

Program and Budget Committee

Twenty-Seventh Session
Geneva, September 11 to 15, 2017

REPORT

adopted by the Program and Budget Committee

CONTENTS

ITEM 1	OPENING OF THE SESSION	3
ITEM 2	ADOPTION OF THE AGENDA	6
ITEM 3	REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC).....	11
ITEM 4	REPORT BY THE EXTERNAL AUDITOR	14
ITEM 5	ANNUAL REPORT BY THE DIRECTOR OF THE INTERNAL OVERSIGHT DIVISION (IOD).....	19
ITEM 6	PROGRESS REPORT ON THE IMPLEMENTATION OF THE JOINT INSPECTION UNIT'S (JIU) RECOMMENDATIONS	24
ITEM 7	ANNUAL FINANCIAL STATEMENTS 2016; STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2017	27
	(A) ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016.....	27
	(B) STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2017.....	29
ITEM 8	ANNUAL REPORT ON HUMAN RESOURCES (FOR INFORMATION)	30
ITEM 9	PROPOSED PROGRAM AND BUDGET FOR THE 2018/19 BIENNIUM	33
ITEM 10	FINAL PROGRESS REPORT ON the IMPLEMENTATION OF A COMPREHENSIVE INTEGRATED ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN WIPO55	
ITEM 11	PROPOSED AMENDMENTS TO the FINANCIAL REGULATIONS AND RULES (FRR).....	57
ITEM 12	OPENING OF NEW WIPO EXTERNAL OFFICES.....	59
ITEM 13	CLOSING OF THE SESSION.....	65
ANNEX I	LIST OF PARTICIPANTS	
ANNEX II	PROPOSAL BY THE DELEGATIONS OF FRANCE AND THE UNITED STATES OF AMERICA	
ANNEX III	PROPOSAL BY THE CHAIR OF THE PROGRAM AND BUDGET COMMITTEE	

1. The 27th session of the WIPO Program and Budget Committee (PBC) was held at the Headquarters of WIPO from September 11 to 15, 2017.
2. From October 2015 to October 2017, the Committee is composed of the following Member States: Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Brazil, Cameroon, Canada, Chile, China, Colombia (2015/16), Congo, Czech Republic, Ecuador, Egypt, El Salvador, Estonia (2016/17), Ethiopia, France, Germany, Greece, Guatemala, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Latvia (2015/16), Malaysia, Mexico, Morocco, Nigeria, Pakistan, Panama, Poland, Republic of Korea, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland (ex officio), Tajikistan, Trinidad and Tobago (2016/17), Turkey, Uganda, United Kingdom, United States of America, Viet Nam, Zimbabwe (53).
3. Members of the Committee represented at this session were: Belarus, Brazil, Cameroon, Canada, Chile, China, Czech Republic, Ecuador, Egypt, El Salvador, Ethiopia, Estonia, France, Germany, Greece, Guatemala, Hungary, India, Iran (Islamic Republic of), Italy, Japan, Malaysia, Mexico, Nigeria, Pakistan, Poland, Republic of Korea, Romania, Russian Federation, Senegal, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland (ex officio), Tajikistan, Turkey, Uganda, United Kingdom, United States of America, Zimbabwe (44). In addition, the following States, members of WIPO but not members of the Committee, were represented as observers: Algeria, Australia, Bahamas, Belgium, Burundi, Colombia, Cyprus, Dominican Republic, Finland, Gabon, Georgia, Haiti, Indonesia, Ireland, Israel, Kazakhstan, Kuwait, Latvia, Montenegro, Nicaragua, Peru, Philippines, Portugal, Qatar, Serbia, Thailand, United Arab Emirates, Venezuela (Bolivarian Republic of), Yemen (29).

ITEM 1 OPENING OF THE SESSION

4. The Chair opened the twenty-seventh session of the Program and Budget Committee by recalling the progress made at the Committee's July session and reiterating the need to reach conclusions and decisions on the remaining items. The Chair hoped that the week ahead would be productive, and invited the Director General to present his opening comments.
5. The Director General welcomed the opportunity to say a few words, especially on the presentation of the Proposed Program and Budget for the 2018/19 biennium. The Director General recalled that there were two sessions of the Program and Budget Committee in the current year and that considerable ground had already been covered in the first of these sessions. The Director General wished to make a few brief comments on some groups of items. The first category was the Audit and Oversight items, which included reporting by each of the bodies of the Organization's comprehensive oversight architecture. In addition, a report on the implementation of the recommendations of the Joint Inspection Unit, which was one of the oversight bodies for the UN system as a whole, would be presented. The Director General wished to take the opportunity to extend thanks to the Chair and the members of the Independent Advisory Oversight Committee (IAOC), to the Organization's own Internal Oversight Division, and to the External Auditors, in particular, for their extremely valuable contributions to the work of the Organization. The second category of items covered the Organization's programmatic and financial performance in 2016. The Director General recalled that a comprehensive review of the Program Performance Report had been completed in the July PBC, and that the Organization had completed the first year of the biennium with an overall financial result of 32 million Swiss francs, on an IPSAS basis. The addition to the reserves, or the net assets of the Organization, had resulted in the liquidity component of the net assets to rise, and the Organization was on track for meeting the objective of raising the target set for the reserves level from 22 per cent to 25 per cent of biennial expenditure in the future. Since the July meeting, the Organization had received an unqualified audit opinion on its Financial Statements for 2016 from the External Auditors. With regard to the components of the

Organization's income in 2016, the Director General specified that income from the PCT System represented 75 per cent of the Organization's revenue, while the Madrid System and the Hague System represented 16 and 1.3 per cent of overall income, respectively. The Director General pointed out that, despite the fact that the portion of overall income contributed by the Hague System was relatively small, this 1.3 per cent was nevertheless an extremely important component in terms of the overall result, and it could be seen that the percentage contribution from the Hague System was slowly rising. It was expected that, with the new anticipated accessions to the Hague System, this portion would rise further in the future, although it would always remain incomparable in size to the PCT System and the Madrid System. The Director General continued that assessed contributions from Member States amounted to 4.4 per cent of the overall income, while voluntary contributions from the Organization's generous donors amounted to 2.6 per cent, and other income to 1.3 per cent. In terms of registration activity, it had been a very good year for the PCT System, with some 233,000 international patent applications having been recorded. For the Madrid and the Hague Systems, the measures used for financial performance were slightly different from mere applications. The number of applications, of course, was very significant in forecasting workload and future demand; however, for financial purposes, both registrations and renewals were used since, unlike patents, trademarks and designs could be renewed (in the case of designs, for a specified period). In terms of the Madrid System, its contribution was 3 per cent lower in terms of registrations and renewals than the estimated level for 2016 in the approved budget. For the Hague System, the level of registration and renewals was 2 per cent higher than the estimate. The lower number of registrations and renewals in the Madrid System contrasted with the number of applications. So the applications had actually risen, but the number of registrations and renewals was slightly lower than estimated. This was mainly the result of the deployment of a new IT system, which went from a mainframe basis to a desktop basis. Measures to address the lower number of registrations and renewals in the course of the current year had been taken, and there was confidence that any backlog in this respect would be eliminated by the end of the year. So the overall contribution of the registration systems, as could be seen from the result of the prior year, remained extremely significant, and this gave the Secretariat a responsibility to ensure an appropriate level of investment in IT systems for the continued competitiveness of those Global IP Systems. With regard to expenditure in 2016, it could be seen that personnel expenditure represented some 63.1 per cent of total expenditure. This figure was approximately 3.7 per cent higher than in 2015, and this was a consequence of statutory increases such as step increases, the regularization of continuing functions, and an increase in the contribution to after service employee benefits. The Director General added that, in respect of the After Service Health Insurance (ASHI), the Organization stood at a level of funding of approximately 60 per cent. The Organization was vigilant in relation to this obligation, seeking to ensure that it could make additional contributions wherever possible. In terms of the outlook for 2017, and bearing in mind that it was only the month of September, the Organization expected an overall result which would be commensurate with the overall result achieved in 2016. This would enable the Organization to end the biennium on a very good note. Turning to the Proposed Program and Budget for 2018/19 and the Capital Master Plan, the Director General recalled that the first comprehensive reading of the Program and Budget had been completed in the July meeting of the PBC, and that the proposal forecasted an estimated increase of 10.4 per cent in income for the biennium. Noting that the recent decision of the ICSC on the post adjustment multiplier was relevant to personnel expenditure and was of concern to all Member States, the Director General recalled that the most recent decision of the ICSC had been taken in Vienna, and that it included a reversal of the previous decision on what had been referred to as the "gap closure". This most recent decision foresaw a transition period for the application of the new post adjustment multiplier until February 2018, and a gradual time phasing of the adjustments as from February. The Director General was aware of the request from many Member States to provide a precise estimate of the impact of this decision and to ensure that the Organization respected its responsibilities in relation to the UN Common System. The Secretariat was, however, unable to provide a precise estimate of the impact of the ICSC decision yet. On the basis of consultations with the ICSC, the Secretariat expected

that in the months until February 2018, further adjustments would be made including an adjustment of the comparator that was used for determining the level of remuneration for the international civil service. Therefore, as a consequence, the precise figures remained unquantifiable for the time being. Although there were estimates that the impact would lie between 1.5 and 3 per cent, this was contingent upon the occurrence of certain things such as, for example, any adjustment to the comparator. The Organization had an interest in ensuring the integrity of the UN Common System. Staff had an interest in transparency and accuracy of the methodology that was applied to determine their remuneration, and management had a responsibility of due diligence to ensure that the methodology applied was accurate, and that it was transparent and communicable to the staff. At that stage, the Organization was going through the due diligence exercise. There were multiple references in the Staff Rules and Regulations to the ICSC in terms of the Organization's commitment to the UN Common System, its obligations to the System and conformity with the standards set by the ICSC. In conclusion on the ICSC decision, the Director General noted that the added paragraphs in the Proposed Program and Budget document provided a basis for calculating the range of the potential impact of the ICSC decision on the planning assumptions used in the Program and Budget, which was a financial planning document. It was a document that set out an estimate of the revenue that would be derived as well as estimates of expenditure in respect of which the Organization was requesting the authorization of the PBC. Moving on to some of the details of the Program and Budget, the Director General had mentioned that it foresaw an overall increase in revenue of 10.4 per cent, which was quite a significant amount, and which would take the biennial revenue of the Organization over the 800 million Swiss francs mark for the first time, to an estimated 826 million Swiss francs. PCT income alone would represent some 76.7 per cent of that revenue, based on the Chief Economist's forecasts for revenue, for which historical data from the principal filing IP Offices, the principal sources of PCT international applications, together with the GDP forecasts of the IMF, were used. The Director General wished to add a note of caution in respect of the global economy. Of course, the performance of the PCT and the other Global IP Systems depended very much on the performance of the global economy, although it had been noticed, since the global financial crisis, that to some extent intellectual property activity was countercyclical. So to some extent, despite movements in the economy, growth rates in intellectual property had remained consistent. This was due, amongst other things, to the change in the geographical composition of the demand for the Global IP Systems of the Organization. There were signs that the degree of economic risk may be decreasing in the global economy and this could be seen in some indicators. For example, for the first time since the global financial crisis, all of the OECD countries were in a growth situation. On the other hand, there was still financial risk, notably the degree of fiscal space that was available for central banking authorities, in particular, in the event of any sudden downturn in the global economy. At the same time, it was fair to say that the level of political risk had risen. So while there were some comforting signs for the performance of the global economy, there were also some signs that lead to the continuation of an extremely cautious approach to planning assumptions for the upcoming biennium. On these planning assumptions, the Director General noted that, while income was expected to rise by 10.4 per cent, it was proposed that expenditure would rise by only 2.7 per cent, which was a prudent approach. The personnel component would rise by only 0.8 per cent, and the Director General considered that this was a good achievement, which was due to the dividend paid in respect of the investments that had been made in efficient and resilient ICT systems that underlay the delivery of the Global IP Systems. No new posts were being proposed, and this was the fifth consecutive biennium in which the position of not proposing any new posts had been maintained. Non-personnel expenditure was being proposed at 265.9 million Swiss francs. Development expenditure, which was now being estimated for the first time in accordance with the new definition, would amount to 18.3 per cent. The Director General noted that this was not comparable to any figures for preceding biennia, since it was based on a new definition that was being applied for the first time. On the Capital Master Plan, the Director General recalled the endorsement of the projects for the forthcoming biennium, which were being proposed at 25 million Swiss francs, at the July session of the PBC. These projects covered premises, safety, security, and ICT: all

major capital items that were of concern for the Organization. The proposal was in full compliance with the Organization's reserves policy that was in force. The Capital Master Plan was an extremely important instrument in ensuring the timely planning of required capital investments, to ensure that WIPO remained able to carry out its mandate and was competitive, in particular, in the Global IP Systems. It reduced the need for reactive or emergency repairs which tended to be much more expensive than capital investments planned in advance, and it eliminated or mitigated environmental safety, security, and health risks for everyone. Finally, on the financial management proposals, the Director General expressed appreciation for the positive recommendation of the changes proposed to the investment policy that was considered at the previous PBC meeting. The Secretariat had also prepared a proposal for amendments to the Financial Regulations and Rules that would strengthen the procurement framework that had been recommended for approval. Now there were a small number of changes remaining, proposed by the Secretariat, which would streamline financial reporting and help to improve consistency and accuracy in the Financial Regulations and Rules. These had been reviewed by the IAOC in accordance with the decision taken by the previous PBC. Finally, the Organization was well aware of the importance of the item on External Offices that was on the agenda of the meeting, and this was a decision that was very much in the hands of Member States.

ITEM 2 ADOPTION OF THE AGENDA

6. Discussions were based on document WO/PBC/27/1 Prov.4.

7. The Chair introduced the draft agenda and explained that in order to facilitate the Program and Budget Committee's discussions, the agenda items in the document had been grouped into six segments: Audit and Oversight; Program Performance and Financial Reviews; Planning and Budgeting; Progress Reports on Major Projects and Administrative Matters; Proposals; and items following decisions of the 2016 Assemblies of WIPO Member States and PBC 26. As there were no comments, the decision was gavelled.

8. The Program and Budget Committee (PBC) adopted the agenda (document WO/PBC/27/1).

9. In introducing the tentative timetable, the Chair announced that the tentative agenda planning had taken into account a calculation of the necessary time allotted to each item and that the aim was to have a balanced discussion of all items. The timetable, continued the Chair, followed the order of the agenda items. In accordance with the tentative agenda, the first day of the meeting would be devoted to discussion of items 3 to 5 under the Audit and Oversight heading. The discussion of Audit and Oversight matters would continue on Tuesday morning with agenda item 6, followed by agenda items 7 and 8, under Program Performance and Financial Reviews. item 9 (Proposed Program and Budget) would be taken up on Tuesday afternoon and continued on Wednesday morning. On Wednesday afternoon items 10 and 11 would be considered and the discussion on new External Offices would begin on Thursday morning. Any pending items would be dealt with on Thursday afternoon. If discussions on a particular topic were not concluded in their allocated time, discussion on the next item on the agenda would follow, and any outstanding discussions would be dealt with at a later stage. If the examination of an agenda item was finished before the scheduled time, the next item of the agenda would be brought forward. The Chair stated that the morning sessions would start at 10 a.m. until 1 p.m. and then go from 3 p.m. to 6 p.m. Taking into account that the agenda was very heavy and the delegations would be able to make contributions to all items when they came up for consideration, the Chair asked the different groups and Member States wishing to make general statements to very briefly cover the essential points of those statements and provide a complete version of their remarks in writing to the Secretariat for inclusion in the verbatim report. The Chair invited the Regional Groups to make their statements.

10. The Delegation of Japan, speaking on behalf of Group B, expressed its gratitude to the External Auditor, IAOC and IOD, all of which played an essential role in the audit mechanism for

the Organization, as well as for their continuous work and reports to the Committee. In order to save time for the heavy agenda, the Group wished to leave its comments for later on under the respective agenda items. It hoped and believed that, with the guidance of the Chair, the collective efforts could be crystalized into a positive outcome of the session towards the ultimate goal of the budgetary process, namely, the approval of the budget for the upcoming biennium.

11. The Delegation of Senegal, speaking on behalf of the African Group, said that, in addition to the important items that had been considered during the 26th session of the PBC in July, the Committee now had to deal with other essential matters, in particular, the report from the Independent Advisory Oversight Committee, the report by the External Auditor, the report by the Director of the Internal Oversight Division, the progress report on the implementation of the Joint Inspection Unit's (JIU) recommendations and the progress report on an Enterprise Resource Planning (ERP) System. The African Group noted that amendments had been made to Programs, 3, 4, 5, 8, 13 and 30 to the Program and Budget for the biennium 2018/19, as well as items under the Capital Master Plan, which really focused on three pillars, information technology, buildings and security systems. Many Programs concerning the PBC were still open and the African Group was particularly attentive to the allocation of resources linked to development. It wanted to strengthen the implementation of concrete efforts for development as per the 2030 agenda for Sustainable development. The Group considered that the Program and Budget was ambitious and that it aimed at meeting the many needs of Member States, which was an essential part of the Organization's work in order to have an optimal achievement of the strategic objective of WIPO. The African Group wished to express its concern due to the drastic reduction in many Programs of resources allocated to Expected Results I.2 and III.2, with respect to legislative, regulatory and political frameworks, as well as the enhancement of human resources to meet the very needs and terms of the efficient use of intellectual property for developing countries, transition economies and LDCs. This was also the case for the absence of budgetary forecasts under Expected Result III.4, which had to do with the cooperation agreements with the developing countries, LDCs and countries in transition. The Group reiterated its very positive opinion of the quality of the different candidates for External Offices of WIPO, as well as the excellent presentations that had been made during the 26th session on that subject. It wished to encourage the development of the administrative network of WIPO, which would allow better coverage around the world. It was fully committed to actively participating in any process which would lead to a conclusion acceptable to all. The African Group hoped that this 27th session would come up with recommendations that would demonstrate its commitment to participating in these different items of the agenda.

