

Q&A  
PROPOSED PROGRAM AND BUDGET 2016/17

FINANCIAL AND RESULTS OVERVIEW

**Q1: What is included in “Unallocated”?**

A1: . Unallocated (Personnel) amounts to 4.3 million Swiss francs and includes the following:

- a provision of 1.5 million Swiss francs for reclassifications;
- a provision of 0.8 million Swiss francs for the finalization of the regularization of continuing functions (within the framework of the 156 regularization posts approved in principle by Member States (ref. WO/CC/63/5));
- a provision of 2 million Swiss francs for the payment of overtime expenses budgeted on the basis of past expenditure patterns.

Unallocated (Non-personnel) amounts to 2 million Swiss francs and includes the following:

- a provision of 1 million Swiss francs should the Member States decide to convene a Diplomatic Conference in the 2016/17 biennium;
- a provision of 1 million Swiss francs should the Member States decide to open new External Offices.

**Q2: Does Table 3 “Evolution of the Income of the Organization from 2006/07 to 2016/17” include Funds-in-Trust related income?**

A2: No. Table 3 deals with the Regular Budget only. Annex VIII provides an estimation of the Funds-in-Trust Resources Potentially Available for Programming in the biennium 2016/17.

**Q3: Where are the savings and cost efficiencies in 2014 reported on?**

A3: The savings and cost efficiencies realized in 2014 are reported on in the Program Performance Report 2014. A separate information paper will be made available during the 23<sup>rd</sup> session of the PBC providing a consolidated overview of savings and cost efficiencies realized in 2014 and/or baselined in the proposed Program and Budget 2016/17.

**Q4: What are the main drivers for the proposed 4.9% increase in the budget for 2016/17?**

A4: Paragraphs 17-39 provide the summary of key priorities in the 2016/17 biennium. Table 5 in the Financial and Results Overview and Table 9 in Annex II provide the comparisons of the 2016/17 Budget with the 2014/15 Budget after Transfers by cost categories and Programs, respectively.

The main drivers for the increases in personnel resources are summarized in the Planning Assumptions for Personnel Costs in paragraphs 53-59. No new positions are foreseen in 2016/17 (paragraph 57 refers). Increases in personnel costs are primarily due to statutory increases and completed regularizations (offset by reductions under “temporary staff” cost category).

The main drivers for the increases in non-personnel cost are summarized in paragraphs 40-44. The notable increases on a net basis on non-personnel resources are under Program 5 PCT

(5.6 million Swiss francs), mainly due to the increase in the PCT translation volumes and provisions for the strengthening of PCT resilience; Program 6 Madrid and Lisbon Systems (2.5 million Swiss francs), mainly due to the expanding membership of the Madrid System and enhancement of the operational efficiencies of the system; Program 25 ICT (6.9 million Swiss francs), mainly due to the increased dependence on reliable and effective ICT infrastructure and services; Program 28 Information Assurance, Safety and Security (3.9 million Swiss francs), mainly for the implementation of the Information Assurance strategies in 2016/17; and Program 22 Program and Resource Management (4 million Swiss francs), mainly due to the absorption in operations of the new modules and capabilities of the ERP system and the provisions for the negative interest rates on Swiss franc deposits.

**Q5: One of the main drivers for the expenditure increase is the need to strengthen ICT and information security. Is the related proposed expenditure different from the Capital Master Plan projects approved by the Member States in 2013 for financing from the reserves?**

A5: The ICT and information assurance investment are linked to the increased threat of cyber terrorism, the need to strengthen organizational resilience, and the need to address the information assurance gaps identified by the information assurance audit conducted in 2013. The IT-related Capital Master plan projects, approved by Member States for financing from the reserves in 2013 which concerned Enterprise Content Management (ECM) and Identity Management (IDM). These projects do not overlap but complement the proposed expenditure contained in the Program and Budget 2016/17.

**Q6: Certain Member States' legislation does not allow for a budgetary provision to be made for negative interest rates. Has WIPO negotiated with the banks to increase the 10 million Swiss francs threshold before the application of negative interest rates?**

A6: The thresholds currently in place total 125 million Swiss francs (these include short-term deposits which earn zero interest). It is very unlikely that the two banks which have provided these exemption thresholds will increase them. In fact, it is more likely that the thresholds will be reduced as a result of developments in the market.

Furthermore, it is increasingly difficult to establish new banking relationships for Swiss francs and if this could be done, it seems unlikely that new banking partners would offer exemption thresholds.

**Q7: Can the payment of negative interest rates be avoided?**

A7: This would seem to be very unlikely. Even if all of the proposals in document WO/PBC/23/7 are accepted, it will take time to contract with external fund managers for the investment of core and strategic cash whilst operating cash, which will be managed in-house, may exceed exemption thresholds. Negative interest can be regarded as the bank charge for maintaining an account in Swiss francs – it is not therefore any different from regular bank charges, an amount for which is always included in the budget.

**Q8: If Member States were to agree with the new investment policy proposal, would the 2.4 million Swiss franc provision for negative interest still be required?**

A8: Please refer to the answer to question 7.

