swiss francs)

	2006/07 Actual	2008/09		2010/11		Difference Proposed vs. Revised	
		Revised Budget	Estimated End 2009 (as at end June 2009)	Proposed Budget	Estimated Reserve Levels Based on 2008/09 Estimates	Amount	%
a. Income	609.3	628.4		618.6		(9.8)	-1.6%
b. Expenditure	532.6	628.4		618.6		(9.8)	-1.6%
c. Surplus/(Deficit) (a-b)	76.7	0.0	32.2	0.0		0.0	n/a
d. Reserve opening balance	127.0	203.6	203.6	203.6	235.8	0.0	0.0%
<b>e. Total reserves (c+d)</b>	<b>203.6</b>	<b>203.6</b>	<b>235.8</b>	<b>203.6</b>	<b>235.8</b>	<b>0.0</b>	<b>0.0%</b>
f. Reserves as percentage of biennial expenditure (e/b)	38.2%	32.4%		32.9%		n/a	n/a
g. Reserve Target**	95.9	117.9	117.9	116.8	116.8	(1.1)	-0.9%
h. Reserve Balance (e-g)	107.8	85.7	117.9	86.8	119.0	1.1	1.2%

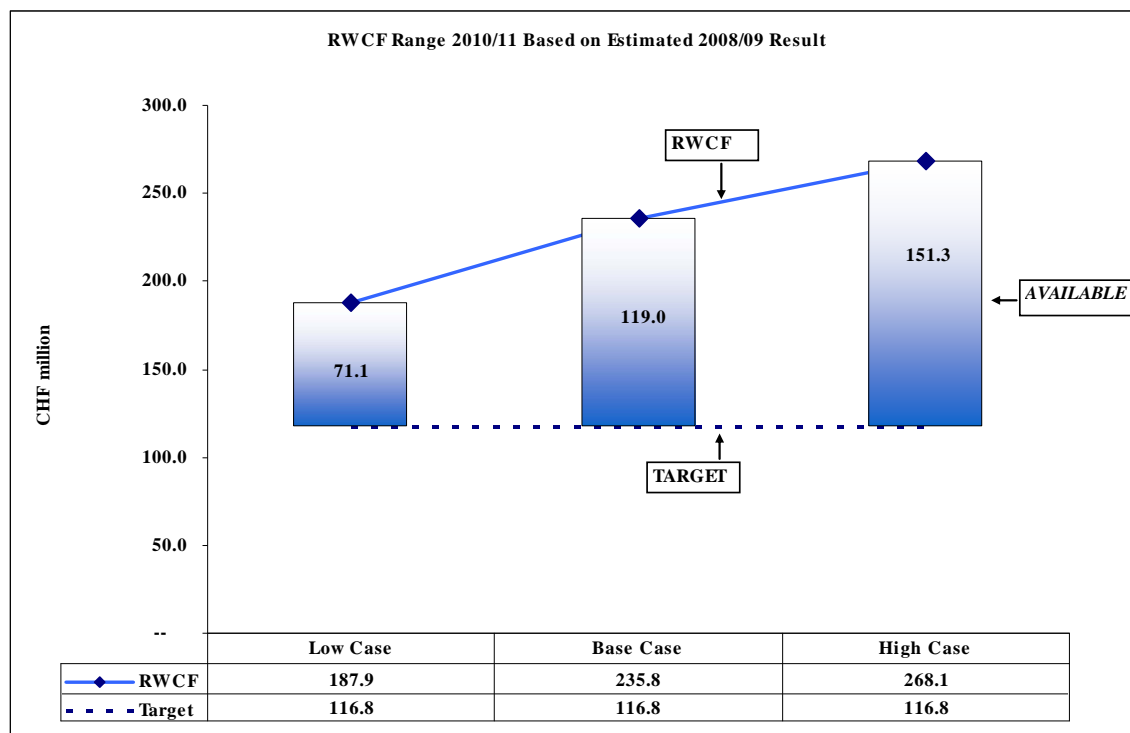
\*Reserves and Working Capital Funds (RWCF)

4. As the above table also indicates, the RWC funds available above the target levels set by Member States in the Organization's reserve policy<sup>1</sup> are projected to amount to 117.9 million Swiss francs as at the end of 2009, and 119.0 million Swiss francs as at the end of 2011.

5. The chart below presents an overview of the potential impact of the high as well as low case income scenarios detailed in the proposed Program and Budget for 2010/11 on the level of RWC funds available above the target level.

<sup>1</sup> During the 35th Series of Meetings in September-October 2000, the Assemblies of the Member States of WIP approved (A/35/15, paragraph 151(b)) target levels for RWC funds as a percentage of estimated biennial expenditure as follows: (i) contribution-financed Unions - 50%; (ii) PCT Union - 15%; (iii) Madrid Union - 25%; and (iv) Hague Union - 15%.

Chart 1: Available Reserves by Income Scenarios Presented for 2010/11  
(in millions of Swiss francs)



Overview of the Financial Impact of the Utilization of Available Reserves

6. Table 2 below summarizes the financial impact of the proposals approved or submitted for approval by Member States for the utilization of RWC funds.