12. The Delegation of Indonesia, speaking on behalf of the Asia and the Pacific Group, expressed its hope that the material before the Committee would enable Member States to take stock of the current situation and provide an opportunity to put forward ideas and recommendations which would help towards further the optimization of the functioning of the Organization. With regards to Audit and Oversight matters, the Group took note of documents WO/PBC/27/2, WO/PBC/27/3, WO/PBC/27/4 and WO/PBC/27/5. It was delighted to learn that the IAOC was satisfied with the IOD's utilization of resources available to achieve adequate oversight coverage, and it acknowledged the quality of the oversight report. In line with the IOAC report, the Group was satisfied with the external audit and internal audit and pleased that WIPO continued to receive an unqualified audit opinion. The Group looked forward to hearing the IAOC, the external auditor and the IOD. With regard to program performance and financial reviews, the Group thanked the Secretariat for document WO/PBC/27/6 on the Annual Financial Report and Financial Statements of 2016 and was happy to learn that there was a healthy surplus in the net assets. It also took note and had studied document WO/PBC/27/INF/1 on the Annual Report on Human Resources, and thanked the Secretariat for the preparation of this document. With regard to geographical diversity and gender balance, the Group would welcome any extra efforts to balance geographic diversity in the workforce. Having completed the first reading of the Draft Proposed Program and Budget for 2018/19, the Group felt optimistic that the discussion, comments and recommendations, including possible amendments of the document that would be made during this session of the PBC, would lead to

a very good Program and Budget for the upcoming biennium. The Group took note that the modification proposed and the program narrative and results framework in Programs 3, 4, 5, 8, 13 and 30 had been reflected. The Asia and the Pacific Group was hopeful that the Committee would be able to resolve the outstanding issues for consideration, namely in Programs 9, 10, 15, 20 and 32. The Group also looked forward to discussions on a number of issues including on the proposal to decrease the contributions by 10 per cent and the Union methodology for the allocation of income and expenditure by Union and felt that the Committee would be able to find resolutions for all outstanding issues. The Group was happy to see that the maintenance of the competitiveness of the Global IP System would continue to be a principal focus for the upcoming biennium. This highlighted the fact that WIPO's work should not be planned with a silo perspective. The Delegation acknowledged that structures allowed for greater efficiency in utilizing expertise at hand, but in order for WIPO to fully serve its function to deliver Global IP Services to protect inventions, trademarks and designs globally, decisions and planning needed to be conducted across silos. The Group was pleased that provision had been made for the convening of a Diplomatic Conference, or Diplomatic Conferences, should agreement be reached in mature areas of discussions. It also appreciated the fact that the Proposed Program and Budget had allowed for the development dimension to be integrated into all Programs of the Organization. The Group supported the continuing prioritization of the development dimension for the Organization, including efforts to feature the Sustainable Development Goals in program design and delivery. The Group would contribute constructively to achieve mutually agreed outcomes and decisions including on the Capital Master Plan as well as the discussion on the Financial Regulations and Rules. On the discussion on the opening of new WIPO External Offices, the Asia and the Pacific Group would remain constructive. The Guiding Principles for External Offices, pointed out the Group, had been approved after a diversity of views had been expressed on the subject. With six applicants, the Group stood ready in a constructive spirit to reach decision on the methodology to decide on the opening of new WIPO External Offices based on mutual respect among Member States.

13. The Delegation of Georgia, speaking on behalf of the Central European and Baltic States Group, believed that the Committee would progress under the leadership of the Chair and recommended the approval of the budget to the General Assembly. The Group thanked the Secretariat for preparing the relevant documents in a timely and professional manner. Along the same lines, it thanked the Secretariat for the modifications to be made to the Draft Program and Budget for the 2018/19 Biennium as proposed by the Member States during the recent PBC session and wished to express its support of the proposed document. The Group took note of the comments provided by the Secretariat in respect of the ICSC decision requested by the recent PBC. Along the same lines, it wished to stress that it trusted and respected the commitment of the Secretariat in this particular matter. The Group wished to thank Director General, Mr. Francis Gurry, for his comments about the current situation in respect of the ICSC decision and its possible implications. The Group wished to emphasize that it was in favor of offering competitive conditions to retain a qualified workforce in WIPO to provide high-quality services based on the specificity of the Organization. The Group wished to reiterate that it was continuing to explore the possibilities that WIPO offered through the technical assistance initiatives. As it had been observed, there was a growing demand in the region to improve the participation in the different WIPO activities serving to develop regional cooperation and implement technical assistance initiatives and demand-driven projects. The Group wished to commend the work of the Department of Transition and Developed Countries under Program 10 and Program 30 and of the WIPO Academy under Program 11 and urged activities to continue in the same professional manner. Along the same lines, the Group looked forward to constructive discussions on the outstanding issues according to the list of decisions contained in document WO/PBC/26/11. The Group appreciated the progress made in the implementation of the HR strategy in 2017, which had resulted in a number of improvements and wished to commend the work of the Secretariat towards continuing to achieve greater flexibility in the composition of its workforce. As diversity of the workplace was a strategic business imperative for WIPO, the Group wished to see more nationals from the unrepresented and underrepresented Member States amongst WIPO staff. In respect of the WIPO External

Offices, the CEBS Group wished to reiterate its support of the Guiding Principles agreed at the 2015 General Assembly stating that, besides corresponding to the actual needs of the Organization, the priority should be given to regions without any External Office and equitable geographical distribution should be considered and respected. In this context CEBS wished to draw the attention of Member States to the fact that CEBS remained the only region without any External Office and that Romania had submitted its candidacy to host a WIPO External Office.

14. The Delegation of China was pleased to see that, with the improving trend of the world economy, WIPO maintained a healthy situation. By the end of 2016, WIPO had an operational surplus of 32 million Swiss francs and its net assets had achieved a record high of over 310 million Swiss francs, laying a solid foundation for WIPO's future development. However, as Dr. Gurry had pointed out, some deeply rooted problems in the world economy still had to be addressed and there were still many uncertainties threatening world economic stability, all of which required a forward looking approach by WIPO in strategic planning and daily operations in order to expand and administer the global IP service systems and to focus on IP service users to improve service levels. The Delegation continued by saying that the development division should be put at the core of WIPO's activities so that the IP system could benefit more people in a balanced and efficient way. WIPO should continue to focus on workforce training and development, as well as databases development so as to maintain WIPO's competitive position and achieve modernization. Concerning the Draft Proposed Program and Budget 2018/19 that continued to be discussed at the present session, the Delegation expressed its satisfaction with the revisions made to the draft by the Secretariat based on Member States' comments. This draft, considered the Delegation, would help to guide WIPO's activities in the forthcoming biennium and was therefore of vital importance. The Delegation hoped that it would engage in constructive discussions on the draft at the present session so as to facilitate its adoption. At this session, continued the Delegation, discussions would include the external auditor's reports and the progress report on the implementation of the JIU recommendations as well as other audit and oversight issues. The annual HR report would also be presented and discussions on the opening of new External Offices would continue. All of these issues would greatly impact WIPO's activities.

15. The Delegation of Costa Rica, speaking on behalf of the Latin American and Caribbean group of countries (GRULAC), stated that it would be supportive in moving forward with flexibility to recommend the approval of the budget, in particular on the outstanding issues such as Program 15, which was of special importance for the Group. It wished to take the opportunity to restate its willingness to work constructively on the various items on the agenda of the Session. GRULAC supported the development of an ambitious document that could be adopted at the General Assembly the forthcoming month. GRULAC had taken note of the documents submitted for the meeting and commended the Secretariat for all its work and dedication in preparing the documents and for the briefing organized for the various regional groups. In this connection, GRULAC thanked the Secretariat for its efforts to implement the recommendations of the External Auditor, the Independent Advisory Oversight Committee and the Joint Inspection Unit; however, the Group encouraged the Secretariat to update and implement those very important recommendations that had not been completed, such as those relating to Human Resources. GRULAC welcomed the constructive dialogue between the International Civil Service Commission (ICSC) and International Agencies, which had resulted in the new decision to implement the cost of living adjustment with less impact on the professional staff. In addition, the Group welcomed the decision to review the methodology for future decisions of the ICSC. Furthermore, it reaffirmed that a priority issue for GRULAC was that of External Offices. During the previous session of the PBC, GRULAC had endorsed the consensus candidate, commonly known to be Colombia, whose proposal had been formally introduced during the 25th session of the PBC. It was a priority to implement the decision to open WIPO External Offices for the current biennium and the Group wished to recall the contributions that GRULAC had provided throughout this process, including the decision to submit a single consensus application exclusively for the 2016/17 biennium. The Group considered that this should facilitate the discussions and negotiations with a view to making a

decision. In this regard, GRULAC recognized the progress made in previous Assemblies, which had yielded two new External Offices in Algeria and Nigeria, respectively. GRULAC looked forward to continuing this positive trend and, to this end, would direct its efforts to achieving an outcome that was beneficial for all.

16. The Delegation of the United States of America expressed its support of the statement made by Japan on behalf of Group B. This week, considered the Delegation, provided an excellent opportunity to reach agreement on outstanding issues for the adoption of the Program and Budget for the upcoming biennium by the WIPO Assemblies in October. The US Delegation congratulated WIPO on its fiscal strength and continued to support the strategic orientation and Programs of WIPO as set out in the draft documents that had been provided for the Session. The United States, however, remained concerned that WIPO was disproportionately funded by fees collected under the Patent Cooperation Treaty, which made up a full 76 per cent of WIPO's total funding. It was concerned that over reliance on the strength of the PCT system was masking weakness in other income producing systems in the Organization. The Delegation said it had submitted a discussion paper which it hoped would contribute to the ongoing dialogue aimed at addressing the imbalance of WIPO's funding sources, including funding required for the capital improvements outlined in the WIPO Capital Master Plan. The Delegation had submitted that the topic of budget allocation should be a regular item for all sessions of the PBC that would assist WIPO's various Unions and their discussions on fee setting. The Delegation briefly highlighted a couple of budget issues of significant importance to the United States. First, it noted that a provision had been made for a Diplomatic Conference under unallocated costs on page 15 of the Proposed Program and Budget for 2018/19 and that it was mentioned again in the context of the Design Law Treaty on page 30 and the IGC on page 39. The Delegation was not in a position to support the provision for a Diplomatic Conference, unless this was subject to two fundamental conditions. First, any Diplomatic Conference would need to be conditioned on the full participation of all WIPO Member States, and second, any Diplomatic Conference should only be convened by the Director General upon a consensus decision made by all WIPO Member States. The Delegation noted that WIPO took its decisions by consensus except in rare circumstances such as the election of the Director General. It believed that changing the way the decisions were made in WIPO would alter its fundamental character and, in its view, could jeopardize its successful operation. Any results achieved without the support of the full membership would also be suspect. The Delegation could only agree to the provision for a Diplomatic Conference if it was clear that such a Diplomatic Conference was convened after agreement by all WIPO Member States and that it was open to full participation. The Delegation's second point related to ensuring that fees under the Patent Cooperation Treaty and Madrid System were not used to fund any activities of the Lisbon System. The Delegation sought the solution that was achieved two years ago, with the adoption of the current biennium's Program and Budget.

17. The Delegation of Iran (Islamic Republic of) associated itself with the statement made by the Asia and Pacific group. Concerning the Program and Budget, it recognized the astonishing progress made in the prior session of the PBC during the first comprehensive reading of the document. The Delegation looked forward to having fruitful discussions on the outstanding Programs based on mutual understanding. It took note of the reports submitted under Audit and Oversight as well as under Program Performance and Financial Review matters. The Delegation looked forward to listening to these reports which provided qualified information concerning the function and the financial situation of WIPO. Last but not least, with regards to the establishment of the new WIPO External Offices, the Delegation expressed its awareness of the need to engage constructively in the discussion in order to reach an agreement which would be acceptable for all Member States.

18. The Delegation of the Republic of Korea expressed its support of the statement made by the Delegation of Indonesia. The Delegation expressed its satisfaction that despite the economic uncertainty, WIPO was expected to be able to complete the current biennium with the surplus that had been mentioned. This was mainly due to the continuous growth, considered

the Delegation, of the PCT system, adding that full advantage of the increase of international applications to reinforce WIPO's financial stability should be taken. The Delegation believed that all of WIPO's efforts should aim towards its main goals of implementing Global IP Services and harmonizing the IP systems based on effectiveness and efficiency. Therefore, the members of the Program and Budget Committee should extensively review and discuss to find the best ways of ensuring the effective performance of WIPO's Program and Budget. On the Madrid and Hague System, the Delegation said that the international registration system should be made more user friendly for WIPO's sustainability and further development. With this in mind, the Delegation believed it would be in WIPO's best interest to place a greater reliance on customer feedback when determining IP policy. One way was through WIPO's External Offices which reinforced WIPO in the long term by helping to increase the number of IP service users through localized services and face to face customer interaction. The establishment of External Offices should not merely depend on geographical representation, said the Delegation, adding that there should be discussions on future advances on achieving WIPO's goals.

ITEM 3 REPORT BY THE WIPO INDEPENDENT ADVISORY OVERSIGHT COMMITTEE (IAOC)

19. Discussions were based on document WO/PBC/27/2.

20. The PBC Chair invited the Chair of the WIPO Independent Advisory Oversight Committee (IAOC) to introduce document WO/PBC/27/2.

21. The Chair of the WIPO IAOC made the following Statement:

“Firstly, I would like to thank the outgoing members of the IAOC, whose term expired in January, for their service and valuable advice provided during their terms. The Committee wishes them success in their professional and personal lives. I happen to know that two of them will remain close to the United Nations system. So our loss will be the gain of those international organizations.

“The Committee had four in-person meetings during the reporting period, and had a large number of email exchanges to deal with matters of urgency between in-person meetings.

“We have two types of activities, as you will know. There are recurring ones that can be planned in advance and the so-called special projects that are either non-plannable or *ad hoc* in their nature. Out of the recurring activities, I would like to focus on two.

“The first is ethics. As you know, the Committee has been tasked with ethics-related duties. The Chief Ethics Officer is a recurring guest at IAOC meetings and she updates the Committee on ethics-related matters. IOD recently concluded an audit of the ethics framework. The Committee was pleased that the design and the structure of WIPO's ethics framework was assessed as adequate, but we noted that more efforts are required to enhance the implementation of this framework by setting priorities and defining milestones.

“With regard to the IOD, the Committee is pleased with the high quality work that IOD delivered during the period and we would like to thank the Director for his efforts to lead the function. The Committee noted with satisfaction that the activities of the Division were in line with the approved internal oversight plan and the Committee is satisfied that the IOD used the resources available to achieve an accurate oversight coverage and we acknowledge the quality of the oversight reports we reviewed.

“As for the special projects that the Committee undertook during the period, we reviewed and commented on the investigation policy and the investigation manual. You will recall

that, recently, there were changes in the Internal Oversight Charter, and those changes triggered certain changes in the Investigation Policy and the Investigation Manual. We reviewed the policy for publication of oversight reports.

“We reviewed the policy for publication of oversight reports, partly due to feedback from Member States. We had an advisory role in the selection of the External Auditor and reviewed the procurement and the Financial Regulations and Rules recently approved by the previous PBC. We refer other items of the FRR to this session. I would like to thank those who proposed changes or provided feedback of any sort.

“Between meetings we review cases of potential conflicts of interest, and if I may add, this is becoming an increasingly complex and time consuming exercise.

“Additionally, we provided input to the External Auditor in relation to the inclusion of Key Audit Matters in the short term audit report.

“Overall, the Committee is pleased to report to Member States that the oversight system within WIPO works effectively and is capable of safeguarding the operations of the Organization. On behalf of the Committee, I would like to take this opportunity to thank those who have helped with the work of the Committee, the Director of Internal Oversight, the Director General and Management in general.

“If I may add, I will attend the PBC. I will be here during the whole week. One of the main purposes of this is to be available for Member States. So I would like to encourage Member States to come and talk to me while I'm here, for any outstanding matters or past issues discussed by the Committee. Thank you very much, Madam Chair.”

22. The Chair thanked the Committee for their presentation of the report of the IAOC which was contained in the document WO/PBC/27/2, and opened the floor for comments by delegations.

23. The Delegation of Japan, speaking on behalf of Group B, wished to thank the IAOC for its report for the Session as contained in document WO/PBC/27/2. The Group wished to express its gratitude to the IAOC for its essential role in the audit and oversight mechanism of WIPO for the purpose of maintaining the effectiveness, efficiency and relevance of the management and activities of the Organization. The Group appreciated the IAOC's interaction with Member States, in particular through information sessions. It welcomed the interaction between the IAOC and the External Auditor, which would lead to the improvement of the follow-up process for recommendations, and enhanced cooperation. The Group also welcomed the fact that no oversight recommendations monitored by the IAOC had been closed without implementation. The Group closed its statement by thanking the IAOC and expressing its expectation that the IAOC would continue to play a key and active role in the whole audit and oversight mechanism of the Organization.