**Q9: What will the impact of negative interest rates be on the financial result?**

A9: Negative interest will obviously be a cost for the Organization and will therefore be included within expenditure. The overall financial result will be reduced as a result.

**Q10: Why is the provision of 2.4 million Swiss francs for negative interest rates not shown in Table 3 “Evolution of the Income of the Organization from 2006/07 to 2016/17”**

**A:10** Negative interest rates are shown under Finance Costs (Expenditure budget) as these constitute payments to service providers (banks). They can be considered to be similar to bank charges.

**Q11: The Budget after Transfers 2014/15 is given as at the end of March 2015. Will the Budget after Transfers be updated for the PBC session in September 2015?**

A11: The 2014/15 Budget after Transfers is established as at March 31, 2015. The final Budget after Transfers 2014/15 will be reported on in the Program Performance Report for the biennium 2014/15.

**Q12: Paragraph 8 states that miscellaneous income is expected to remain stable, however, Table 3, “Evolution of the Income of the Organization from 2006/07 to 2016/17,” shows the 2016/17 estimate to be significantly lower than the current 2014/15 estimate. Can you explain?**

A12: Miscellaneous income remains stable in 2016/17 compared to the 2014/15 Approved Budget (please refer to the last column in Table 3). The 2014/15 Current Estimate is higher than the 2014/15 Approved Budget due to the positive impact of exchange rate valuations and higher-than-expected positive accounting adjustments in respect of prior years booked in 2014.

**Q13: Can you give a breakdown of the budgeted miscellaneous income for 2016/17?**

A13: Miscellaneous income includes registration fee for conferences and training courses, support charges in respect of extra-budgetary activities implemented by WIPO and financed by funds-in-trust, accounting adjustments (credits) in respect of prior years, currency adjustments and UPOV's payments to WIPO for administrative support services (please refer also to the Definition of Cost Categories in Appendix B).

**Q14: What is comprised under the budgetary provision for Finance Costs in Table 5 amounting to 7.3 million Swiss francs? Does it include interest payments on loans? If, yes, when can the debt be paid off? Which Programs have Finance Costs?**

A14: Finance Costs include provisions for the payment of interest on loans and bank charges. Finance Costs are budgeted under Program 24 (4.2 million Swiss francs) for the payment of interest on the loan in relation to the New Building and under Program 22 including 2.4 million for the provision for negative interests and 0.75 million for bank charges.

The commercial loan taken out to finance the New Building was drawn down in four separate tranches, two of which reach their maturity within the next seven months. These two tranches, totaling 40 million Swiss francs, will be repaid (document WO/PBC/23/7) as their maturity dates are reached. The remaining two tranches reach maturity in March 2019 and November 2025. If these amounts are paid early, the Organization would incur significant penalties.

The FIPOI loan is interest free and will be repaid within 16 years.

## PERSONNEL RESOURCES

### **Q1: What is the increase of 2.1% in personnel expenditure composed of?**

A1: The overall increase in personnel costs compared to the 2014/15 Approved Budget amounts to 9.6 million or 2.1% and results primarily from statutory increases (ICSC related) and to a much lesser extent from increases in contributions to the UNJSPF (pension fund) and ASHI provisions. No new positions are foreseen in 2016/17. Paragraphs 53-59 as well as Appendix C 'Costing for Personnel' provide more details on the planning assumptions and costing methodology for personnel costs.

As a result of the containment of the increase in personnel costs for 2016/17, the share of budgeted personnel costs as compared to the total budget has decreased from 66.3 per cent in 2014/15 to 64.6 per cent in 2016/17 (paragraph 56 refers).

### **Q2: Does the 2,1% increase in personnel cost take into account the savings of 4 million Swiss francs expected from the implementation of the new policy on home leave travel?**

A2: Provision for home leave entitlements is included in the estimated personnel cost for 2016/17. It takes duly into account the savings of 4 million Swiss francs expected from the implementation of the new policy on home leave travel (please refer to the 5<sup>th</sup> bullet under 'Planning Assumptions' in paragraphs 56-59).

### **Q3: Does the estimated personnel cost for 2016/17 take into account the current ongoing review of the UN common compensation package?**

A3: There is currently insufficient information on the financial implications of the changes proposed or discussed in the ICSC Compensation Review. It can be assumed, however, that in the short term the changes are unlikely to have any significant impact on costs. The estimated personnel costs for 2016/17 are therefore based on an assumption of "no change".

### **Q4: Why is there a decrease in personnel expenditure for temporary staff?**

A4: The decrease in personnel cost for temporary staff is due to the regularization of continuing functions completed in 2014/15 (within the framework of the 156 regularization posts approved in principle by Member States (ref. WO/CC/63/5)). The number of temporary positions budgeted for 2016/17 thus amounts to 111 as compared to 144 in the biennium 2014/15.

### **Q5: Does the regularization of continuing functions lead to an increase in expenditure under "Posts"?**

A5: The regularization of continuing functions (see Q4 above) converts temporary positions to posts. The associated increase under "Posts" (and decrease under "Temporary Staff") therefore amounts to the difference in the cost of a temporary position and a post (difference in benefits and entitlements between these two types of contacts).