Table 2: Overview of RWC Funds' Utilization  
(in millions of Swiss francs)

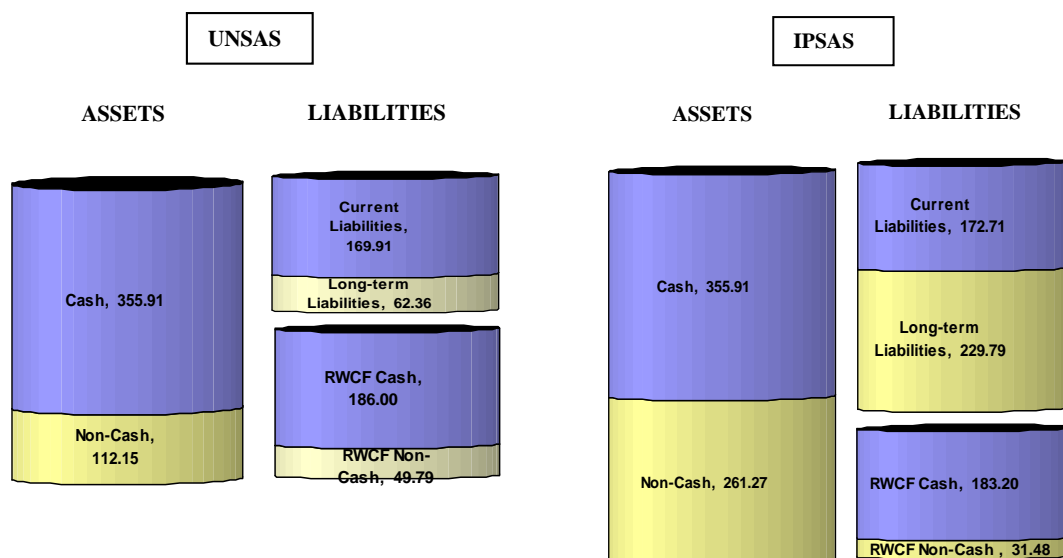
	Amount	Cash	Comment
- MAPS Modernization Phase I.	2.1	2.1	approved December 2008
- MAPS Modernization Phase II.	1.4	1.4	approved for appropriation September 2007
- MAPS Modernization Phase III.	5.8	5.8	approved for appropriation September 2007
- Security	7.6	7.6	approved December 2008
- Architectural and Technical Project - New Conference Hall	4.2	4.2	approved December 2008
- IT Modules FRR and IPSAS	4.2	4.2	approved December 2008
- Impact of IPSAS implementation (restatement as at end 2007)	21.1	--	updated based on end 2008 interim financial statements
- MAPS Modernization Phase I. delayed to 2010	1.5	1.5	approved for appropriation September 2007
- MAPS Modernization Phases II. and III. - Hague Union funding (proposed to be funded from PCT Reserves as a loan)	3.0	3.0	proposed September 2009 Hague and PCT Union Assemblies
- Madrid - WIPO database of acceptable indications of goods and services and pilot project on the acceptance of additional filing languages under the Madrid System	1.2	1.2	proposed September 2009 Madrid Union Assembly
- New Construction	20.0	20.0	authorized for use December 2008
- New Conference Hall	24.0	24.0	proposed September 2009 Assemblies
<b>TOTAL</b>	<b>96.2</b>	<b>75.1</b>	

7. While in all except the case of the IPSAS-related adjustment of 21.1 million Swiss francs<sup>2</sup>, the projects funded from the RWCF will involve a reduction in the cash levels of the Organization, (i) the expenditures in respect of the construction related projects (New Construction Project and the proposed New Conference Hall Project) will be capitalized in their entirety, and (ii) other project related expenditures will be capitalized to the extent allowed and required under the applicable accounting standards. However, in order to ensure that the liquidity projections for the Organization's RWCF are presented on a prudent and conservative basis, those projects which are not construction related are shown as fully utilizing the RWCF, i.e. expensing the costs assigned to them.

Overview of the Impact of the Utilization of Available Reserves on Liquidity Levels

8. As Chart 2 below illustrates, WIPO's liquidity position is healthy, with 79% (under UNSAS) and 85% (under IPSAS) of its RWCF held in cash or liquid assets. This is true under both the UNSAS and IPSAS accounting standards.

Chart 2: Liquidity of WIPO's Balance Sheet as at December 31, 2008  
(in millions of Swiss francs)



<sup>2</sup> For further details of the updated adjustment estimates required in respect of the implementation of IPSAS, please see (WO/PBC/14/6)

9. Table 3 below provides an overview of the impact of the approved and proposed reserve projects (as detailed in Table 2 above), illustrating that WIPO's liquidity can comfortably absorb the proposed project costs.

Table 3: Impact of RWCF Projects on the Liquidity of RWCF  
(in millions of Swiss francs)

<b>UNSAS</b>			
	<b>Cash</b>	<b>Non-cash</b>	<b>TOTAL</b>
RWCF estimated as at December 31, 2009	186.0	49.8	235.8
<i>Total cash utilization</i>	<i>(75.1)</i>	<i>(21.1)</i>	<i>(96.2)</i>
<b>Balance</b>	<b>110.9</b>	<b>28.7</b>	<b>139.6</b>

<b>IPSAS</b>			
	<b>Cash</b>	<b>Non-cash</b>	<b>TOTAL</b>
RWCF estimated as at December 31, 2009	183.2	31.5	214.7
<i>Total cash utilization</i>	<i>(75.1)</i>	<i>-</i>	<i>(75.1)</i>
<b>Balance</b>	<b>108.1</b>	<b>31.5</b>	<b>139.6</b>

*10. The Program and Budget Committee is invited to recommend to the Assemblies of the Member States of WIPO to take note of the contents of the present document.*

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