24. The Delegation of Georgia, speaking on behalf the Central European and Baltic States, thanked the IAOC for the provision of the comprehensive report to the Member States. It was pleased that reports addressed important matters such as reviewing internal oversight, external audit, financial reporting, monitoring the implementation of oversight recommendations, ethics and ombudsperson issues, and assistance to the governance bodies. The CEBS Group was satisfied that IOD used the resources available to achieve adequate oversight coverage and acknowledged the quality of the oversight reports reviewed. The Group was thankful for the level of coordination between external audit and internal audit. It believed that the reviews would reinforce the important role played by the Independent Advisory Oversight Committee and was confident that these types of measures would assist the Organization in fulfilling its mandate in a more effective manner.

25. The Delegation of Senegal, speaking on behalf of the African Group, thanked the Chair of the IAOC for the excellent presentation of the report. The Group welcomed the close cooperation between the IAOC and the IOD and also the collaboration with Member States during the consultation process. It congratulated WIPO which had complied with the rules relating to audit and oversight as set out in the IAOC report.
26. The Delegation of China wished to thank the IAOC for its annual report. It expressed its appreciation for the hard work carried out throughout the year, during which the membership was undergoing important changes and the workload was very heavy. Nevertheless, together with the DG, WIPO management, the IOD and the External Auditor, the close coordination had led to a rather successful outcome. China would continue to support IAOC's work in making sure that the IAOC would further improve its oversight and advisory functions.
27. The Delegation of Brazil underlined the important role of the IAOC for the Organization, as well as its appreciation for the openness of the Committee towards Member States. The current biennium, continued the Delegation, saw the review of the revised Oversight Charter, bringing concrete improvements to WIPO's oversight framework, increasing transparency and stimulating governance. The Delegation looked forward to continuing working with the IAOC in the forthcoming biennium in an effective manner.
28. The Delegation of Australia wished to thank the IAOC for its report and for the valuable contribution it had made in assisting Member States for carrying out the oversight and governance responsibilities. Australia highly valued the role of the IAOC. It noted the comment in the IAOC report regarding the need for additional support to enable it to respond to requests from Member States. The Delegation encouraged the Secretariat to work with the IAOC to see how this request could be accommodated while maintaining the independence of the IAOC. Australia considered that a strong and independent ethics function was of vital importance to WIPO as well as to other UN agencies. Australia noted the findings of the audit, that WIPO's ethics framework was adequate and in line with good practices in the UN system. The Delegation referred to the IAOC's comments in its report regarding the need for more ambitious implementation, target dates for the audit recommendations and also the need for improved priority setting. It encouraged WIPO to take these suggestions on board. The Delegation noted the IAOC's discussion with the Ombudsperson regarding the use of informal conflict resolution problems. It encouraged these efforts and discussions on this issue. Finally, Australia supported effective and transparent protection against retaliation policies and procedures in WIPO that reflected best practices in the UN system. Australia looked forward to receiving comments from the IAOC on the draft revised policy on protection against retaliation.
29. The Delegation of the United States of America supported the statement made on behalf of Group B. The Delegation thanked the IAOC for this informative report and for strengthening the oversight of the Organization. It understood that members of IAOC were experts who served in a personal capacity and that the Committee should be provided with the appropriate resources to fulfill their responsibilities. The Delegation said it would appreciate more details from the IAOC regarding their proposal to be supported by professional level staff. It welcomed the IAOC's perspective as to whether these audits revealed any notable or systemic concerns. The Delegation was pleased that the External Auditor was now using the WIPO's TeamCentral database and welcomed the positive feedback that WIPO received from the JIU. It noted the Audit Committee's view that timely implementation of oversight recommendations could be further improved. The Delegation said it would appreciate the Secretariat sharing any efforts being undertaken in this regard. Lastly, it looked forward to the IAOC's suggestion and feedback on the draft revised policy on protection against retaliation.
30. The Chair of the IAOC did not believe there was any particular question that required an answer but wished to reflect on a few comments. He considered that the most important of these was IAOC's review of WIPO's Whistleblower Protection Policy. The IAOC had received a letter from a group of Member States requesting an expedited review of this document and was

currently looking into ways to see how to assist Member States with this particular policy. The IAOC appreciated the support of the Member States for the request for further support of the Committee and said it would discuss with the Secretariat how to achieve support while maintaining the independence of the Committee and certain confidentiality issues. The Committee was involved in matters where there could be a potential conflict of interest which made it very difficult for the Secretariat to honor this. It was a balancing act and a solution to this had to be found. The IAOC would work on this and come back to Member States with a proposal.

31. As there were no further comments, the Chair proceeded to read out the decision paragraph, which was adopted.

32. The Program and Budget Committee (PBC) recommended to the WIPO General Assembly to take note of the Report by the WIPO Independent Advisory Oversight Committee (IAOC) (document WO/PBC/27/2).

ITEM 4 REPORT BY THE EXTERNAL AUDITOR

33. Discussions were based on document WO/PBC/27/3.

34. The PBC Chair invited the External Auditor to introduce the document.

35. The External Auditor made the following Statement:

“Honorable Chair and Distinguished Delegates, at the very outset, I would like to convey greetings and compliments from Mr. Shashi Kant Sharma. It's my pleasure to present to you the results of the external audit for the World Intellectual Property Organization, for the audit for 2016. The report of the External Auditor, giving important audit recommendations has been presented separately for transition to the General Assembly.

“The audit of WIPO was assigned to the Comptroller and the Auditor General of India for the financial years 2012 to 2017, in terms of approval of WIPO General Assembly's 40th session held in October of 2011.

“The scope of the audit is in accordance with Regulation 8.10 of the Financial Regulations and the Terms of Reference set out in the Annex II of these regulations.

“The audit was conducted in accordance with the International Standards of the Auditing issued by the International Federation of Accountants, that is IFAC and the external auditors of the United Nations its Specialized Agencies and the International Atomic Energy Agency; and in accordance with the Auditing Standards of Supreme Audit Institutions and Regulation 8.10 of the Financial Regulations of the WIPO.

“We had carried out a detailed risk analysis before taking up audits for the year 2016. The risk strategy was formulated to add value to the performance of WIPO while providing independent assurance to the WIPO management. The results of the risk analysis formed the basis of our strategic and annual audit plans.

“Our audit report contains 24 recommendations. The recommendations were finalized after obtaining the response of management on our audit findings and I'm happy to report that WIPO has accepted most of our recommendations.

“Follow up of open recommendations is an ongoing process and the implementation of the recommendations is being monitored periodically. Based on inputs received from the management on implementation of external audit recommendations, we have closed 18 recommendations this year so far. As of date, there are 42 open recommendations pertaining to previous periods.

“In addition to expressing an opinion on the financial statements of WIPO our audit coverage included areas on economy, efficiency and effectiveness of financial procedures, the accounting system, internal financial controls and general administration and management of WIPO. The areas covered by us in this cycle of audit were performance audit of the Hague System and compliance audit of the Other Contractual Services.

“Audit of the financial statements for the financial period 2016 revealed no weaknesses or errors which we considered material to the accuracy and validity of the financial statements as a whole. We have placed an unqualified financial opinion on the WIPO financial statements for the period ended 31 December 2016. I should briefly focus on the audits and the recommendations flowing from them.

“We reviewed outstanding staff advances for education grants at the end of December 2016 and observed that 112,000 Swiss francs were outstanding for more than one year, although all staff members were required to submit their claim for final settlement within four months following the end of the school year or completion of the school year. We recommended that WIPO may take suitable action to adjust/recover the outstanding Staff advances for education grant within the scheduled time.

“As at 31 December 2016, WIPO had a defined benefit obligation of 320.89 million Swiss francs towards ASHI. The liability was recognized to the extent of 154.35 million Swiss francs. In view of this significant unrecognized liability, action needs to be taken at the earliest to formulate a policy for implementation of IPSAS 39, which is going to replace the existing IPSAS 25.

“We encourage WIPO to apply the standard for annual financial statements for the period beginning 1 January 2017.

“Now important recommendations arising out of the audit of the Hague System. We conducted the performance audit of the Hague System to assess whether the systems and the processes were adequate to meet the objective of providing premier Global IP Services to its customers, pertaining to the brands and designs sector.

“We observed that the target for expansion of the Hague System to cover 58 Contracting Parties to the Geneva Act could be achieved only partially covering 51 Contracting Parties by October of 2016.

“We have recommended that the Management may consider having a more targeted strategy for expansion of the Hague System, to developing countries and least developed countries by utilizing the budget allocation for wider and better use of the Hague System.

“We observed that out of seven performance indicators for the biennium 2014/15, targets set in respect of three performance indicators were not achieved. We have therefore recommended that the Management may consider setting up more realistic targets, taking into account the factors outside its control so that they can be pursued proactively.

“The Common Regulations did not provide any timeframe for completing examination of the applications. We noted that the processing of regular applications in 2015 has taken more time as compared to the previous year.

“We have therefore recommended that the Management may consider framing a timeline for examination and processing of applications, as well as realistic enforcement of provisions for abandonment of applications, to introduce more accountability and promptness in the system.

“Even though there was significant revenue deficit over the years, fee structure of the Hague System has not been revised for over 20 years. We have, therefore, recommended that the Management may consider framing an actionable strategy early for making the Hague System self-sufficient and may also consider placing a proposal in the Hague Union Assembly to examine the fee structure periodically.

“We observed that the Hague System has not carried out any comprehensive staffing proposal elucidating the requirements at the professional grade and the general staffing positions in the last five years. We have, therefore, recommended that the Management may consider having a comprehensive plan regarding the short-term, medium-term and long term strategies for human resource management for the Hague System based on appropriate gap analysis and projection of requirements.

“The IT Modernization Program was initiated to minimize operational risks, to derive benefits of a fully functional Design International Registries Information System and to enhance capacity of certain key fields to record sequenced document numbers which was due to hit its limit, imposed by the original design. We noted that the objectives of the IT Modernization project could not be fully achieved, even after eight years from start of the project. We have, therefore, recommended that the Management may consider devising a long-term IT strategy covering needed enhancements such as a higher degree of granularity and maintenance.

“And there are Other Contractual Services. The compliance audit was conducted to assess whether the procurement activities in respect of the Other Contractual Services were performed in compliance with WIPO’s procurement policy, procedures in place and in accordance with good procurement practices. In case of alternative procedures of procurement, we noted that repeated exceptions may give rise to a situation where WIPO had to persist with the same vendor without reaping the benefits of competition in the market. Accordingly, the provisions of Office Instructions and the Procurement Manual needed to be strengthened further by prescribing a maximum period of exceptions after which it should be mandatory to review the exceptions in its totality having regard to the market availability and conditions. We have, therefore, recommended that WIPO may expedite amendment of the Office Instruction and Procurement Manual to incorporate the maximum time period in cases which are exceptions to competitive tendering.

“On a comparative study of WIPO General Conditions of Contracts (WIPO GCC) with those of UN and other UN Agencies, we noted that certain common provisions were not available in WIPO-GCC. We have, therefore, recommended that WIPO may review the existing General /Specific Conditions of Contract and consider incorporation of clauses on non-waiver of rights, severability, most favoured treatment, child labour, sexual exploitation, and fraud or corruption.

“We observed that though Key Performance Indicators were specified for the contracts, the same were not used effectively at the time of renewal of contracts to assess the vendor performance. Further, the method of evaluating the performance of supplier’s through Scorecards/Contract Extension Renewal Form, though initiated, was not robust enough to capture the specific parameters of performance. We have, therefore, recommended that WIPO may negotiate and agree upon appropriate performance criteria at the time a contract is entered into together with a commitment to continual improvement. Vendor Performance may also be an integral part of risk assessment and contingency planning in order to ensure that problems are addressed at the initial stage.

“With respect to risk management, we observed that while the risk register covered the broad areas, the specific risks covering various phases of procurement and management of contracts were not captured through the register. There was no

evidence of mapping of the different business needs of each internal division/sector, classified by priority or risk level or an action plan associated with each existing contract being built in accordingly for the next two years, on a rolling basis. We have, therefore, recommended that risk management may be strengthened by including mitigation measures of specific risks identified after categorization, evaluation and prioritization of risks. These risks may be mapped to the requirements of each Program/Division in the Enterprise Risk Management.

“We noted that, in cases of multiple contracts awarded as a result of single tendering process, there is scope for further negotiations with bidders who were low on technical parameters and high on financial cost parameters. We have, therefore, recommended that in cases of multiple suppliers emerging from a single tender process, WIPO may consider leveraging negotiations by exploiting the technical/commercial parameters in order to get the benefit of more competitive prices for WIPO.

“In conclusion, on behalf of the Comptroller and Auditor General of India and all my colleagues who were deputed to conduct the audit of WIPO, I wish to place on record our appreciation for the cooperation and courtesy extended to us by the Director General, the Secretariat and the staff of the WIPO during our audit.

“I thank the honorable chair and the Distinguished Delegates for providing us the opportunity to present our report before you. Thank you very much.”

36. The Chair thanked the External Auditor for his very complete introduction of the report and invited delegations to take the floor.

37. The Delegation of China thanked the External Auditor for the audit report for the financial year 2016. This report covered financial management, financial issues of WIPO and of the Hague System. It was also the last audit report of the current External Auditor. The Delegation wished to take the opportunity to express its highest appreciation to Mr. Sharma and his team for their dedication and hard work over the years. It also welcomed WIPO's statement of internal control signed by the DG. In the Delegation's view, strengthening the audit function in WIPO would contribute to an effective functioning of the Organization. No doubt, continued the Delegation, the Secretariat would implement the reasonable recommendations proposed by the External Auditor. However, when carefully studying the report, it had noticed some shortcomings in the document. Firstly, on Recommendation 6, the External Auditor had recommended a more targeted strategy for expansion of the Hague System to developing countries and least developed countries, including through publicity, and carrying out surveys to obtain feedback from clients. In the view of the Delegation, the Hague System, as one of the major Global IP Systems of the Organization, was entering an area of new strategic opportunities. A few countries had joined the system recently while many others, including China, were actively considering joining. During this process, publicity and client feedback were no doubt necessary, but in the transformation to a system of more global and wider user coverage, it was equally important to be forward looking. This was fully proven in the development of the PCT and other IP systems. Of course, continued the Delegation, there were many measures to be taken to be forward looking, including the use of the six official UN languages and the new IT platforms for the Hague System, service delivery and management. Secondly, on Recommendation 8, the External Auditor had indicated that no activities were carried out in terms of capacity building related to the Hague System. This was not quite true in the view of the Delegation, which gave the example of China. In 2015, WIPO together with SIPO, held Roaming Seminars on the Hague System in China. Both sides had held many capacity building activities jointly in the past years, targeting Chinese IP users. According to the knowledge of the Delegation, WIPO held many thematic seminars in Geneva every year and this year, during the SCT meeting, such a seminar was held. So the Delegation could say that WIPO had been doing a lot of activities involving capacity building related to the Hague System. Of course, the recommendation of the External Auditor for a two year plan was plausible. This

would improve the capacity building work. Thirdly, added the Delegation, with regard to the Recommendation 10, the refusal of international registrations by national offices may have a potential impact on the Hague System, as well as the Organization. The Delegation suggested that WIPO take measures to lower the number of refusals to a minimum. In the view of the Delegation, considering that the geographical expansion of the Hague System was increasing with an increasing number of Member States and considering that the examination criteria on industrial design was divergent in different countries, more or less, which meant that the legal system was complex and diversified, the international registration may have a greater probability of refusal. Furthermore, continued the Delegation, the application number had grown from 2,990 in 2013 to 5,062 in 2016. Undoubtedly, the increasing number of applications would lead to an increase in the number of refusals, although in proportion, the refusal numbers had increased, but this was, to some extent, the consequence of the expansion of the legal system and the increasing number of applications, it was not directly related to the system or to the WIPO's goodwill. And it should not be considered as a risk. On the contrary, the increased number of refusals might be considered as a sign of further improvement of quality and better IP service system provided by Hague System. Fourthly, said the Delegation, with regard to Recommendation 11, the Auditor had suggested allocating more resources to non-personnel expenditure. In this regard, the Delegation considered that given that the Hague System was in a developing phase and that it was expanding quickly with infinite potential, it was very important to focus on balance in the human resources allocation. In the other part of the report, the Auditor, for example, in Recommendation 13, had suggested increasing the investment in human resources. Therefore, the Delegation wished to ask the Auditor to clarify the relationship between Recommendation 11 and Recommendation 13. Fifthly, regarding the Recommendation 12, the Auditor had suggested revisiting the fee structure of the Hague System, and to reach self-sufficiency. In its statement, the Delegation had already pointed out that the Hague System was going through new historical moments. Simply increasing the fees, considered the Delegation, would discourage new membership and would not encourage old members to better utilize the system. This was therefore short sighted. The Delegation hoped that WIPO, on the basis of its own experience of development, would increase investments, expand and improve the attractiveness of the system and also adopt multiple and comprehensive channels to reach a self-sufficiency goal in this area.

38. The Delegation of Japan, speaking on behalf of Group B, wished to thank the External Auditor for his report on the financial statements, contained in the document, WO/PBC/27/3. The timely submission of the report was also highly appreciated. The Group also thanked the Secretariat for its responses to the 24 recommendations made by the External Auditor. The Group welcomed the fact that many of the recommendations were accepted, and looked forward to the timely implementation of the recommendations.