### **Q6: Does the 2.1% increase in personnel costs include a provision for ASHI?**

A6: Provisions for ASHI have been maintained at 6%; same as in the Program and Budget 2014/15 (please refer to the personnel cost planning assumptions in paragraphs 56-59).

**Q7: What progress has been made in containing the ASHI liability and the management of ASHI funds since 2013?**

A7: The Secretariat pursues a conscious strategy to contain personnel costs through a move towards a more agile and mobile workforce which can easily adapt to business needs as well as the promotion of flexible resourcing models to ensure that increases on long term employee benefit liabilities are contained. There are therefore no new posts proposed for 2016/17.

WIPO has also been an active member of the ASHI Working Group, established by the UN Finance and Budget Network in 2013, and is also a member of the Steering Team. The subject of ASHI is a large and complex one and it was recognized last year by the Working Group that the assistance of consultants was required. The consultants were engaged in early 2015 and have been working alongside the Working Group on the issuance and analysis of a comprehensive survey of healthcare plans across the UN system. Additional data has now been requested from all agencies and several areas to be investigated in depth have already been identified. These include use of national health schemes, joining forces between agencies in order to obtain a better price from healthcare providers and the establishment of internally managed healthcare schemes, amongst others. Work continues and the Working Group is expected to report to the General Assembly at its resumed session in early 2016.

**Q8: Does the ASHI liability in the financial statements take account of the discount rate following negative interest rates?**

A8: The discount rate reflects the situation as at the end of December 2014, before the removal of the EUR/CHF currency peg and the widespread introduction of negative interest rates.

**Q9: Is there an updated figure for ASHI? Has an actuarial study been done to update this figure?**

A9: An actuarial study was carried out in early 2015 in order to update the figure for ASHI. This exercise is done annually. The liability, included within the 2014 financial statements, is 127.858 million Swiss francs.

**Q10: How is the provision for overtime under Unallocated split between Programs?**

A10: In order to enable the Secretariat to better monitor and control overtime expenses, the estimated overtime costs are budgeted in a separate provision (2 million Swiss francs) in "Unallocated (Personnel)". The estimated overtime costs for 2016/17 are therefore not budgeted under the individual Programs.

## DEVELOPMENT EXPENDITURE

**Q1: If a consensus were to be reached on a revised definition of development expenditure, could this revised definition be applied for the Program and Budget 2016/17?**

A1: Due to the considerable work involved in preparing a Program and Budget, including the estimation of development expenditure, a revised definition of development expenditure, agreed to by Member States in 2015, can be applied for the preparation of the Program and Budget for the biennium 2018/19.

**Q2: Which Programs, if any, do not have development expenditure?**

A2: Most Programs associated with Strategic Goal IX “Efficient Administrative and Financial Support” do not have a development share (please refer to Table 6 “Development Expenditures in 2016/17 by Program”).

**Q3: Is the development share in the proposed Program and Budget for 2016/17 similar to the development share in the Program and Budget 2014/15?**

A3: Development continues to be a priority in 2016/17 reflected by a stable development share of 21.3%. It should be noted that the absolute increase in development expenditure in 2016/17 represents 7.6 million Swiss francs, or 5.2%, compared to the 2014/15 Approved Budget (Please refer also to the Results Framework Chart on page 11, paragraph 60 and Table 6 “Development Expenditures in 2016/17 by Program”).

**Q4: What is the CDIP approval process for the DA projects budgeted for 2016/17?**

A4: The DA projects planned for 2016/17 fall into three categories:

- projects which have already been approved by the CDIP and for which implementation is foreseen to continue in 2016/17 (as per the project documents approved by the CDIP);
- phase II of projects which are currently being implemented (subject to CDIP approval); and,
- proposals for new project (subject to CDIP approval).

**Q5: Table 6 “Development Expenditures in 2016/17 by Program” includes a single development expenditure estimate for both the Madrid and Lisbon Systems under Program 6. Can you provide the split between the two systems?**

A5: Of the total 13.5 million Swiss francs development expenditure under Program 6, a total of 13.0 million Swiss francs is attributable to Madrid and 0.5 million Swiss francs to Lisbon.

**STRATEGIC GOAL I: BALANCED EVOLUTION OF THE INTERNATIONAL  
NORMATIVE FRAMEWORK FOR IP**

**Q1: Why is there a difference in the number of sessions budgeted for the SCP and the SCT, on the one hand, and the SCCR and IGC, on the other hand?**

A1: The planning assumption for 2016/17 regarding the number sessions for the SCP, SCT, SCCR and IGC remain unchanged from the 2014/15 biennium. The primary cost drivers for Standing Committees are the number of sessions, the number of days per session, interpretation and translation costs as well as travel costs. The budget estimates for 2016/17 have been refined based on past expenditure patterns and assumes five working days per session. Should the Member States, during the biennium, decide to convene more sessions of a Standing Committee than what was budgeted for, the Secretariat will identify the required resources from cost-efficiencies realized in the biennium.