39. The Delegation of Georgia, speaking on behalf of the Central European and Baltic States Group, expressed appreciation for the work undertaken by the External Auditor and extended thanks for the presentation of findings with respect to the financial year 2016, including the audit of the financial statements of WIPO, performance audit of the Hague System and compliance audit of the Other Contractual Services (OCS). The Group was pleased to see the positive outcome with regard to the Financial Statements for 2016. At the same time, it took note of 24 specific recommendations on a number of other issues made by the External Auditor to the Management of the Organization and agreement and acceptance of most of these by the Organization. The Group looked forward to seeing the implementation of the recommendations received from the External Auditor with a view to achieving continuous improvement, as internal control was critical in terms of ensuring effective functioning of the Organization. The Group further noted, with satisfaction, the steps taken by WIPO for implementing new IPSAS 39 and that the financial transactions were conducted in accordance with the WIPO Financial Rules and Regulations. In this respect it commended the work of the Secretariat.

40. The Delegation of the United States of America supported the statement made on behalf of Group B. The United States wished to thank the Comptroller and the Auditor General of India

for its hard work. It welcomed the clean audit opinion of the audited financial statements. WIPO, continued the Delegation, was in a unique position compared to other international organizations given the availability of reserve funds with which to finance projects. Reviews were an important part of WIPO's oversight structure to ensure that funds were used in the most efficient and effective manner, said the Delegation. It encouraged the Secretariat to adopt these recommendations as soon as possible and took note of the number of good recommendations, trusting that the Secretariat would fully implement these recommendations.

41. The Delegation of the Republic of Korea extended its thanks to the External Auditor. The Delegation was satisfied with the activities and the report of the External Auditor, in that it gave the Delegation the opportunity to analyze various aspects of the audit issues. Within the allocation of WIPO resources, the Delegation noted that a substantial portion of 63.1 per cent was recorded to be personnel expenditure. In accordance with the recommendation set forth by the External Auditor, a restructuring of the budget was advisable to address this imbalance of allocation. The Delegation considered that making more resources available to IT promotion, education, and so forth would contribute to the achievement of WIPO goals. It was especially meaningful to consider an increase in the budget for outreach activities for the PCT, Madrid and Hague Systems. The Delegation expected the Secretariat to fully implement all of the External Auditor's recommendations or at least try to follow the underlying intent of the recommendations.

42. The Delegation of Japan, speaking in its national capacity, welcomed the fact that the financial statements had been appropriately prepared by the Secretariat and that an external audit was conducted appropriately by the External Auditor. The Delegation also appreciated that the Secretariat was willing to consider most of the recommendations made by the External Auditor. It looked forward to the Secretariat making continuous improvements to render the Organization more efficient and effective by addressing such reliable recommendations.

43. The External Auditor thanked all Delegations and Groups for their comments. In responding to one of the comments from China, the External Auditor noted that that year's audit would not be the last audit, as there would also be an audit for the 2017 financial year. With regard to the performance of the Hague System, it had been mentioned that there was a slight imbalance between personnel and non-personnel expenditure, and the External Auditor in fact agreed with the Delegation of China that there had to be a balance. With regard to capacity building, the External Auditor remarked that there had been many study tours, and the like, but there had not been much follow up in this regard. Further, the External Auditor had also observed that there was a big gap between the revenue and expenditure of the Hague System. The External Auditor felt that there should be a match between revenue and expenditure, which was why it had recommended that the Assembly of the Hague Union may consider a review of its fee structure.

44. Seeing that there were no more comments, the Chair read the decision paragraph, which was adopted.

45. The Program and Budget Committee (PBC) recommended to the WIPO General Assembly and other Assemblies of the Member States of WIPO, to take note of the Report by the External Auditor (document WO/PBC/27/3).

ITEM 5 ANNUAL REPORT BY THE DIRECTOR OF THE INTERNAL OVERSIGHT DIVISION (IOD)

46. Discussions were based on document WO/PBC/27/4.

47. The Chair opened agenda item 5 explaining that, in accordance with the WIPO Internal Oversight Charter, the Director of the Internal Oversight Division (IOD), was to submit, on an annual basis, a summary report to the Program and Budget Committee providing an overview of

the internal oversight activities conducted during the reporting period July 1, 2016 to June 30, 2017. The Chair invited Mr. Singh, the Director of IOD, to present the status Report as provided in document WO/PBC/27/4.

48. The Secretariat reported that in line with paragraph 44 of the Internal Oversight Charter, it was pleased to present an overview of the oversight activities undertaken by the Internal Oversight Division (IOD) during the reporting period, July 1st 2016, through June 30th, 2017. The annual report was included in the documents presented to the Program and Budget Committee and the WIPO General Assembly. IOD continued to enhance its policies and procedures by revising them to align them with good practices. Following the revision of the Internal Oversight Charter, in October 2016, the Investigation Policy and Manual were revised following consultations with the Independent Advisory Oversight Committee (IAOC) and WIPO Management, to be aligned with the amended charter. Both documents were adopted in February of 2017, further to the consideration of comments from Member States. The IOD report publication policy was published on June 7, 2017, also after consideration of comments from Member States. The IOD Oversight Plan for 2017 had been prepared taking into consideration a number of factors including: risk ratings; relevance; country impact; the oversight cycle and; feedback received from WIPO Management, Member States, and available resources. In line with paragraph 26a of the Charter, prior to its finalization, the draft Oversight Work Plan was also submitted to the IOAC for its review and advice. At the reporting date, IOD had fully implemented the 2016 oversight plan and the implementation of the 2017 Work Plan was on track. During the reporting period, IOD audits and evaluations covered the following key operational areas: WIPO Lex; Project Management; Enterprise Risk Management; the Ethics Framework; the Madrid Registry; Payroll; Procurement processes, policies and procedures; International Union for protection of new varieties of Plants; Program 13 on WIPO Global Databases and Program 12 on International Classification and Standards. IOD had also issued three internal memoranda summarizing the work done using data analytics as part of the regular, continuous audit work, the results of which was shared with management. During the reporting period, IOD recorded 24 new investigation cases and 27 cases were closed. IOD issued five Investigation Reports and three Management Implication Reports during the period. Complaints of insubordination and other inappropriate behavior, alleged harassment, abuse of work time, unauthorized outside activities, as well as benefits and entitlements fraud, constituted 62 per cent of the investigative cases. The average time to complete an investigation was currently 6.3 months. As part of the ongoing efforts to better explain and advocate for the internal oversight function, IOD had continued to reach out to colleagues within WIPO through presentations given to new staff in the induction training; the IOD newsletter; the IOD Dashboard and presentations to Directors and Senior Managers as and when required. IOD had continued to seek feedback from colleagues on the quality of its oversight work through client satisfaction surveys after each assignment. The analysis of consolidated survey results indicated an average satisfaction rate of 86 per cent for post assignment surveys and 85 per cent after one year of service. The survey results gave IOD the opportunity to assess the impact of IOD work on improvements, in systems, policies and procedures and processes. The additional comments sent by the audited/evaluated units through the surveys had helped IOD identify opportunities for improvement. IOD continued to manage and report on recommendations using the web based Team Central system, which enabled interactive dialogue with Program Managers and their delegates for an effective follow up of implementation of open recommendations. This was a very interactive process and constant dialogue took place throughout the year, since Team Central was accessible, by IOD, WIPO colleagues, and the External Auditor. At the date of the present report, there were 193 open recommendations including 99 of high priority and 94 of medium priority. IOD recommendations constituted 75 per cent of all open oversight recommendations. During the reporting period, 91 new recommendations were added and 59 recommendations were verified and closed as implemented. The Secretariat further mentioned that IOD had initiated a project for enhancing reporting on recommendations, and had provided management with relevant information on recommendations through the Business Intelligence dashboards. In addition to its planned oversight work, IOD continued to provide professional advice on organizational

policy and procedures, risk management and internal controls. IOD had provided advice and comments on new or revised policies and procedures and business processes to Management, which had helped establish key controls to mitigate potential risks before final implementation. Annex two of the Annual Report provided the list of policy and procedures in nine areas for which IOD had provided advice. To discharge its mandate, IOD had been provided with a budget of 5.45 million Swiss Francs, which represented 0.77 per cent of WIPO's budget. Overall, the level of current human and financial resources had been adequate for IOD to effectively cover the high priority areas as identified in its Work Plans. Exchange of oversight plans and continuous coordination of oversight activities with the External Auditor, as well as effective use of IT tools, had also helped to achieve more efficiency and effective coverage of risk areas. Changes in IOD staffing had been effectively managed with a view to minimizing their impact on planned oversight activities. The recruitment process for the Head of the Evaluation Section and an Internal Auditor had been completed and the selected incumbents had taken up their duties in September and August, 2017, respectively. Following the movement of the Head of the Internal Audit Section to another International Organization as Director of Internal Oversight, the recruitment process for this post had been initiated. IOD had maintained an excellent working relationship with the External Auditor by having regular meetings on audit, internal control and risk management issues. The External Auditor and IOD had shared strategies, annual plans and individual reports with a view to ensuring efficient oversight coverage while avoiding potential duplication and oversight fatigue. IOD had cooperated closely with the Ombudsperson and the Chief Ethics Officer to ensure good cooperation, coordination and complimentary support. IOD had further continued its interaction with the IAOC discussing oversight results and had benefited greatly from the IAOC's valuable advice and support which had helped to improve IOD's overall functioning and quality of its work. Having concluded its remarks, the Secretariat thanked Delegations and stated that it was available to answer any questions or receive any comments that Delegates would have.

49. The Delegation of Japan, speaking on behalf of Group B, expressed Group B's appreciation of the continuing efforts of IOD, in cooperation with the IAOC and the External Auditor, to achieve its crucial role in ensuring effective internal controls and efficient use of resources in WIPO. In this regard, Group B thanked IOD for the Annual Report contained in document WO/PBC/27/4. The Report gave a comprehensive overview of the Organization's functions and the Group considered it a valuable source of information, as well as a point of reference throughout the year. Group B welcomed the fact that various activities had been undertaken by IOD in a positive and independent manner.

50. The Delegation of Georgia, speaking on behalf of the CEBS Group, thanked the Director of the Internal Oversight Division for its Annual Report. The Group highly valued the activities undertaken by the Division and believed that it contributed towards continuous improvement of the effectiveness and transparency of the Organization. The Group welcomed the results of the audit and evaluation activities that had taken place during the year and expected that the Secretariat would implement the recommendations in a timely manner. The Group wished to encourage the Secretariat to implement the 193 open recommendations, particularly the 99 high priority recommendations regarding oversight. The CEBS Group also acknowledged that a number of activities deployed by the Secretariat required further improvement. As had already been said, the Group believed that such reporting could contribute to the improvement of the management of various activities of the Organization, and looked forward to noting the implementation of those specific recommendations.

51. The Delegation of China thanked IOD for the annual report. The Delegation highly valued WIPO's internal oversight activities as efficient and transparent: internal oversight could help WIPO achieve its strategic Goals and improve management. The Delegation of China believed that over the past year IOD had made good progress in audit, evaluation and oversight activities and had achieved satisfactory results. IOD had also stepped up its cooperation with the IAOC and the External Auditor. The Delegation of China expressed its satisfaction with

IOD's overall work over the past year and hoped that the Secretariat would actively implement the recommendations contained in the Report.

52. The Delegation of Turkey, taking the floor for the first time, congratulated the Chair on her chairmanship and aligned itself with the statement made by Group B. The Delegation thanked IOD for the Report and the work carried out during the reporting period which the Delegation believed was important for the well-functioning of the Organization. As regards the specific reports and the key findings and recommendations in them, the Delegation of Turkey wished to highlight the following: the further improvement of WIPO Lex and the recommendations regarding this were welcomed. The Delegation believed that the data shared through WIPO Lex should always be reliable and necessary tools should be developed to this end; regarding the Madrid Registry, the recommendations of IOD were believed to help further strengthen the Madrid System. Similarly, the recommendations on Program 13 and 12, Global Databases and the Classification Systems respectively would certainly further enhance the effectiveness and performance of these Programs.

53. The Delegation of the United States of America supported the statement made on behalf of Group B. The Delegation appreciated the hard work of the Internal Oversight Division and encouraged the Director General to implement IOD's recommendations in a timely manner. In particular, the Delegation was pleased that the audits of the WIPO Enterprise Risk Management and Ethics Framework revealed that WIPO was on par with other United Nations systems and international organizations in those areas. The Delegation looked forward to the implementation of the recommendations from those audits and continued efforts to strengthen the WIPO Enterprise Risk Management and Ethics Framework. The Delegation thanked the Secretariat and IOD for their efforts to implement and close audit recommendations. It was noted, however that a number of recommendations from 2011, 2013 and 2014 were still open and the Delegation stated it would appreciate more information about the efforts being made to close those recommendations. The Delegation noted that one recommendation had been considered closed based on Management accepting the risk related to Home Leave entitlement and requested information on the reason for accepting this risk and the risk level. Lastly, referring to the five investigations on hold, the Delegation of the United States of America asked how IOD planned to handle these investigations moving forward.

54. The Delegation of the Republic of Korea expressed appreciation for the efforts of the Internal Oversight Division. In general, the Delegation was pleased with the recommendations of IOD in various fields and was grateful to IOD for their efforts at cooperation with the external oversight functions. IOD's regular sessions with the IAOC for discussion and feedback had contributed to the continuing good working relationship, as cooperation was an important aspect and useful collaboration would be important to sustain these important networks with such organizations and other UN system organizations and entities. In addition, the Republic of Korea took note of the training activities of IOD staff stressing that effective training was a prerequisite for the quality of internal oversight action. The Delegation requested IOD to continue to strengthen the training activities of IOD personnel.

55. The Delegation of Japan, speaking in its national capacity, thanked the Secretariat for the detailed report which provided a comprehensive overview of IOD's oversight work. The Delegation believed that the Secretariat had taken appropriate steps to address the recommendations by IOD.

56. The Delegation of Canada expressed its support for the statement made by Group B on this issue. Like previous Delegations, the Delegation of Canada wished to thank IOD for their reports and for their work in general and thanked the Secretariat for the presentation that morning. Canada would welcome any additional details from IOD and/or the Secretariat regarding the audit of Project Management, including, or particularly with regard to, the recommendation whereby the WIPO project management stream work should be, (quote), "aligned" with the WIPO results framework. Secondly, the Delegation wished to support IOD

recommendations, regarding the WIPO Ethics Framework, particularly with regards to the updating of the WIPO Financial disclosure policy and the WIPO policy and protection against retaliation, noting that some of this was a Member State task at this point. The Delegation suggested that the Secretariat consider implementing certain recommendations such as regarding the need for more effective communications in a horizontal manner seeing that these recommendations were not specific to particular Programs or initiatives. On WIPO Lex, as the Delegation of Turkey had also mentioned, the Delegation was surprised, as a significant user of WIPO Lex, to see IOD note of serious concern about the quality of data. The Delegation would be interested to hear more on this from IOD or the Secretariat. The Delegation of Canada wished to briefly place on record the fact that Canada welcomed the External Auditor's attention to procurement issues in recommendation 16 to 23 and particularly recommendation 19 on child labor and corruption.

57. The Delegation of Brazil thanked the Secretariat for preparing the report. The Delegation, noting that the selection process for IOD Director had successfully concluded last February, welcomed the Director, IOD, to the Organization. The Delegation requested further clarification on the WIPO Lex issues, mentioned by the Delegations of Canada and Turkey, as the Delegation was also interested in exploring ways to improve it and the information contained in it. The Delegation noted a reduction of pending cases of investigative issues, in the last year returning to 2014 levels, and in this sense, the Delegation stressed the importance of the timely conclusion of those investigations. However, in general, the Delegation was pleased with the recommendations contained in it and supported the continuous work of IOD.

58. The Secretariat (Director of the IOD) thanked the delegations for their comments, which encouraged and supported IOD to continue to improve its work. Referring specifically to some of the issues raised by the Delegation of the United States of America, IOD would come back with a detailed response on how the Organization proposed to address the risk level in relation to the Management Implication Report. Furthermore, on the five investigations which were on hold, the Secretariat would provide the Delegation of the United States of America with this information separately. Speaking to the Delegations of Canada and Brazil, the Secretariat was pleased to hear of the appreciation for its work on the audit of WIPO Lex and would provide more detailed information on what the audit findings and recommendations were on this Program. The Secretariat would also share this in detail separately.

59. The Secretariat further took the floor to make a general statement which also encompassed the two previous agenda items. The Secretariat wished to thank the WIPO Oversight Bodies: the IAOC; the External Auditor; and the Internal Auditor, for the active engagement made with the Secretariat in a continuous fashion. Ultimately, it was about being responsive and maintaining a dialogue and the Secretariat was pleased to say that there was continuous dialogue and that the various reports which Delegations had received that morning showed and attested to the fact that the Secretariat, led by the Director General, were accepting recommendations and trying to implement these in a timely fashion. The Secretariat referred to paragraph 56 of the Internal Audit report, where there was mention that the Director General transmitted these recommendations to the Program Managers for their action, demonstrating the active engagement by Program Managers across the Sectors. However, as had previously been said in past years and reiterated herewith, the Secretariat was unfortunately outpaced by the number of new recommendations in a given period. During the last reporting period, the Secretariat had closed 59 recommendations and 101 recommendations had been added, thereby presenting a situation where the Secretariat was always playing catch-up to address new recommendations and close old recommendations. The Secretariat emphasized that it would also be addressing those recommendations which had been opened for some time, but explained that often these were interdependent and had to be addressed in terms of sequence and priority. Also, in some cases, these were awaiting systems to be implemented and, as Delegates would be aware, systems take time to implement. Furthermore, the Secretariat added that the number of open recommendations could be high against one Sector and gave the example of Program 22, related to the Financial areas, explaining that this Program

received the lion's share of many of these open recommendations, as many such recommendations flowed from other areas where a review had been done and where there was some financial impact. Currently, the Secretariat was working very actively with its oversight bodies to ensure that ownership of these recommendations was correctly placed so as to be better able to close them. Closing with a comment related to oversight fatigue, the Secretariat reported that it was working with the three bodies and the Joint Inspection Unit to see if there could be better coordination of the number and focus of reviews as sometimes the same area had been reviewed three times in a given year. This would help the Secretariat in addressing recommendations in a more comprehensive and coherent fashion.

60. As there were no further comments, the Chair read out the decision paragraph, which was adopted.

61. The Program and Budget Committee (PBC) took note of the Annual Report by the Director of the Internal Oversight Division (IOD) (document WO/PBC/27/4).

ITEM 6 PROGRESS REPORT ON THE IMPLEMENTATION OF THE JOINT INSPECTION UNIT'S (JIU) RECOMMENDATIONS

62. Discussions were based on document WO/PBC/27/5.

63. The Chair announced that discussion would begin on item 6, Progress Report on the Implementation of the Joint Inspection Unit's (JIU) recommendations, noting that this was the last item under the Audit and Oversight block. The Chair introduced document WO/PBC/27/5, which provided Member States with an update of the progress made on the implementation of outstanding recommendations addressed to the WIPO legislative bodies, resulting from the reviews of the JIU, conducted during the period 2010 to 2017.

64. The Secretariat introduced the document, highlighting that it provided an update on the progress and the implementation of outstanding recommendations addressed to the WIPO legislative bodies resulting from the reviews of the JIU during the period of 2010 to 2017, together with the Secretariat's proposals for the status of these, for consideration by Member States. The Secretariat recalled that the recommendations addressed the Executive Head were submitted to the IAOC for their review. Since the last report (WO/PBC/25/6), the JIU issued 13 new reports, seven of which were relevant to WIPO. The new reports were signaled as such with the status updates, highlighting the change from the previous reporting period. As of mid-July 2017, subject to the endorsement of Member States, there would be four recommendations outstanding, which were addressed to WIPO's legislative bodies, with all other recommendations having been closed. 82 per cent of all of 261 JIU recommendations made since 2010 and relevant for WIPO will have been implemented. Finally, the Secretariat was pleased to share with the Member States the preliminary results of JIU's review of the follow up processes employed by participating organizations. The JIU had recently issued a draft summary report entitled Outcome of the Review of the Follow up to the Joint Inspection Unit's Reports and Recommendations for external comments. WIPO welcomed the recognition of its sustained efforts over the past years to strengthen the follow up processes as reflected in the draft report, as a result of which WIPO had been ranked number one among the participating UN organizations, jointly with the International Civil Aviation Organization. The final version of the summary report was expected to be available in the near future on the JIU's website following this issuance.

65. The Delegation of Georgia, on behalf of the CEBS Group, thanked the Secretariat for preparing the document, which enabled the Member States to monitor the implementation of the Joint Inspection Unit's recommendations. The Group was pleased to see that the majority of the recommendations, namely 82 per cent of all the 261 recommendations, were accepted and implemented, and encouraged the Secretariat to continue the work on the remaining

recommendations as well. The CEBS Group was committed to engage in the discussions on the implementation of the recommendations which required action by Member States.

66. The Delegation of Japan, speaking on behalf of Group B, welcomed the progress report on the implementation of the JIU recommendations, which helped to understand the progress of the Secretariat's efforts. The Delegation welcomed the fact that, as of mid-July 2017, 82 per cent of all the 261 JIU recommendations made since 2010 and relevant to WIPO, had been implemented, with a further 10 per cent closed (that is, not relevant or not accepted), 7 per cent under accepted and in the process of implementation, and only a final one per cent remaining under consideration. The Delegation expected that the recommendations of the JIU would continue to be implemented as appropriate.

67. The Delegation of China thanked the Secretariat for once again providing Member States with the latest progress report on the implementation of the recommendations of the JIU. The Delegation expressed its satisfaction with the overall status of implementation of the JIU's recommendations, noting that, with sustained efforts from the Secretariat, the majority of recommendations had been implemented. It further noted that according to the draft summary report entitled Outcome of the Review of the Follow up to the Joint Inspection Unit's Reports and Recommendations, WIPO had been ranked number one, jointly with ICAO. The Delegation highly appreciated this result. The Delegation considered that the JIU recommendations contributed to the improvements of WIPO's work and to its better integration into the overall UN framework, and looked forward to the further implementation of the recommendations.

68. The Delegation of Senegal, on behalf of the African Group, extended its appreciation to the Secretariat for the excellent document and the progress made in the implementation of JIU recommendations. It noted that according to the report, 82 per cent of the 261 recommendations since 2010 and relevant for WIPO had been implemented, and that others had been accepted and were being implemented. The Delegation encouraged the Secretariat to intensify efforts in order to speed up implementation of the recommendations that had been made.

69. The Delegation of Brazil also thanked the Secretariat for the preparation of the documents, and underlined its satisfaction with the level of implementation of recommendations and recognized the efforts of the Secretariat in that sense. The Delegation attached great importance to geographical diversification, especially at the P and D levels. However, the Delegation noted that the results in the performance report of 2016 showed that Latin America saw a decrease in its representation, and highlighted that it saw a need for action by WIPO to ensure balanced geographical representation. In this sense, the Delegation requested more information regarding Recommendation 6 of the JIU report, as indicated on page 10 of the English version of the document, which dealt with geographical representation, and stated that a report with preliminary recommendations to improve geographical distribution was submitted to the Coordination Committee last year. The Delegation was not clear as to how this complied with the Recommendation 6.

70. The Delegation of the United States of America appreciated the most recent status report regarding WIPO's implementation of JIU recommendation dating back to 2010. The Delegation was pleased that WIPO had made strong efforts to address the recommendations and to implement those relevant to the organization. The Delegation noted that in the future, it would appreciate specific information on the number of JIU recommendations accepted, implemented and in progress - by JIU report. The Delegation hoped to see continued progress regarding the JIU recommendations and looked forward to further updates at the next PBC meeting.

71. The Secretariat took the floor to address the issue in relation to the comment made by the Distinguished Delegate of the United States of America, highlighting that the report included recommendations by JIU report. The Secretariat clarified that each year, the recommendations

which had been implemented and closed in the previous year were moved off the report, leaving only the outstanding recommendations in the report. The Secretariat further stated that it would follow up with the Delegation of the United States of America offline after the session, in order to further clarify what would be required. With regard to the recommendation mentioned by the Delegation of Brazil on the geographic distribution system of WIPO, the Secretariat noted that while Member States were considering an alternative system, which continued to be an ongoing discussion between Member States, the Secretariat had been asked to continue with its outreach activities and improve geographic diversity. These efforts were ongoing and the results could be seen in the HR report.

72. The Chair thanked the Secretariat for the clarifications and proceeded to read the decision proposed for this item. The Program and Budget Committee, (i) took note of the present report, document WO/PBC/27/5; (ii) recommended and endorsed the Secretariat's assessment of the status of the implementation of recommendations under JIU/REP/2016/8, recommendations 1 and 9; JIU/REP/2016/7, recommendations 1, 2, 3, 4, 6 and 7; JIU/REP/2016/4, recommendation 16; JIU/REP/2016/ 2, recommendation 1; JIU/REP/2015/6, recommendation five; JIU/REP/2014/2, recommendation 6; and JIU/REP/2010/3, recommendation 17, as set out in the present report and (iii) called on the Secretariat to propose assessments for the open recommendations made by Joint Inspection Unit for Member States consideration. The Chair stated that if there were no objections, the PBC would adopt these decisions. The Delegation of Brazil asked for the floor.

73. The Delegation of Brazil wished to clarify that it wanted to see effective measures being taken by WIPO regarding the matter of Recommendation 6, and suggested that perhaps it should remain open and retain the status of in progress. It had noted the information that the Secretariat had provided, i.e. that the Secretariat had been asked to continue the outreach activities and the results achieved and it wished to see that this would continue and that Member States would be given a follow up in the next year. The Delegation wished to have clarification as to whether this would be the case.

74. The Secretariat took the floor to clarify that the recommendation in question was one of the few left open from the JIU Management and Administrative Review done in 2014, and was addressed to the Coordination Committee, recommending that it revisit the present principles concerning geographical distribution in order to ensure broader geographical diversity within the WIPO professional workforce. Indeed, there had been discussion on these principles, and preliminary recommendations had been made that would ensure broader geographical diversity, which the Secretariat had implemented. However, the recommendation was not a performance indicator – the progress in respect of geographical diversity was reported on in the PPR as well as in the HR Annual Report, which would not be appropriate to include in the JIU progress report. As far as the recommendation's substance was concerned, Member States had actually revisited these principles in their discussions at the Coordination Committee and as far as the Secretariat was concerned, that part had been achieved.

75. The Delegation of Brazil confirmed that, with this clarification, it could go along with the proposed decision.

76. Seeing that there were no further requests to take the floor, the Chair read out the decision paragraph, which was adopted:

77. The Program and Budget Committee (PBC):

(i) took note of the present report (document WO/PBC/27/5);

(ii) welcomed and endorsed the Secretariat's assessment of the status of the implementation of recommendations under:

JIU/REP/2016/8 (Recommendations 1 and 9);

JIU/REP/2016/7 (Recommendations 1, 2, 3, 4, 6 and 7);
JIU/REP/2016/4 (Recommendation 16);
JIU/REP/2016/2 (Recommendation 1);
JIU/REP/2015/6 (Recommendation 5);
JIU/REP/2014/2 (Recommendation 6);
JIU/REP/2010/3 (Recommendation 17) as set out in the present report; and

(iii) called on the Secretariat to propose assessments for the open recommendations made by the Joint Inspection Unit (JIU) for Member States' consideration.

ITEM 7 ANNUAL FINANCIAL STATEMENTS 2016; STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2017

(A) ANNUAL FINANCIAL REPORT AND FINANCIAL STATEMENTS 2016

78. Discussions were based on document WO/PBC/27/6.

79. The Chair introduced agenda item 7 (a) under Program Performance and Financial Reviews, the Annual Financial Statements of 2016. Discussions were based on document WO/PBC/27/6, a document that provided information concerning the financial statements of the Organization for the year ending December 31, 2016. The Chair reminded the Committee that, in accordance with Article 8.7 of the Financial Regulations, the PBC was required to examine the Financial Statements and forward them to the General Assembly with comments and recommendations. In addition, pursuant to the decisions taken at the 26th Session of the PBC, a presentation on WIPO's ASHI liability, providing information on the approaches WIPO is exploring to fund its ASHI liability, would also be made under this agenda item. The Chair handed the floor to the Secretariat for the further introduction of the agenda item.

80. The Secretariat specified that the Annual Financial Statements for 2016 included the Annual Financial Report and the Financial Statements for the year ended December 31, 2016. These financial statements had been prepared in accordance with International Public Sector Accounting Standards (IPSAS) and had received an unqualified audit report. The financial report firstly provided a discussion and analysis of the results for the year as well as giving a detailed explanation of the constituent parts of the financial statements themselves ("Overview of the Financial Statements" on page five of the English version). The statements themselves were followed by a number of tables which are non-obligatory for IPSAS compliance purposes but which provided additional useful information such as the first two tables (Annexes I and II) which provided details of the financial position and the financial performance of the Organization by business unit. The Organization's result for 2016 showed a surplus for the year of 32.0 million Swiss francs, with total revenue of 387.7 million Swiss francs and total expenses of 355.7 million Swiss francs. This could be compared to a surplus of 33.3 million Swiss francs in 2015, with total revenue of 381.9 million Swiss francs and total expenses of 348.6 million Swiss francs. Total revenue in 2016 was up by 5.8 million Swiss francs, or 1.5 per cent, on the 2015 figure. The Organization's net assets, consisting of its Reserves and Working Capital Funds, had increased from 279.1 million Swiss francs in 2015 to 311.3 million Swiss francs as at December 31, 2016. As referred to by the Chair and requested by various delegations during the 26th session of the PBC, the Secretariat wished to provide details of the liability for After Service Health Insurance (ASHI) which was disclosed within various sections of the Annual Financial Report and Financial Statements. The liability itself which was 154.3 million Swiss francs as at December 31, 2016, was included within the amounts shown for "employee benefits" under both current and non-current liabilities in the Statement of Financial Position (page 23 of the English version). A breakdown of these amounts was given in note 13 which began on page 45 of the English version of the Financial Statements. This note provided comprehensive information on ASHI, including details of the change in the size of the liability as compared to the previous year, the amounts charged to the statement of financial performance

during the year and the assumptions used to determine the liability. Further information about the liability and its projected growth was contained within the “discussion section” at the front of the Annual Financial Report (page 19 of the English version). The graph which accompanied this information indicated how the recognized liability would increase once the use of the corridor method ceased with effect from the end of 2017. A new standard, IPSAS 39, would come into force in January 2018 and this standard would no longer allow the use of the corridor method. By changing its accounting policy in 2017, WIPO was effectively implementing this new standard one year early. The change in accounting policy meant that actuarial losses and gains, previously unrecognized, would now be included within the liability. If this change in policy had taken place in 2016, the liability of 154.3 million Swiss francs would actually have been 321 million Swiss francs (as shown in the graph and indicated in note 13). Funds had been and continued to be set aside to finance ASHI, with those funds remaining after payments had been made from the 6 per cent charge on personnel costs being added on an annual basis. As at December 31, 2016, the total balance of the funds set aside for ASHI was 108.6 million Swiss francs (representing 70.3 per cent of the ASHI liability at that time). This funding was classed as strategic cash and further details were provided in notes 3 and 4 of the financial statements.

81. The Delegation of Japan, speaking on behalf of Group B, welcomed the fact that the Organization's audited results for 2016 showed a surplus for the year of 32 million Swiss francs, with total revenue of 387.7 million Swiss francs, and total expenses of 355.7 million Swiss francs. This could be compared to a surplus of 33.3 million Swiss francs in 2015, with total revenue of 381.9 million Swiss francs and total expenses of 348.6 million Swiss francs. The driver for revenue from fee-paid services was the international demand for intellectual property titles using WIPO's services. This demand was influenced by the performance of WIPO and of the global economy, although since 2010, global intellectual property filing activity had continued to grow despite uneven economic recovery from the global financial crisis which began in 2008. Nevertheless, the fragile international financial system under which WIPO had to operate called for prudence and cautious management, which had been repeatedly stated by the Group. Although further growth of Global IP Services, especially the PCT system, was expected, it would be wise to stand on the safer ground, taking account of the changeable economic situation, which had great impact on the trend of patent applications.

82. The Delegation of China thanked the Secretariat for the Annual Financial Report and Financial Statements 2016, which were informative and accurate. This report had been prepared in strict accordance with IPSAS. China was of the view that this report, as well as the numerous tables included, had fully demonstrated the open, transparent, and rigorous managerial style of the Organization. The Delegation was satisfied with the sound financial status over the past years. This was mainly due to the development of PCT and the increasing number of applications. The Delegation had also noted that, since 2016, the Organization had adopted measures to control the risks related to exchange and interest rates which had achieved positive effects. For example, in 2016, PCT reached a net exchange gain which had reversed the situation of loss recorded over the previous three years. The total gain was 5.2 million Swiss francs. China hoped that, since some deep level issues had not been resolved in the global economy, which was facing instability and uncertainty, WIPO would continue to increase input, to accelerate the building of the IP system and, through human resources, IT and other measures, to improve services and management, and attract more users and innovators to use the PCT, Madrid and the Hague Systems, as well as the other Global IP Services of WIPO.

83. The Delegation of Mexico expressed its appreciation for the information provided by the Secretariat and assured that it would look very closely at the information provided, adding that it would revert to the Secretariat in case it had further questions.

84. The Delegation of Brazil noted with satisfaction that WIPO continued to maintain a healthy financial situation reflected in 32.0 million Swiss francs of surplus and an increase of net

assets to 311 million Swiss francs in 2016. These positive results were in line with those attained in recent years and had been made possible by the global systems combined with prudent management which had been underlined by the Director General in the morning. The Delegation wished to refer to the future forecast for the PCT income and predicted that the positive trend observed over the prior ten years would continue. This was partially attributed to the expansion of the use of the PCT System in Asia. However, challenges remained in increasing the use of WIPO's global registration services by developing countries. The predicted increased surplus could be put to good use by providing fee reductions for specific stakeholders. As Members were aware, Brazil had proposed, in the PCT Working Group, a fee reduction for investors from developing countries. This would be an effective way to increase patent activities by such stakeholders, as underlined by the report of WIPO's Chief Economist. It would also be in line with the Strategic Goals of WIPO, such as Strategic Goals III, V and VII, among others.

85. The Delegation of the United States of America welcomed the presentation of the 2016 Financial Report and Financial Statements. WIPO, it said, continued to have a very strong financial position due to the volume of fees received each year. The Delegation encouraged and supported continued good stewardship over these resources.

86. The Delegation of Japan, speaking in its national capacity, was pleased with the financial situation in 2016, during which WIPO had recorded a surplus of 32 million Swiss francs after IPSAS adjustments. The Delegation was of the view that one of the reasons for the present sound financial situation was the increase in the fee income that came from users filing international applications. This positive financial situation was the result of WIPO properly administering the filings. The Delegation hoped that the Secretariat would continue to make efforts in this regard.