**Q2: The planning assumption for 2016/17 includes up to four sessions of the IGC. Are the resources proposed for the IGC process in 2016/17 at the same level as in 2014/15?**

A2: The resources budgeted to support the IGC process in the 2016/17 biennium are consistent with the resources budgeted in 2014/15. In 2016/17, the provision for a possible Diplomatic Conference is reflected under Unallocated.

## STRATEGIC GOAL II: PROVISION OF PREMIER GLOBAL IP SERVICES

**Q1: Usage of the Hague System is likely to significantly increase in 2016/17. Why is there no proposed increase in resources proposed for the Hague System?**

A1: The 2016/17 budgeted resources for the Hague System is based on the actual budget utilization rate in 2014/15 and takes duly into account the anticipated workload based on the projected growth in the number of registrations and renewals (as reflected in Table 2 "Estimates for Demand for Services under the PCT, Madrid and Hague Systems"). It should also be noted that, at the time of preparing the proposed Program and Budget, a number of regularizations of continuing examiner functions, were still pending in Program 31. When implemented, these would result in an increase in the number of posts in the Program.

**Q2: The proposed budget for Program 6 includes a single budget figure for both the Madrid and Lisbon systems. Can you give the breakdown of the budget figures for both systems?**

A2: Of the total budget of 59.4 million Swiss francs for Program 6, a total of 58.1 million Swiss francs is attributable to Madrid and 1.3 million Swiss francs to Lisbon.

**Q3: Why are the performance indicators for "improved productivity and service quality" of the PCT, Hague, Madrid and Lisbon systems not the same?**

A3: Taking into consideration the particularities and individual requirements of each System, as well as the varying maturity levels, the performance indicators for "improved productivity and service quality" of the PCT, Hague, Madrid and Lisbon Systems are defined to reflect the most relevant metrics for each System in the 2016/17 biennium.

**Q4: In the Results Framework for Program 6, what is meant by the Performance Indicator "Filing Rate"?**

A4: The filing rate for the Madrid System refers to the number of applications filed in a given year. For example, 47,885 applications were filed in 2014, which represents a 2.3 per cent increase in the filing rate over 2013.

**Q5: In the Results Framework for Program 6, how are the Performance Indicators for the Madrid System and the Lisbon System differentiated?**

A5: In the Results Framework for Program 6, for each Expected Result, the Performance Indicators for the Madrid System are listed first, followed by the Performance Indicators for the Lisbon System. For the Lisbon System, wherever relevant, there is a specific reference to Lisbon in the Performance Indicator description, baseline and/or target.

**Q6: In the Results Framework for Program 6, do the Performance Indicators for client satisfaction, unit cost, timeliness of transactions (days) and quality refer to both the Madrid and Lisbon Systems?**

A6: The metrics for client satisfaction, unit cost, timeliness of transactions (days) and quality in the Results Framework for Program 6 refer only to the Madrid System.

### STRATEGIC GOAL III: FACILITATING THE USE OF IP FOR DEVELOPMENT

**Q1: In which Program is the work on SMEs and universities for transition countries reflected?**

A1: The work on SMEs and universities for transition countries is reflected under Program 30 SMEs and Entrepreneurship Support.

**Q2: Where is South-South cooperation reflected in the proposed Program and Budget for 2016/17?**

A2: South-South cooperation is reflected in Program 9 (please refer to paragraph 9.11).

**Q3: In Program 2, the Resources by Result Table references Expected Result III.4: Strengthened Cooperation Mechanisms and Programs Tailored to the Needs of Developing Countries and LDCs. Why is this result not reflected in the Results Framework?**

A3: The resources allocated to Expected Result III.4 in the Program 2 Resources by Result Table are related to the DA Project IP & Design Creation for Business Development in Developing Countries and LDCs (D0040). The Results Framework for each Program reflects the Performance Indicators for the regular work of the Program only and does not include DA Projects and Special Reserve Projects.

**Q4: In Program 30, under Expected Result III.1: National Innovation and IP Strategies and Plans consistent with National Development Objectives, what is the cumulative number of national innovation strategies initiated, in progress or adopted with the assistance of WIPO?**

A4: At the end of 2014, as reported in the PPR 2014, four countries had initiated the process of developing national innovation policies with the assistance of WIPO. This is reflected in the baseline for 2016/17 in the Results Framework for Program 30.

**Q5: In Program 30, for the Performance Indicator “No. of countries having established or improved IP training programs for SMEs”, does the baseline of 13 reflect the cumulative number of countries?**

A5: The baseline of 13 refers to the number of countries having established training programs in 2014 as reflected in the PPR 2014. No cumulative figure is available, as 2014/15 was the first biennium that this performance indicator was used.

**Q6: In reference to the table summarizing Expected Results and Performance Indicators for Strategic Goal III (Table on pages 64 – 66 in the English version of the document), should Programs 14 and 16 also be listed?**

A6: Program 14 contributes to Expected Result IV.2 and Program 16 contributes to Expected Results V.1 and V.2. These Programs are therefore not listed under Strategic Goal III although they contribute to development. Their contribution is illustrated by the development share of these two Programs.