87. Seeing that there were no further requests to take the floor, the Chair read out the decision paragraph, which was adopted:

88. The Program and Budget Committee (PBC) recommended to the General Assembly and other Assemblies of the Member States of WIPO to approve the Annual Financial Report and Financial Statements 2016 (document WO/PBC/27/6).

(B) STATUS OF THE PAYMENT OF CONTRIBUTIONS AS AT JUNE 30, 2017

89. Discussions were based on document WO/PBC/27/7.

90. The Chair introduced agenda item 7 (b) under Program Performance and Financial Reviews, the Status of the Payment of Contributions as at June 30, 2017. Discussions were based on document WO/PBC/27/7, a document which had been prepared in early July and which provided details of the status of the payment of contributions as at June 30, 2017, including information concerning the evolution, since 2007, of the arrears in contributions and in payments towards the Working Capital Funds. The Chair handed the floor to the Secretariat for the further introduction of the agenda item.

91. The Secretariat informed that the total arrears and contribution at the time it had been prepared, except for the arrears of the LDCs placed in the special frozen account, amounted to 6,092,843 Swiss francs, but since then additional payments had been received and information would now be given on those. The following countries had made payments since June 30, 2017: Belgium (21,719 Swiss francs), Benin (345 Swiss francs), Burkina Faso (1,424 Swiss francs), Ecuador (5,673 Swiss francs), Gabon (450 Swiss francs), Greece (34,183 Swiss francs), Guatemala (3,553 Swiss francs), Italy (629,592 Swiss francs), Malawi (1,536 Swiss francs), Mali (541 Swiss francs), Mexico (123,033 Swiss francs), Niger (609 Swiss francs), Paraguay (2,849 Swiss francs), Senegal (216 Swiss francs), Spain (455,790 Swiss francs). The

total received in July and August was 1,281,513 Swiss francs, which brought the total amount of arrears down to 4,811,330 Swiss francs.

92. Seeing that there were no requests to take the floor, the Chair read out the decision paragraph, which was adopted.

93. The Program and Budget Committee took note of the Status of the Payment of Contributions as at June 30, 2017 (document WO/PBC/27/7).

ITEM 8 ANNUAL REPORT ON HUMAN RESOURCES (FOR INFORMATION)

94. Discussions were based on document WO/PBC/27/INF/1.

95. The Chair introduced the agenda item by explaining that document WO/PBC/25/INF.1 (Annual Report on Human Resources) was being submitted to the PBC for information purposes in accordance with the decision taken by the PBC at its September 2012 session, and invited the Director of the Human Resources Management Department to present the report.

96. The Secretariat stated that this report covered the period from July 2016 to June 2017 and would be presented to the Coordination Committee in October 2017. It mentioned that the workforce had not significantly changed from the previous reporting period and that the workforce had been stable for the past five years, whilst productivity had increased year on year. The percentage of staff costs on overall expenditure had continued to decrease and was now projected at 62.4 per cent for the 2018/19 budget. The Secretariat stated that the human resources strategy, approved by the Coordination Committee some years ago, had been carefully implemented to realign jobs which had become vacant in order to redeploy resources needed to emerging business needs. It added that the new strategy, covering the period 2017-2021, was not significantly different, prioritizing skills realignment to meet the business needs of the Organization, the pursuit of equitable geographical and gender balance, and optimization of operational efficiency in HR processes. It mentioned that there were certain skills imbalances in the workforce, relating in particular to languages and IT skills in certain areas. These were skills which were very important for the business to function effectively. The Secretariat stated that it was difficult to fix those imbalances, due to the Organization's low staff turnover; however, when posts became vacant as a result of retirement, the Secretariat ensured that the required skills were examined with Managers in order to meet the emerging business needs. This was also one reason why the Secretariat would be presenting a proposal to the Coordination Committee, at its next session during the WIPO Assemblies, to defer the implementation of the retirement age of 65 years for all staff for three years, i.e. to January 2021, in order to deal with the skills imbalance mentioned. The Secretariat highlighted that geographic diversity had been an important element of its strategy during the year and that 120 Member States were now represented in its workforce, which had been largely achieved through increased outreach and engagement with Member States. It added that, by the time the Coordination Committee would convene in October, the number of Member States represented would have increased to 122, an all-time high. The Secretariat ended its presentation by stating that the Annual Report contained, as in the previous years, two Annexes which provided the metrics of the HR workforce and geographical diversity.

97. The Delegation of Japan, speaking on behalf of Group B, thanked the Secretariat for preparing the document and welcomed the continuous improvement of the report and its role as a key source of information on human resources for Member States. The Delegation stated that, taking into account the nature of the Organization, effective management of human resources was critical to achieving its mandate and objectives. This was reflected in the percentage of the personnel costs compared to overall expenditure of the Organization and that, from this perspective, appropriate administration of human resources was important. The Group understood that the recognition of WIPO as a global service provider in a fast-changing environment and the demand of cost containment from Member States was very challenging,

and it appreciated the Secretariat's efforts to respond to such challenging demands by balancing stability and flexibility in the workforce through staff contracts, non-staff contracts and out-sourcing mechanisms. With respect to recruitment, it reiterated its belief that this should be conducted based on merit and on the highest standards of efficiency, competence and integrity, taking into account the very technical nature of WIPO and the reality of the services which WIPO provided. In its view, this overarching principle was essential to achieve the unique mandate of the Organization. The Group also expressed its appreciation for the Secretariat's continuous efforts on geographical diversity and gender balance.

98. The Delegation of Georgia, speaking on behalf of CEBS, thanked the Secretariat for preparing the Annual Report and for the presentation of the report. It believed that the report was in line with WIPO's HR strategies, which included realignment of skills and competencies to evolving business needs, pursuing equitable geographical representation and gender equality, and the optimization of the operational efficiency in HR processes. It appreciated the progress made in the implementation of the HR strategy in 2017, which resulted in a number of improvements and commended the work of the Secretariat for its continued efforts to achieve greater flexibility in the composition of its workforce. The Group appreciated the Secretariat's initiative to promote the inclusion of persons with disabilities and to address their needs in the workplace, and was pleased with the expansion of Organizational activities aimed at improving gender balance and helping women to compete for leadership roles. The Group also expressed its satisfaction with regard to the continuing efforts of the Secretariat to increase and further broaden the equitable geographical distribution and diversity of staff, and noted that due to future retirements, some 100 new vacancies would be published in the next five years, which in its view would improve the geographical diversity and gender balance at WIPO. The Group had also taken note of the geographical distribution of posts and figures given for the region of Eastern Europe and Central Asia, which had a desirable range of between 51 to 62 posts, and an actual number of 41 posts in professional and higher categories, including temporary staff. Diversity of the workforce was a strategic business imperative for the Organization and the Group would like to see more nationals from unrepresented and under-represented geographical regions in WIPO staff. The Group reiterated the importance of the initiatives carried out by the Secretariat in this particular direction, and urged it to continue work towards a more equitable geographical representation.

99. The Delegation of China thanked the Secretariat for the Annual Report, which was rich in content and information, and which enabled Member States to learn about specific initiatives and strategic planning in terms of human resources. It appreciated the positive results achieved in the implementation of the HR strategy and the efforts made in improving geographical diversity. The Delegation remarked that, while meeting the needs of an ever-increasing workload, the Organization still faced enormous challenges to strengthen and improve geographical diversity, and that it needed to think creatively for effective and strategic diversity planning. With respect to the HR strategic priorities for 2017-2021, the Delegation commended the Organization for the good progress made in personnel training, performance management and HR planning. It added that the level of flexibility of the workforce should be raised in order to meet commercial requirements and that, in the recruitment process, the Organization should take market needs and business requirements into account. The Delegation recognized that the Organization had obtained new achievements in geographical distribution in the past year with two new Member States being represented on the workforce. It hoped that efforts would continue to be made in this field. The Delegation was also appreciative of the efforts made with respect to gender balance, which was consistent with Sustainable Development Goal 5.

100. The Delegation of Brazil thanked the Secretariat for the report and observed that human resources were a critical element of the Organization. It commended the efforts of the Human Resources Management Department for the improvements in staff knowledge and training, and recognized the efforts made by the Secretariat to increase geographical diversity and gender balance, whilst requesting the Secretariat to continue those efforts. In this respect, the Delegation proposed increasing the number of fellowship programs, with particular regard being

given to underrepresented and unrepresented regions, as these programs would attract a pool of potential future talents who could eventually join the Organization.

101. The Delegation of Mexico thanked the Secretariat for the presentation of the document, and welcomed the efforts of the Secretariat to foster gender equity. While it recognized that the Organization had made some progress, further action needed to be taken to improve gender equity at all levels, particularly at the management level. The Delegation also took note of the lack of professionals from the Latin America and Caribbean group at the P level and called on the Secretariat to increase its efforts to achieve a better and equitable geographic representation. It invited the Organization to foster and strengthen existing programs that would allow for better representation among young professionals, with the aim of improving their capacities and increasing their competitiveness in the selection processes. The Delegation was ready to collaborate with the Organization to achieve equitable geographical representation.

102. The Delegation of the Republic of Korea extended its appreciation to the Secretariat for preparing and presenting the Annual Report on Human Resources, as human resources were one of the most important resources for the Organization and one of the most highlighted issues among Member States. The information contained in the report would be very useful in proceeding with ongoing discussions regarding geographical distribution. The Delegation wished to stress that the core mission of WIPO was to provide Global IP Services, which were the main financial resource of the Organization. Therefore, personnel and resources had to be managed in a way that enabled that mission to be carried out efficiently and effectively. In this regard, it mentioned that geographical distribution had to be discussed in the context of supporting WIPO's Global IP Services effectively in a user friendly environment.

103. The Delegation of the United States of America supported the statement made on behalf of Group B. It expressed its appreciation for the very detailed and informative report, and was pleased that the Organization continued to make in all of the four pillars set out in the human resources strategy. The Delegation supported the paramount focus of the UN Charter on selecting candidates based on merit and competence; however it also encouraged Organizations to develop comprehensive diversity, recruitment and workforce planning strategies that address gender distribution and geographic representation. The Delegation commended the Organization for its outreach initiatives to improve geographic distribution and gender parity in the workforce, and encouraged the Secretariat to continue these efforts. It had also taken note of the increased rates in absenteeism in 2017 and would welcome the Secretariat's perspective on possible reasons for the increase. Furthermore, other than adapting the Organization's staff welfare strategy, it wished to know how the Secretariat planned to address these increased rates and requested that the Secretariat share the questions included in the staff wellbeing survey that was conducted in early 2017. The Delegation welcomed the information on formal conflict resolution and disciplinary cases based on the cases between July 2016 and June 2017, and wanted to know whether the Secretariat had identified any organizational issues from those cases. It also encouraged the Secretariat to prioritize the implementation of any outstanding audit recommendations related to human resources, as these would strengthen the internal controls of the Organization and lessen the risk of fraud, waste and abuse.

104. The Delegation of Japan, speaking in its national capacity, appreciated the fact that the Secretariat had been continuing activities and initiatives involving human resources. It believed that appropriate management of human resources was essential to ensuring sound Organizational administration. In light of the fact that the personnel costs of the Organization accounted for approximately two-thirds of its annual expenditure, the Delegation requested the Secretariat to continue improving HR management while providing effective services to users and meeting the needs of the management and staff at WIPO, and all IP stakeholders. It added that the core mission of WIPO was to provide better services to users and that the financial foundation of the Organization was supported by the revenue generated from its Global IP Services. Accordingly, the geographical diversity of WIPO staff should be considered, taking

into account the geographical distribution of international applications, registrations, users, and languages used in international applications or registrations, in addition to the individual abilities of candidates.

105. The Delegation of Senegal, speaking on behalf of the African Group, thanked the Secretariat for the introduction of the document and remarked that human resources were of capital importance to the Organization. It stated that the Organization should pay particular attention to human resources and that underrepresented areas should be given priority in the Secretariat. In this regard, it mentioned that the African Group should benefit from the implementation of this type of human resource policy.

106. The Secretariat thanked the Delegations for their comments, which were useful and would help the Organization in its work going forward, especially the specific suggestions on the fellowship program, and on gender and geographical diversity. With regard to the question on absenteeism, the Secretariat mentioned that it did not yet have the results of the study that was conducted, but would provide the questions on the staff well-being survey used in the study. With respect to the open audit recommendations, the Secretariat was aware the number of recommendations to be implemented, and explained that many of them, particularly relating to ERP projects, were due to be implemented before the end of the year. It added that by early 2018, there would be a significantly lower number of audit recommendations that would be still open.

ITEM 9 PROPOSED PROGRAM AND BUDGET FOR THE 2018/19 BIENNIUM

107. Discussions were based on documents WO/PBC/27/8, WO/PBC/27/9 and WO/PBC/27/13.

108. The Chair announced the commencement of agenda item 9, the proposed Program and Budget for the 2018/19 Biennium, under which three documents would be considered, namely the proposed Program and Budget for the 2018/19 Biennium (document WO/PBC/27/8); the Capital Master Plan for 2018-27 (document WO/PBC/27/9) and the submission by the Delegation of the United States of America on agenda item 9: Discussion Paper on Funding Alternatives of the World Intellectual Property Organization (WIPO) (document WO/PBC/27/13). The Chair stated that the first two documents were submitted to the Committee for decision.

109. The Chair handed the floor to the Secretariat to present document WO/PBC/27/8, and explained that the Secretariat had prepared an additional document which contained a list of the amendments included in the proposed Program and Budget for 2018/19.

110. The Secretariat thanked the Chair and stated that it would first introduce the draft proposed Program and Budget for the 2018/19 Biennium on which the Director General had already made a very comprehensive opening set of remarks on the highlights of the proposal. Therefore, the Secretariat, in its present introduction, would focus on the changes that had been made since the previous meeting in July. The Secretariat recalled the decision at the 26th session of the PBC held in July 2017 where the following decision had been reached in respect of the draft Proposed Program and Budget for the 2018/19 Biennium: "The Program and Budget Committee having completed a comprehensive first review by Strategic Goal of the draft proposed Program and Budget for the 2018/19 biennium (document WO/PBC/26/3/1) (i) agreed to the modifications proposed by Member States to program narratives, including the results frameworks in Programs 3, 4, 5, 8, 13 and 30; and (ii) requested the Secretariat to issue a revised version of the draft Proposed Program and Budget for the 2018/19 biennium based on (i) and personnel expenditure figures according to the ICSC decision and the outcome of the consultations between Geneva-based organizations and the ICSC in Vienna, for the upcoming session for the PBC. In this context, the PBC took note of the clarification of the WIPO Legal Counsel; (iii) took note inter alia of the outstanding issues in the following Programs for further consideration in the upcoming session of the Program and Budget Committee: (a) key

performance indicators in Program 15; and (b) narrative and performance indicators in Programs 9, 10, 20 and 32; and (iv) took note that the following issues raised were referred to the 27th session of the PBC: (a) decrease by 10 per cent in the unit contribution value; (b) Union allocation methodology used for the preparation of Annex III: 2018/19 Allocation of Income and Expenditure by Unions; and (c) conditions for provision of funding for a Diplomatic Conference in the 2018/19 biennium.” The Secretariat stated that the revised Program and Budget for the 2018/19 Biennium had been published in document WO/PBC/27/8. The Secretariat proceeded to read out the specific changes that had been made to the revised document in accordance with the decision of the PBC at its 26th session. The Secretariat read out the list, which it stated was also available as a document on delegations’ desks or outside the room labeled “index of changes”:

- Page 7 – footnote in respect of personnel cost estimates referring to ICSC decision
- Page 11 – results framework: new wording of ER II.1 as agreed by the PBC and referencing of new development expenditure definition
- Page 21- personnel costs: changes to paragraph 25
- Page 22 - personnel costs: new paragraphs 27-29 and new footnotes 11 and 12
- Page 34 - changes as agreed by the PBC to Program 3 Copyright and Related Rights (implementation strategy, DA Recommendations and target for Marrakesh Treaty)
- Page 40 – change as agreed by the PBC to Program 4 TK, TCEs and GRs (wording of KPI)
- Page 43 - new wording of ER II.1 as agreed by the PBC (summary results framework for SG II)
- Pages 46 and 47- changes as agreed by the PBC to Program 5 (implementation strategy and ER II.1)
- Page 97 - changes as agreed by the PBC to the ERs (summary results framework for SG III)
- Page 99 - changes as agreed by the PBC to Program 8 Development agenda Coordination (new KPI)
- Page 101 – correction to DA Recommendation diagram for Program 9 (Secretariat)
- Page 102 - new wording of ER II.1 as agreed by the PBC (Program 9)
- Page 110 - new wording of ER II.1 as agreed by the PBC (Program 10)
- Page 118 – addition of diagram with DA Recommendations for Program 30 (correction by Secretariat)
- Page 119 - new KPI as agreed by the PBC for Program 30 SMEs and Entrepreneurship Support
- Page 123 – new KPIs as agreed by the PBC (summary results framework for SG IV)
- Page 128 and 129 - changes as agreed by the PBC to Program 13 Global Databases (implementation strategy, KPIs, baselines and targets)
- Page 135 – addition of DA Recommendation 12 to the DA Recommendation diagram for Program 15 Business Solutions for IP Offices (as discussed during the PBC in July)
- Page 136 – proposed changes by the Secretariat to the KPIs, baselines and targets in Program 15 (as discussed during the PBC in July)
- Page 157 - addition of diagram with DA Recommendations for Program 20 (correction by Secretariat)
- Page 161 - new wording of ER II.1 as agreed by the PBC (Program 20)
- Replacement of tables in Annex VII and VIII to reflect the new wording of ER II.1

111. The Chair thanked the Secretariat for having presented the changes that had been included in the new version of the proposed Program and Budget and gave the floor once again to the Secretariat to present the Capital Master Plan.