**Q7: Why are Expected Results II.1, II.4, and II.6 related to the wider and more effective use of the PCT, Hague, Madrid and Lisbon Systems respectively reflected in the Results Framework for Program 10?**

A7: In line with the 2014/15 results framework for Program 10, the promotion of WIPO products and services will continue to be a priority in transition and developed countries in the 2016/17 biennium.

**Q8: In the Results Framework for Program 10 under Expected Result II.8, what is the cumulative number of disputes and *bons offices* from transition and developed countries?**

A8: At the end of 2014, there were 377 disputes and 76 *bons offices* involving parties from transition and developed countries (cumulative). (Based on the data from the PPR 2014).

#### STRATEGIC GOAL V: WORLD REFERENCE SOURCE FOR IP INFORMATION AND ANALYSIS

**Q1: Why is there an increase in resources Program 16? Are the resources for the DA Project in addition to the proposed budget of 6 million Swiss francs?**

A1: The increase in the estimated resources for Program 16 compared to the 2014/15 Approved Budget amounts to 0.7 million Swiss francs and is primarily due to:

- increased efforts to improve the collection and provision of statistical information on the performance of the IP system worldwide notably the collection and report on statistical information in relation to GIs and copyright and the enhanced professionalization of key WIPO reports;
- increased economic research commitments on policy and performance in the creative industries.

The total 2016/17 proposed resources amount to 6.1 million and are inclusive of 0.6 million Swiss francs for the DA project 'Intellectual Property and Socio-Economic Development (Phase II)'.

#### STRATEGIC GOAL VII: ADDRESSING IP IN RELATION TO GLOBAL POLICY ISSUES

**Q1: Can you provide a more detailed overview of the work proposed in relation to IP and Global Challenges?**

A1: A more detailed overview of the work proposed in relation to IP and Global Challenges will be provided by the Program during the PBC.

**Q2: Under IP and Competition Policy, should UPOV be listed as an intergovernmental organization with which WIPO regularly cooperates in relation to IP&CP?**

A2: UPOV does not deal with IP and competition policy-related issues.

## STRATEGIC GOAL VIII: A RESPONSIVE COMMUNICATIONS INTERFACE BETWEEN WIPO, ITS MEMBERS AND ALL STAKEHOLDERS

### Q1: Is there any budgetary provision for new External Offices?

A1: Should the Member States agree on the opening of new External Offices in 2016/17, these could be funded from the provision of 1 million Swiss francs under non-personnel resources in "Unallocated".

### Q2: What would happen to the provision of 1 million Swiss francs in Unallocated if no decision were to be taken concerning the opening of new External Offices?

A2: Should this provision remain unspent in the biennium 2016/17, it would increase the projected Operating Result of 20.8 million Swiss francs at the end of the biennium.

### Q3: What is the justification for the planned closure of the New York office?

A3: Most of the coordination and engagement with the UN and its major negotiating processes, such as for example the CEB, HLCCM, HLCP, Post-2015 Development Agenda (SDGs) and climate change, is currently already performed from WIPO headquarters in Geneva. While the work performed by the WIPO Coordination Office to the UN in New York will continue in the next biennium, it is proposed that the current operating model, through a physical office located in NYC, continue only until the end of 2016.

### Q4: Why is the planning framework for the External Offices overly aggregated?

A4: The Secretariat has engaged in a significant exercise for the preparation of the Program and Budget 2016/17 with the participation of representatives of WIPO External Offices to develop, coordinate and align the Results Framework for the Offices. This has resulted in a very comprehensive and detailed Results Framework for Program 20 with clear and measurable indicators and separate baselines and targets for each of the Offices.

### Q5: What is the breakdown of the proposed budget for each of the External Offices?

A5: Please find below the breakdown of the proposed budget for each of the External Offices in the table below. The External Offices are part of Program 20.

**Summary of the 2016/17 Budget  
by External Office and WIPO Coordination Office to the UN in NY**  
*(in thousands of Swiss francs)*

<i>External Offices</i>	<i>Personnel</i>	<i>Non-personnel</i>	<i>Total</i>
WIPO Singapore Office (WSO)	1,785	478	2,263
WIPO Brazil Office (WBO)	1,511	503	2,014
WIPO Japan Office (WJO)	872	200	1,072
WIPO China Office (WCO)	1,076	300	1,376
WIPO Russia Office (WRO)	409	300	709
WIPO Coordination Office to the UN in New York	816	310	1,126
<b>Total, External Offices</b>	<b>6,469</b>	<b>2,092</b>	<b>8,561</b>

**Q6: In the Results Framework for Program 19 (Communications), the baseline referring to 86% of Madrid and Hague customers satisfied or highly satisfied is not clear. Can you please clarify?**

A6: The baseline language refers to 86% of Madrid and Hague customers being satisfied or highly satisfied *with the overall level of customer service orientation*, as per surveys carried out by Program 19 in 2013. Improving customer service orientation is one of the Expected Results to which Program 19 contributes; a survey of PCT users is underway in 2015 and the results of that survey will be factored into future baseline figures.