112. The Secretariat recalled that the following decision had been reached in respect of the Capital Master Plan at the 26th session of the PBC held in July 2017: “The Program and Budget Committee, having reviewed the Capital Master Plan for 2018/19 (document WO/PBC/26/9):

- (i) Comprehensively discussed and endorsed the project objectives, expected benefits and drivers of the capital investments projects related to ICT, safety and security and premises in the Capital Master Plan for 2018/19, amounting to a total of 25.5 million Swiss francs;
- (ii) Underscored the importance of the capital investments projects to ensure that WIPO remain fit-for-purpose; and
- (iii) Referred the consideration of, inter alia, the Allocation of Proposed CMP 2018/19 Projects to the Unions to the 27th session of the PBC.”

113. The Secretariat further announced that document WO/PBC/27/9 incorporated the following changes as compared to document WO/PBC/26/9 which had been submitted to the 26th session of the PBC:

- Page 5 (paragraph 9), page 12 (paragraphs 30 and 33), Annexes I, II, III, IV and V had been revised to reflect the new wording of Principle 3 of the Reserve Policy: this was a correction of an error by the Secretariat which had been pointed out by the Delegation of Canada at the 26th session of the PBC.
- Page 4 (paragraph 5) minor correction by the Secretariat.
- Page 9 (paragraph 21) clarification added by the Secretariat to better clarify the substance of that paragraph.

114. The Secretariat then offered two additional clarifications on the proposal before the PBC based on informal questions that it had received. First, the Secretariat clarified that the proposal required a decision to appropriate 25.5 million Swiss francs from the Reserves to fund the CMP projects for implementation in 2018 and 2019. Second, the methodology used for the allocation of expenditure of CMP projects to the Unions was the same methodology as used in Annex III of the Proposed Program and Budget for 2018/19. This was also in line with past practice used in previous Capital Master Plan project proposals.

115. The Chair thanked the Secretariat for presenting the document and for the clarifications which were very important. She then gave the floor to the Delegation of the United States of America to introduce its document, document WO/PBC/27/13.

116. The Delegation of the United States of America was pleased to introduce its discussion paper on funding alternatives for WIPO. The Delegation stated that the discussion paper had been submitted to the PBC in a constructive spirit to contribute to the mutual understanding of the financial situation of WIPO and to help the PBC decide how to fund the Capital Master Plan projects. The Delegation hoped to continue the discussion among WIPO Member States and with the Secretariat considering a more proportional allocation of costs among WIPO's Unions and by each Union considering its respective fees. The Delegation believed that this was important in the medium and longer term as well as at present as WIPO was embarking on an ambitious plan of capital improvements under the Capital Master Plan. As noted in its discussion paper WIPO was in a very strong financial situation due to the PCT system. The question was how to apportion the costs of these projects and whether the Hague and Lisbon Unions should contribute something. As the Delegation had stated in its opening statement, it believed that the strength of the PCT system masked potential or actual weaknesses in WIPO's other Unions whose fees may have been set too low. The Delegation stated that it did not support the PCT system continuing to pay such a disproportionate share of WIPO's total cost, over 75 per cent at present without addressing the glaring imbalance among WIPO's fee based Unions and shouldering the cost. The Delegation thought it was reasonable for WIPO members to agree on two things at the present session. First, that a fairer allocation be set for the 2018/19 expenditure under the Capital Master Plan, such as for example a proportional allocation shown in table 5 of the discussion paper. And second, that the PBC should continue to study the issue of budget allocation methodology with a view to addressing the imbalance among

WIPO Unions in future WIPO budgets. The Delegation further noted that it had begun informal consultations with other WIPO members and requested additional time to continue those discussions on the three documents under agenda item 9.

117. The Chair thanked the Delegation of the United States of America for introducing the document, and assured it that she would allow time for the Delegation to undertake the necessary consultations. The Chair then opened the floor for debate, beginning with the Proposed Program and Budget for the 2018/19 Biennium. The Chair reminded delegations that, at the 26th session of the PBC, there had been a lengthy debate in regard to the proposed Program and Budget and the Capital Master Plan. Therefore, the Chair insisted not to repeat discussions already undertaken at the previous session and instead to concentrate on pending matters.

118. The Delegation of Japan, speaking on behalf of Group B, stated that at the previous session of the PBC, it had been clearly identified which Programs should be further discussed at the present session and which Programs had been accepted by all Member States, as indicated in the list of decisions contained in document WO/PBC/26/11. The Delegation believed that such a working methodology was critical in order to take maximum advantage of the two formal sessions of the PBC, and that all Member States should respect such working methodologies by not introducing new issues nor repeating the same arguments or issues already decided upon. According to the list of decisions contained in document WO/PBC/26/11, the subjects for further discussion at the present session was Program 15 and Programs 9, 10, 20 and 32, as well as the issues relating to the proposed 10 per cent decrease in the unit contribution value, Union allocation methodology and conditions for provision of funding for Diplomatic Conferences. With respect to the ICSC decisions, the Delegation wished to thank the Secretariat for the updated information. The Delegation was of the view that WIPO should respect the ICSC decision and the UN common system and therefore implement the ICSC decision in February 2018. In this context, the Delegation welcomed the commitment to the UN common system as stated by the Director General, namely that WIPO had a responsibility in relation to the common system and that WIPO had an interest in ensuring the integrity of the common system.

119. The Delegation of Senegal, speaking on behalf of the African Group, reiterated its satisfaction with the emphasis on development which was of great importance in its view, and appreciated that it had been taken into account in all the Programs of the Organization and was now considered an essential priority, bearing in mind the principles of the Development agenda. However, the Delegation reiterated its concern which it had expressed during the 26th session of the PBC session, regarding the difference between principles and realities, namely the drastic cuts in the funds allocated to development at a time when WIPO had an unprecedented budgetary surplus. The Delegation believed that the new definition of development expenditure, which had been proposed in order to better define expenditure for development activities, would permit developing countries to benefit from the world IP system and reduce inequalities in knowledge between Member States. The areas of implementation for development activities were extremely complex and included the establishment of national IP plans and policies, the establishment of regulatory, legal and policy frameworks, the establishment of administrative infrastructure, training and capacity building, the promotion of innovation and creativity and access to technology and knowledge. Hence, the Delegation expressed its concern with the drastic decrease in funding in a number of Programs, particularly Programs 1, 2, 3, 8 and 9 given the importance of legal and policy frameworks and the promotion of development in developing countries, countries in transition, and LDCs. In addition, certain Programs, aimed at strengthening the cooperation with institutions in developing countries, countries in transition and LDCs should be reinforced and adapted to reflect the needs of Member States. The Delegation stated that it would provide more detailed comments about the various Programs during the general debate.

120. The Delegation of Georgia, speaking on behalf of the Central European and Baltic States (CEBS) Group, thanked the Secretariat for the modifications made to the draft Program and Budget for the 2018/19 Biennium and Capital Master Plan, as agreed by Member States during the last PBC session. The Delegation expressed its support for the proposed documents. The Delegation wished to reiterate that it was pleased to see the proposals on the PCT system, the Hague system for designs and the Madrid System. The Delegation welcomed the continued growth of the Global IP Services and believed that such growth would further promote the services. The Delegation appreciated the comments provided by the Secretariat in respect of the ICSC decision that had been requested during the recent PBC, following which, the Delegation thanked the Director General for his extensive introduction regarding the current situation in respect of the ICSC decision and its possible implications. In this context, the Delegation reiterated that it trusted and respected the commitment of the Secretariat in that particular matter. At the outset, the Delegation looked forward to constructive discussions on the outstanding issues, according to the list of decisions contained in document WO/PBC/26/11. The Delegation reiterated the importance of Programs relating to the Global IP Services, which generated the main income for the Organization. However, the Delegation appreciated the work carried out through the technical cooperation programs implemented by the Department of Transition and Developed Countries, Programs 10 and 30, and the WIPO Academy under Program 11. Those Programs were the main facilitators of the increase in filings and key contributors to improving the overall IP ecosystem. Therefore, the Delegation encouraged the Secretariat to continue implementation of its technical cooperation programs. The Delegation concluded by stating that it was fully committed to a continued constructive engagement under agenda item 9.

121. The Delegation of Costa Rica, speaking on behalf of GRULAC, requested that the Q&A document be included as an Annex to the Program and Budget document. In regard to Program 15, the necessary financial resources should be made available for the IPAS system to be improved and the outreach of the Program to be increased. The proposed increase in Program 15 amounted to 5.6 per cent compared to the approved budget for the current biennium but only 1.4 per cent when compared to 2016/17 budget after transfers. In the 26th session of the PBC, GRULAC had requested additional resources for the deployment of support personnel and experts to the countries of the region and for maintaining and updating the system in those countries which currently were using it. The Delegation expressed its gratitude for the information included in the Q&A document, which clarified that the support for IPAS amounted to 20 per cent of the total budget of the Program in that biennium.

122. The Delegation of Spain thanked the Secretariat for the work undertaken to prepare the new version of the Program and Budget for the coming biennium. Concerning paragraphs 27-29 of the proposal relating to the ICSC decision, the Delegation appreciated the statement made by the Director General the day before and recognized the work undertaken in that area by the Secretariat. Nevertheless, the Delegation stated that it did not feel comfortable with the current drafting of paragraphs 27-29 and had been talking to other delegations about possible modifications and appreciated the flexibility already expressed by the Secretariat in order to move forward. The Delegation understood that any budget was an estimate and future projection for something which was very uncertain and dependent on income and expenditures. The Delegation continued by stating that since the future was uncertain, it was extremely difficult to prepare a budget, and that it had asked for something clear on personnel costs. The Delegation was aware that many things had happened and that a number of negotiations had been undertaken. The Delegation believed that personnel costs needed to be closer to reality in order for the Organization to be more certain as to its position in the future. The Delegation thought that as Member States of the United Nations family, this must be done rather than ignoring something that all were aware of, as adopted by the ICSC. Therefore, the Delegation stressed the importance of fully following the common system. Further, the Delegation expressed its concern that the document which would govern the budget for the next two years did not fully reflect the decisions of the common system.

123. The Delegation of Chile supported the statement by the Delegation of Costa Rica on behalf of GRULAC. The Delegation stated that the assistance by WIPO and support to offices and national and regional institutions was critical for the development of IP systems across the globe. Consequently Program 15 was of particular interest to the Delegation. The Delegation believed that the Organization must continue to make efforts both at the human resource and financial level in order to support offices in the use of the IPAS system. The Delegation appreciated the information included in the Q&A document as well as the amended performance indicators. In this context, the Delegation had some questions and suggestions. First of all, the Delegation wished to understand why the target was equivalent to the baseline for the second indicator relating to the number of offices using the IPAS system. Secondly, in regard to the fourth indicator, the Delegation was pleased to see its inclusion in the new version of the Program and Budget document. The Delegation suggested that the evaluation of the satisfaction of offices be linked to three elements which it believed were critical, namely, implementation, maintenance and updating. Therefore, the Delegation suggested the addition of "implementation, maintenance and updates" at the end of that indicator. Thirdly, in regard to the Q&A document, the Delegation supported the request made by the Delegation of Costa Rica on behalf of GRULAC. Currently that document was located on the web page of the PBC which made it very difficult to link the information to the Program and Budget for the 2018/19 biennium. Consequently, the Delegation believed that that document should be included as an Annex and appear wherever the Program and Budget appeared. Finally, the Delegation suggested that the Sector responsible for Program 15 consider the assignment of a staff member in the region of Latin America and the Caribbean. This would contribute to the further development and adoption of the IPAS system in the region. The Delegation recognized and appreciated the work undertaken by WIPO, particularly the Global Infrastructure Sector, for the implementation and maintenance of the IPAS system at the national IP office. Those tools had had a positive influence on the results and efficiency of the institution in all IP rights areas and had been essential in the development and the improvement of the service provided by INAPI.

124. The Delegation of Brazil supported the statement made by the Delegation of Costa Rica on behalf of GRULAC. The 26th session of the PBC had reached agreement on a number of Programs. The Delegation wished to firstly reiterate the importance of mainstreaming the Development agenda across WIPO. The Development agenda was an important achievement for WIPO and continued to be a priority. The Delegation shared the concern raised by the Delegation of Senegal regarding the development share of the budget. The Delegation noted that this was the first proposed budget to use the new development expenditure definition and stated that WIPO should do its best to increase the proportion of the budget in future years, in order to support efforts by Member States to sustain innovation and creativity. Further, in the revised Program and Budget, it was unclear to the Delegation how WIPO had mainstreamed the Development agenda across all strategic goals. The Delegation further stated that more information was required in the draft proposed Program and Budget regarding how each Program was implementing specific SDGs and their targets. The Delegation stated that Annex IX was very superficial and did not contain sufficient information for Member States. The Delegation continued by stating that it had raised this point in the previous session of the PBC and that it had been mentioned by other Delegations as well. In this context, the Delegation requested clarifications from the Secretariat. The Delegation noted that some information had been provided in the Q&A document. However, the document did not contain information regarding each strategic goal and instead was rather a template, using Strategic Goal VII as an example. The Delegation further noted that information regarding the other strategic goals would be provided to the next session of the CDIP and looked forward to examining it in due course. However, regarding the proposed Program and Budget, the Delegation was of the view that future documents should include information on the implementation of the SDGs by each strategic goal, in line with the request made by Member States during the July session of the PBC. In conclusion, the Delegation stated that it would make additional points as the discussion continued under each Program.

125. The Delegation of China thanked the Secretariat for having carefully modified the Proposed Program and Budget for the 2018/19 Biennium on the basis of Members States' comments at the last session of the Program and Budget Committee. After a thorough discussion at the present session, the Delegation hoped that all parties would reach consensus on the outstanding issues on the document. The Delegation of China also thanked the Secretariat for presenting the new developments from the latest meeting of the ICSC and the estimates of the possible impact on personnel expenditures. The Delegation of China also reiterated that for the sake of the Organization's development and stability, measures should be adopted to ensure WIPO's competitiveness in recruiting global talent. With regard to legal issues related to the salary and benefits cuts mentioned by the Legal Counsel at the previous session of the PBC, the Delegation expressed its concern due to the fact that the legal cost may offset the gains achieved through salary cuts. The Delegation added that this would be detrimental to the overall function of the Organization.

126. The Delegation of the United States of America supported the statement made by the Delegation of Japan on behalf of Group B. The Delegation also extended its support to the suggestion made by the Delegation of Chile regarding the association of the Q&A document to the Proposed Program and Budget where relevant. The Delegation noted that a provision was made for a Diplomatic Conference in the next biennium in the Proposed Program and Budget for the 2018/19 Biennium under Unallocated. The Delegation stated that it was not in a position to support the provision for a Diplomatic Conference in the budget unless it was subject to two conditions. A Diplomatic Conference in the next biennium should be conditioned upon the full participation of all WIPO Member States and any Diplomatic Conference may be convened by the Director General only upon a consensus decision of all WIPO Member States. The Delegation stated that WIPO Member States took their decision by consensus except in rare circumstances such as the election of the Director General. Changing the way decisions were taken would, in the Delegation's view, alter WIPO's fundamental character and would jeopardize its successful operation. The Delegation also added that, any results achieved without the support of the full membership could also be suspect. With regards to Program 32, the Lisbon System, the Delegation appreciated that the presentation of the Program was balanced with the protection of geographical indications by trademarks and other forms of legal protection. The Delegation recognized that the Lisbon System was making significant progress towards financial sustainability for the current biennium and stated that it would continue its consultations with Lisbon Members throughout the week regarding the 2018/19 biennium.

127. The Delegation of the Republic of Korea thanked the Secretariat for preparing the revised Proposed Program and Budget for the 2018/19 Biennium in accordance with the recommendations made during the previous session of the Committee. Regarding the 2018/19 Program and Budget, as contained in document WO/PBC/27/8, the Delegation noted that the number of PCT, Madrid and the Hague applications had increased continuously and that these applications were anticipated to increase during the next biennium, resulting in 95.1 per cent of the total income to stem from the PCT, Madrid and the Hague fees. The PCT fee income alone would represent 76.7 per cent in the 2018/19 biennium. The Delegation believed that the projection of increase in PCT, Madrid and the Hague applications needed to be carefully estimated. In terms of the 10 per cent decrease in contributions of Member States, the Delegation held the opinion that the relatively low contributions of Member States and the reliance on core revenue of PCT and other international fees took away from the core of the Organization in relation to its identity, ownership and member-driven characteristics. Accordingly the Delegation was of the view that the issue of Member States' contribution reduction should be considered carefully. The Delegation also noted that the Proposed Program and Budget for the 2018/19 Biennium contained few performance indicators for which the target was lower than the baseline. As the baseline pertained to the performance of the previous year, it would be logical to achieve higher targets thus demonstrating a better performance. The Delegation therefore asked for some clarifications on the following items. Firstly, referencing page 99, regarding the level of Member States' satisfaction with WIPO's dissemination of information of the Development agenda and its implementation, the

satisfaction was 86.6 per cent in 2016 but the target was set at 80 per cent for 2018/19. Secondly, referencing page 111, the baseline percentage of trained IP professionals and IP officials using upgraded skills in their work was 83 per cent but the target was at 80 per cent. Thirdly, referencing page 144, the level of satisfaction of participants in WIPO training and capacity building activities indicated an average rate of usefulness of 92 per cent and an average rate of satisfaction of 92 per cent; however the target was at “more than 85 per cent”. The Delegation also took note of the continual increase in WIPO international filings resulting in increased PCT income. To maintain that trend, each Member State should take the opportunity to reinforce and strengthen their outreach efforts. The Delegation stated that it had recently hosted PCT awareness-raising seminars for business and research institutes and that it had resulted in an increase in applications. The Delegation believed that outreach was crucial to diversify the applicant pool in the context of the top five countries for PCT applications having accounted consistently for more than 80 per cent of PCT applications. The Delegation also took note of the productivity of formality examination and the quality index for formality examination. WIPO had been showing an increase in productivity and a decrease the quality. In order to maintain the trend of increased quality and productivity, there was a need for a shift of focus to the capacity-building of staff, especially following changes in the work environment due to the development of IT systems and automation. At present there seemed to be no budget for training. The Delegation believed that a budget for capacity building should be reflected to continue producing high-quality services for the PCT system.