## CROSS-CUTTING QUESTIONS

**Q1. A number of baselines and targets are “tbd”, although to a lesser extent than in the 2014/15 Program and Budget. Since the use of “tbd” is not conducive to sound reporting, why are there still some baselines and targets which are undetermined?**

A1: As part of its continuous improvement processes related to the implementation of results-based management at WIPO, the Secretariat has done a considerable effort in improving the measurement framework for the 2016/17 biennium for all Programs. As a result, the number of “tbd” baselines has been reduced by 82.5% in the Program and Budget 2016/17 compared to the Program and Budget 2014/15. There are now only 7 baselines “tbd” in comparison to 40 in the Program and Budget 2014/15. Regarding the targets, the same trend can be observed with only 6 targets “tbd” in the Program and Budget 2016/17, which represents a decrease of 62.5%.

**Q2. Why are both the baseline and the target for the Performance Indicator in Program 6 regarding “Quality” under Expected Result II.7 (Improved productivity and service quality of Madrid & Lisbon operations) indicated as “tbd”?**

A2: The Performance Indicator regarding “Quality” under Expected Result II.7 is a composite indicator. The underlying elements used to determine the composite data are expected to be refined during the remainder of 2015. The baseline and target will subsequently be defined during the baseline update exercise.

**Q3: The total budgeted expenditure under Premises & Maintenance amounts to 34.3 million Swiss francs. What type of expenditure is included under this object of expenditure? Can you provide a breakdown of this expenditure by Program? Does it include premises and maintenance related to External Offices?**

A3: The Premises and Maintenance category includes expenditure pertaining to the acquisition, rental, improvement and maintenance of office space as well as the rental and maintenance of equipment and furniture. For a complete definition of this object of expenditure please refer to Appendix B “Definition of Cost Categories”.

The total resources budgeted under Premises and Maintenance amount to 34.3 million Swiss francs and is notably allocated under Programs 24 (20.2 million Swiss francs), Program 28 (8.0 million), Program 25 (3.6 million Swiss francs), Program 27 (1.0 million Swiss francs) and under Program 20 (0.7 million Swiss francs). The remaining 0.8 million Swiss francs are budgeted under Programs 5, 3, 11, 22, 7 and 4 and pertain mostly to the rental and maintenance of furniture and equipment.

The Premises and Maintenance expenditure for External Offices are included under Program 20 and amount to 0.7 million Swiss francs and pertains to the rental of office space.

**Q4: Will the Annual HR report be presented to the PBC?**

A4: The Annual HR Report will be presented to the 24<sup>th</sup> Session of the PBC in September 2015.

ANNEXES AND APPENDICES

**Q1: Does the proposed Program and Budget 2016/17 anticipate that all Member States will pay their entire contribution?**

A1: Member States' contribution is part of the projected income for 2016/17. For planning purposes it is assumed that contributions for 2016/17 will be received as planned.

For assessed contributions which relate to prior periods, an allowance (provision) is made in the accounts to offset the amounts due. The allowance covers amounts due from Member States that have lost the right to vote and contributions from least developed countries which have been frozen by action of the Assemblies. The allowance is reviewed at the end of each year.

REVISED POLICY ON INVESTEMENTS AND PROPOSAL FOR ADDITIONAL REVISIONS TO POLICY ON INVESTMENTS

**Q1. How do the anticipated costs related to the new proposed investment policy (document WO/PBC/23/7) compare to the anticipated returns and losses avoided as a result of the implementation of the new policy?**

A1: Document WO/PBC/23/7 proposes two investment policies. The policy which will cover operating and core cash aims to obtain a positive return on core cash by working with external fund managers and will also endeavour to minimise the impact of negative interest rates on operating cash by the use of exemption thresholds and by seeking out opportunities in the market (such as foreign currency investments) where possible. The Organisation intends to ask fund managers to aim for a positive return, net of management fees. The same request will be made with regard to those managers who will invest the strategic cash according to the second (ASHI) investment policy. An additional member of staff will be required to manage the Organisation's investments (this is also true in connection with document WO/PBC/23/6) and this person is anticipated to be at the level of P4/P5.

**Q2. If the 23rd Session of the PBC were to adopt both proposals on a revised investment policy, would this allow the Secretariat to start the required recruitment processes for a portfolio manager immediately after the PBC, thus accelerate the implementation of the new investment policy and thereby diminish the period during which WIPO might run the risk of having to pay negative interests?**

A2: If Member States adopt the decisions outlined in both documents, WO/PBC/23/6 and WO/PBC/23/7, the decisions taken in respect of the latter document supersede those in the former document and the policy explained in document WO/PBC/23/6 will not be required.

If the decisions contained within WO/PBC/23/7 are taken during the July session, the Secretariat will prepare two investment policies: one for operating and core cash and one for strategic cash. These will be submitted to PBC 24 for decision and then to the Assemblies for approval. Preparatory work could also begin, following PBC 23, with regard to identifying fund managers and on recruitment of internal expertise. This would ultimately reduce the time spent on such work after the Assemblies. In this way, the period during which WIPO would be at risk of paying negative interest could be reduced.

**Q3. Could you please explain the differences between the two proposed modified investment policies (WO/PBC/23/6 and WO/PBC/23/7) in terms of their implications on timing of hiring staff and contracting external portfolio managers as well as estimated payments of negative interest rates?**

A3: For both proposals, the Secretariat will begin looking for staff resources following PBC 23. (The person who joins will also work on the hedging strategy proposed for PCT). WO/PBC/23/6 does not involve the use of external portfolio managers as such use continues not to be permitted within the proposed amended investment policy. With respect to WO/PBC/23/7, preparatory work will begin on identifying external fund managers during the summer (see answer above).

**Q4. Paragraph 10 of WO/PBC/23/7 mentions the possibility of hedging exchange rate risks, and a proposal in this respect has been approved by the PCT Working Group. Is hedging envisaged through forwards only, or also by recurring to options? Will hedging be done internally or contracted out?**

A4: The hedging mentioned in paragraph 10 of WO/PBC/23/7 is not to be confused with the hedging proposal recently approved by the PCT Working Group. The PCT hedging proposal is designed to reduce the foreign currency exposure associated with receiving patent application fees in non-Swiss francs whilst the hedging mentioned in paragraph 10 refers to the need to protect investment income earned in non-Swiss francs against fluctuations in exchange rates.

The hedging carried out in respect of investments will be undertaken largely by external fund managers and it will be for the fund manager to determine which hedging instrument is the most appropriate one to use, depending on the circumstances. If hedging is undertaken in-house in respect of investments, this would probably involve the use of forward contracts.

**Q5: WO/PBC/23/7 proposes a long term risk rating for corporate bonds of BBB-/Baa3. WO/PBC/23/6 proposes a long term risk rating for corporate bonds of BBB/Baa2. In addition, the latter does not include any short term risk ratings for treasury bonds nor corporate bonds while the former does contain such proposals. Could you please explain the rationale for these proposed elements?**

A5: Document WO/PBC/23/6 contains the minimum number of changes required to the current policy in order to have an investment policy with which the Organisation will be able to work from December 2015 when all of WIPO's investments will be withdrawn from the Swiss authorities. The document has taken the current investment policy as a basis and proposes a small number of changes to this policy.

Document WO/PBC/23/7 proposes more extensive changes and if all the decisions are adopted, will lead to the creation of two completely new investment policies. The distinction between short and long term investments and the need to accept more risk (hence, investing in corporate bonds at BBB/Baa2) are subjects discussed in this document only. Such elements are not required for the policy proposed in document WO/PBC/23/6.

**Q6: WO/PBC/23/7 contains in paragraph 10 a list of proposed asset categories for Core Cash. Paragraph 5 mentions that some of these categories would also be used for Operating Cash. Could you explain which of the categories contained in paragraph 10 are considered sufficiently liquid and thus would be used for Operating Cash?**

A6: Most of the asset classes listed in paragraph 10 could be used for operating cash as all of these assets can be held over a range of time periods. The principal exceptions are private placements and Real Estate Investment Trusts. However, it is worth noting that in the current environment of negative interest rates, the asset classes which would be used for operating

cash are currently giving negative rates over maturities which would be considered as liquid (periods up to 12 months).

**Q7. Could you elaborate on how diversification of banking partners, asset categories and the proposed risk ratings play together to achieve a balance between liquidity requirements and expected returns?**

A7: Diversifying investments between banking partners and asset classes enables the Organisation to reduce risks whilst aiming to achieve a positive return. The proposed risk ratings fall within the “investment” category of ratings issued by the ratings agencies. By adhering to these ratings as a minimum, WIPO is also endeavouring to minimise risk. These ratings would be applied to the choices of investments made within the asset classes.

**Q8. What are the implications and significance of the proposed rewording of paragraph 2 (Objectives) of the Policy on Investments, and particularly the caveat whereby preservation of capital will be “to the extent possible if prevailing interest rates are negative”?**

A8: Under the current investment policy, the most important of the objectives of the Organisation’s investment management is to preserve capital. In an environment of negative interest rates, the ability to do this is obviously reduced as the negative rates reduce capital balances. In order to avoid this happening, it is necessary to invest the capital in assets which give a positive rate of return. Such assets carry more risk than an asset such as a bank deposit, for example, which would currently attract a negative interest rate.

**Q9. The Policy on Investments in paragraph 7 (and this part remains unaffected by the current proposed revision) does contemplate investments in currencies other than the Swiss franc, making provision for the use of hedging instruments to minimize the related risks. In light of this flexibility, what types of concrete situations may lead to capital erosion being unavoidable due to negative interest rates even, therefore, in view of the opportunity to invest in currencies other than the Swiss franc afforded by the Policy on Investments, and what amounts these would represent?**

A9: Positive interest rates currently do exist in various countries although this is sometimes only the case for medium-term investments (5-10 years) which may not be a suitable investment horizon for the Organization. If the Secretariat became aware of an investment to be held in a foreign currency, which would give a positive return once hedged back into Swiss francs (which is frequently not the case) and if the maturity of the underlying investment satisfied WIPO’s requirements, such an investment would obviously be of interest. However, the need to minimise risk requires diversification so it would not be possible to put all of WIPO’s investments in one such investment product or, indeed, in one particular currency.

**Q10. This very likely relates to the Proposal for Additional Revisions to Policy on Investments [sic] (WO/PBC/23/7) and particularly to the pending new policy on investment regarding operating cash, and one issue we would want to look at is indeed challenges posed by negative interest rates for investments of operating cash, requiring high liquidity; in other words, is it that the caveat in question is meant to indicate that operating cash – because of the high liquidity requirement – may not lend itself to being invested in currencies other than the Swiss franc? This would still concerningly entail capital erosion, however.**

A10: It is possible for operating cash to be invested in foreign currency investment products which are of short duration. For example, WIPO could invest in a USD deposit for one month and hedge back into Swiss francs at the end of that month. The money would therefore only be “tied up” for a month and could therefore be regarded as relatively liquid and as meeting the

criteria for operating cash. However, in practice, given the effect of the hedge into Swiss francs, such an investment would yield either a zero or negative return

**Q11. In addition, whether this new caveat on capital preservation is meant to refer to the Swiss situation, or rather to act as a blanket statement to indicate that interest rates may be negative for any given investment, including abroad; the latter would be less concerning because it would act as a disclaimer of sorts, while the former would be more concerning because it entails that WIPO may not be able to “escape” negative interest rates in Switzerland through investments not affected by that policy.**

A11: It is very possible that positive returns obtained on investments held in foreign currencies would become negative or, at best, be at zero once the investment is hedged back into Swiss francs. (please see answers above).

## PROPOSAL ON A REVISED WIPO POLICY RELATED TO RESERVES

**Q1: Before, the reserves were set at 18.5% of biennial expenditure. Now there is a recommendation to shift to 22%. What is the rationale behind this proposal?**

A1: The increase in the target level of the Reserves will serve to strengthen financial risk management by increasing from 4 to 5 months the period during which the Organization's operation could be funded by drawing exclusively on the Reserve funds. Furthermore, the proposed increase is in accordance with Member States' preference that the increase in the target Reserves be gradually implemented. The increased Reserves level of 22 per cent is also more aligned to the Swiss External Auditor's recommendation of 2006 which recommended that the Reserves target be set at 25 per cent of Projected Biennial Expenditure i.e. the equivalent of six months of biennial expenditure (please refer to paragraphs 8-13 of the document WO/PBC/23/8).

**Q2: The revised Policy related to Reserves would seemingly no longer prevent the use of the Reserves “for recurring, operational activities of the Organization”, as is the case in the existing Policy. Why should the Reserves finance any “recurring, operational activities of the Organization” and what would those activities be?**

A2: There is no intention to use the Reserves for 'recurring, operational activities'; the contrary is the case. Where a project financed by the Reserves generates recurring expenses once completed (such as an ICT project which leads to recurring maintenance costs, for example), the recurring costs will be included within the consecutive Program and Budgets (i.e. will be financed from the regular budget).

**Q3: Principle 3 of the revised Policy makes provision for “a long-term capital master plan”, which appears to contradict the provision whereby Reserves are for “extra-ordinary [sic], one-time capital projects and expenditures”. How would these two provisions be reconciled?**

A3: Principle 3 (reproduced below) makes reference to the fact that “capital projects would typically be identified in a long-term capital master plan”. In accordance with good practice, any Organization should draw up a long-term plan for major capital projects related to construction/refurbishment of premises and ICT. Many such capital projects would be “extra-ordinary, one time” investments (i.e. for example renovation of a building) but could be planned to be initiated only in five years time. There is hence no contradiction between the notions of long term planning and the extra-ordinary nature of capital investments.

***PRINCIPLE 3: Proposals for the use of the Reserves should be for extra-ordinary, one-time capital projects and expenditures, and, under exceptional circumstances,***

***for strategic initiatives as decided upon by the Assemblies of the Unions of WIPO. Capital projects would typically be identified in a long-term capital master plan and may be defined as projects related to construction/refurbishment and Information and Communication Technology that are needed to keep an Organization's facilities and systems fit-for-purpose through significant expansion or additions.***

**Q4: What was the reserve expenditure in 2014? And what is the forecast for the use of reserves in 2016/17?**

A4: Please refer to document WO/PBC/23/INF.1 on the Financial Situation as of End 2014: Preliminary Results for more details. Specifically, Table 1 provides the Reserve expenditure both before IPSAS adjustments and after IPSAS adjustments. Reserve expenditure before IPSAS adjustments (expenditure on a budgetary basis) in 2014 amounted to 35.2 million Swiss francs. 2014 Reserve Expenditure after IPSAS adjustments of 29.1 million Swiss francs amounted to 6.1 million Swiss francs. A balance of 27.2 million Swiss francs at the end of 2014 represents the amounts still to be used for projects already approved for financing under the reserves (see document WO/PBC/23/8 Table 1).

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