128. The Chair indicated that all Delegations had made their general comments and that some Delegations had also made comments on a number of pending issues. The Chair then gave the floor to the Secretariat for the any general comments and replies to the Delegations, while stating that pending issues would be addressed subsequently.

129. The Secretariat responded that with respect to the methodology for the allocation of costs to the Unions both for the Proposed Program and Budget for the 2018/19 Biennium and for the Capital Master Plan, the Secretariat was guided by the existing methodology in force. The Secretariat added that this had always been the practice and that it had used the same methodology for both documents, which was described in detail in Annex III of the Proposed Program and Budget for the 2018/19 Biennium. The Secretariat also wished to recall that in 2016, again based on the Member States’ decision and mandate to the Secretariat, the Secretariat had undertaken a comprehensive review of the methodology for the allocation of income and expenditure to the Unions. The resulting document was a very comprehensive and transparent basis for the discussions by Member States. Regarding the comments from the Delegation of Spain, on the ICSC question and the decision referred to in paragraph 26, the Secretariat stated that it had complied with the decision. The Director General had clearly described the situation, the previous day, in his opening remarks. The Secretariat assured Member States that the opening remarks could be made available. The Secretariat then went on to clarify that the fundamental point from the financial planning perspective was that it did not have the necessary information to translate that decision into a specific and precise estimate for the next biennium because the ICSC decision taken in Vienna did not provide the specific parameters. The ICSC provided month-by-month financial parameters as the values of the post adjustment multiplier were sent to each organization. The ICSC had mentioned the phasing of changes but no information had been provided so far on the phasing of those changes. With regards to a precise estimation, the Secretariat had therefore not been able to estimate those elements but had provided in paragraph 27 a summary of the decision. In paragraph 28, the document presented what the result would be, should a reduction in actual expenditure of one per cent or two per cent materialize. The Secretariat commented that the information provided was an adequate basis for Member States to extrapolate on the reduction based on other percentages. Speaking under the control of the Legal Counsel, the Secretariat further added that paragraph 29 was stemming from the assessment offered by the Secretariat of the potential implications of the legal costs associated with any potential reduction in the salaries of professional staff and other categories above. Regarding the methodology for the personnel costing, the Secretariat wished to remind Member States that it had now adopted an actual

cost-based methodology, which was far more accurate than had been applied in previous biennia and that had resulted in the Secretariat's estimates being very close to the actual costs that were being paid. The Secretariat then stated that there had been several questions related to key performance indicators including some specific ones which the Secretariat would answer at a later stage. The Secretariat wished to make a general remark, however, that it was not always necessary to increase the target for a performance indicator although there was always potential for improvement. Targets were determined based on an assessment by the program managers on what would be a reasonable target. If the target was exceeded in one given year, which would result in a higher baseline the following year, it did not automatically mean that there would be an increase in the target for the performance indicator in the following year. The Secretariat added that maintaining performance was also a reasonable endeavor by Programs as any increase in targets required increased activity or increased effort and it would be based on an overall assessment by the program managers of what those indicators and targets could be. Regarding the Q&A document, the Secretariat acknowledged the helpfulness of integrating it with the documentation and that it would find a way of making the Q&A document visible alongside the Program and Budget. The Secretariat would consult internally on how exactly that could be done. With respects to the SDGs, the Secretariat, recognizing the importance of the SDGs, reiterated that it was working closely with the SDG Coordinator to come up with more detailed information for the CDIP. The Secretariat stated that the general questions had been answered and acknowledged that the detailed questions from the Delegation of the Republic of Korea would be answered shortly after consultation with the program managers.

130. The Chair thanked the Secretariat for its preliminary comments and suggested proceeding with the pending questions from the previous session starting with Program 15 (Business Solutions for IP Offices). The Chair highlighted that some comments had already been made on that Program by GRULAC and the Delegation of Chile. The Delegation of Chile had asked some questions and made a number of suggestions, for example, the inclusion of the Q&A document as an annex to the Program and Budget document. The Chair then opened the floor for comments on Program 15.

131. The Delegation of Brazil recalled the comments made by GRULAC and the Delegation of Chile with regards to the delivery by Program 15 of an array of systems used by IP Offices, including the IP Offices in Brazil. The Delegation observed that the users of the IPAS suite of applications had very good results with those systems. The Delegation supported the proposal made by Chile on the performance indicators and also wished to reiterate its view that adequate resources should be provided not only for the efficient preparation of the internal systems but also for their maintenance and support by WIPO with a view to achieving long-term efficiency gains as well as enabling improvements for national systems. The Delegation looked forward to further discussing that issue.

132. The Secretariat wished to address the specific question from the Delegation of Chile regarding the performance indicator number two on page 136 of the English version of the Proposed Program and Budget for the 2018/19 Biennium. Indeed the baseline for that indicator, which was the number of Offices using the IPAS suite of applications, was 81 at the end of 2016 and the proposed target was of 81 Offices for the biennium. The Secretariat wished to clarify that it was important to read that indicator in conjunction with the third indicator under Program 15, which referred to the average service level of IP offices assisted through the IP suite of applications. The latter performance indicator showed that there was a qualitative change in the use of the IPAS suite of applications targeted for the biennium whereas the number of Offices using the applications would remain stable. So while the number of Offices would remain stable, they could move to using, for example, an additional number of applications. The service level, which was the outcome that the Program was seeking, would be increasing as the composite indicator would be going from 3.1 to 3.2. The Secretariat also addressed the other proposal from the Delegation of Chile, also supported by the Delegation of Brazil, to bring a slight change to indicator number four, which dealt with the satisfaction of offices in the use of WIPO systems for IP business solutions. The proposed change would then

read as an additional sentence with regard to the implementation, maintenance and update of the applications. The Secretariat stated that, with the Chair's permission, it would prepare a version of that page in track-changes to be distributed to Member States.

133. The Chair thanked the Secretariat for those answers and asked whether, while waiting for the preparation of the document containing the aforementioned change, the Delegation of Chile would have any other questions regarding that topic.

134. The Delegation of Chile thanked the Secretariat for providing answers to the three questions it had raised and expressed its satisfaction with the answers. The Delegation hoped that the Committee would be in a position to adopt those changes to the proposal. The Delegation also reiterated its request regarding the need to have a staff member placed in its region.

135. The Chair announced that the Secretariat had finished distributing the change that would be included in the table containing the performance indicators, baselines and targets on page 136 of the English version. Under the fourth performance indicator regarding the satisfaction of offices using WIPO system for IPO business solutions, there would be the addition of a new sentence containing the suggestions made by the Delegation of Chile. The Chair asked whether that amendment would be acceptable to all Delegations. The Chair saw no objections and therefore concluded that the change was accepted. The Chair opened the floor for comments on narratives and performance indicators for Programs 9, 10, 20 and 32. Seeing that no Delegations requested the floor, the Chair asked whether all Delegations were satisfied with the discussions related to those Programs.

136. The Delegation of France stated that consultations were ongoing among Member States on those matters and that the Delegation was therefore not in a position to make any statement.

137. The Chair acknowledged that it was a comment made by Delegations previously and that the issue should be set aside and considered subsequently.

138. The Delegation of Canada wished to make a comment on Program 20, which it may not have made during the previous session of the PBC. Regarding the table of results in Program 20, on pages 161 and 162 of the English version of the document, the table should include the new WIPO External Offices in Algeria and Nigeria with appropriate baselines and targets for these new Offices. In addition, the Delegation wished to reiterate a comment made also in the past regarding the use of TBDs for baselines and targets. The Delegation acknowledged that baselines and targets might not be available at the time of preparing the Program and Budget, however, the Delegation believed that in general baselines and targets should have a number associated with them at every occasion. The Delegation also asked whether there could be a mechanism such as publishing Revs to the Program and Budget so that the Secretariat could communicate baselines and targets to Member States as they became available in advance of the Program Performance Reports.

139. The Secretariat wished to first address the second question from the Delegation of Canada. In most cases where the Program and Budget included TBDs, that could be explained because the indicators were new indicators. Therefore there were no baselines or targets available at the time the Program and Budget was prepared. The Secretariat recalled that the baselines which were relevant for the Program and Budget for the 2018-19 biennium were the values on the indicators at the end of 2017. Due to the time it took to prepare the Program and Budget those values were not available. The Secretariat reminded delegations that, in line with the PBC's request, the Program Performance Reports disclosed in a transparent manner what the values were if they were reported as TBD in the Program and Budget and what the values were at the end of 2017. Regarding the results framework for the WIPO External Offices in Algeria and Nigeria, the Secretariat reiterated that it did not at that moment in time have a clear idea about the exact work program for the new offices which would be opened. Therefore their

performance indicators as well as baselines and targets would be disclosed in the Program Performance Report once they had opened. The Program Performance Report, for the sake of transparency, included a specific column with updated baselines and targets so that Member States could easily compare that information with what was included in the Program and Budget.

140. The Delegation of Canada acknowledged that the Program Performance Reports indeed indicated the baselines, which the Delegation noted was very useful. The Delegation reiterated that the concept of approving certain Expected Results, indicators and programs without clear information as to what the targets were remained a concern, even though it was clear that in some cases indicators were new. The Delegation had stated its concerns both in general and with regard to specific programs and it needed to reconcile its approach to this issue.

141. The Delegation of Bangladesh, on behalf of the Least Developed Country Group, welcomed and supported the Director General's proposed reduction of Member States' contribution by 10 per cent and stated that it expected that such reduction would not affect the current level of development expenditure. The LDCs strongly hoped that as an UN agency WIPO would champion development cooperation. The Delegation noted that it benefited from a number of partnerships with WIPO and that it was happy to note that continued attention in priority areas had been maintained in the Program and Budget for 2018/19. The Delegation was thankful that emphasis had been made on strengthening the utilization of appropriate technologies for the LDCs, that the need for building stronger partnerships with LDC development partners had been highlighted and that cooperation with academia and research institutions as well as undertaking thematic studies had been envisaged in the Program and Budget. The Delegation further stressed that the LDC group at WIPO, which constituted one fourth of the total membership of the UN, wanted to take a keen interest in the work of the Organization and remained strongly committed in engaging in the ongoing discussions of the PBC.

142. The Delegation of Iran (Islamic Republic of) referred to the intervention by the Delegation of the United States of America concerning preconditions for allocating resources for convening a possible Diplomatic Conference in the next biennium. The Delegation noted that consensus decisions had been applicable for many decades and that this was the only decision making principle applied in all WIPO bodies and committees. The Delegation recognized this fact and in its view all Member States remained committed to this principle within all committees and bodies. The Delegation therefore had some hesitation concerning the necessity to define such a precondition for allocating resources for any possible Diplomatic Conference in the future and it stressed that any decision with regard to the convening of a possible Diplomatic Conference should be made based on consensus in the relevant WIPO body. The Delegation further noted that, in its view, setting a precondition, which was a legal precondition for any decision that would be made by other related WIPO committees, might fall outside the mandate of the PBC and its discussions on the Program and Budget. More clarification was therefore required concerning these preconditions, including clarification regarding their added value, since Member States' decision would be made by consensus and would be open to all Member States.

143. The Chair then suspended discussions on agenda item 9 and urged delegations to engage in consultations in order to reach agreement on the pending issues which were: Programs 9, 10, 20 and 32, the proposed decrease by 10 per cent in the unit contribution value, the Union allocation methodology used for the preparation of Annex III, the preconditions for the provision of funding for a possible Diplomatic Conference in the 2018 19 biennium and paragraphs 27-29 concerning the ICSC decision. The Chair requested the Secretariat to prepare a new draft for those paragraphs for consideration by Member States.

144. When the Chair resumed discussions on the pending issues under agenda item 9, the Chair informed the Committee that paragraphs 27-29 were still being redrafted and that she

hoped that they would be ready the following morning. Concerning the decrease by 10 per cent in the unit contribution value, the Chair asked whether there were any objections to the proposal. Since there were no objections, the Chair concluded the debate on that issue, stating that the Director General's proposal would then be accepted. The Chair then enquired whether there had been any progress in the discussions on the Union allocation methodology used for the preparation of Annex III, the provision for the funding of possible Diplomatic Conferences and the narratives and performance indicators in Programs 9, 10, 20 and 32.

145. The Delegation of the United States of America stated that it had had some very useful consultations with a number of Delegations on the outstanding issues under agenda item 9, including the Union allocation methodology and Program 32. The Delegation was under the understanding that several delegations were consulting further and therefore requested additional time to circle back with those other delegations.

146. The Chair thanked the Delegation the United States of America and stated that the Committee would revert to the outstanding issues the following day, including the Union allocation methodology.

147. The Delegation of Canada requested confirmation that additional time would be given to consider the proposal of the 10 per cent decrease in contributions and that no decision had yet been taken.

148. The Chair stated that it had indeed been her intention to close the discussion on the 10 per cent decrease in Member States' contributions since there had been no objections but if Member States would require more time for further consultations the issue could remain open.

149. The Delegation of France thanked the Delegation of Canada for asking the question and stated that it was not ready to take a decision on the 10 per cent reduction since the issue was linked to other subjects under agenda item 9. The Delegation was of the understanding that this discussion had not yet been closed.

150. The Chair then confirmed that the question of the 10 per cent decrease in the unit contribution value was still pending and would be revisited the following day. The Chair then suspended the session until the following day

151. When the plenary was resumed the following day, the Chair informed delegations that discussions had continued on an informal basis and that delegations were still having consultations. The Chair stated that more information regarding the informal consultations, and from the Legal Counsel, would be available the following day. All proposals had been circulated, including the proposal prepared by some countries. That proposal has been sent to Regional Coordinators for distribution to their Members. The Chair then listed the items still pending namely narratives and performance indicators in Programs 9, 10, 20 and 32, the 10 per cent decrease in the unit contribution value, the Union allocation methodology used for the preparation of Annex III and the conditions for provision of funding for a Diplomatic Conference in the 2018/19 biennium. The Chair also mentioned that there were some outstanding issues regarding allocation of costs to the Unions in the Capital Master Plan. She stated that some Member States who were interested in this issue had been holding consultations and she requested them to inform the PBC plenary on the status of these consultations.

152. The Delegation of France informed the Committee that a number of productive discussions had been held on the pending issues. The Delegation was confident that it would be able to propose some decision paragraphs during the present session of the PBC with regard to the pending items on agenda item 9, i.e. paragraphs with regard to the Program and Budget and the Capital Master Plan as well as with regard to the conditions for the holding of possible Diplomatic Conferences. The drafts, at that point, needed to be unified and the Delegation hoped that such a unified proposal could be presented during the plenary session

the following day. The Delegation thanked all the delegations who had taken part in the preliminary discussions and the plenary for the patience.

153. The Delegation of Indonesia, speaking in its national capacity, thanked the Delegation of France for the progress update. It requested further information on the number of delegations that had participated in those discussions, who those delegations were, and an explanation of why the listed issues were interlinked in one unified proposal, because the Delegation did not really consider that all those issues should be linked.

154. The Chair thanked the Delegation of Indonesia and gave the floor to the Delegation of France for the requested clarifications.

155. The Delegation of France stated that it did not know whether it would be sufficient clarification to share with the plenary a list of all the delegations participating in the consultations that afternoon, and explaining their view and their understanding of the issues being discussed. The Delegation reiterated that it was currently working on a draft which would allow the Committee to come up with a decision during the present session.

156. The Delegation of Senegal, on behalf of the African Group, thanked the Delegation of France for the progress update and stated that it shared the same concern and the same questions as the Delegation of Indonesia. It expressed its interest in seeing the text in question, in order to be able to comment on the subject as broadly as possible. The Delegation noted that, generally speaking, the African Group was not in favor of conditions with regard to the convening of a Diplomatic Conference because it believed that it was not the mandate of the PBC. Secondly, the Delegation stated, the holding of a Diplomatic Conference needed to be discussed in the concerned committees and not within the PBC.

157. The Delegation of Indonesia appreciated the clarification but was still unsure about how all the issues listed by the Delegation of France were linked into one decision. The Delegation requested further clarification on this issue.

158. The Delegation of the United States of America thanked delegations for their patience and for the constructive contributions during the informal consultation process. It explained that the reason why the text was covering all the items was because those items were the outstanding items under agenda item 9 and they therefore had to be dealt with together as would be reflected in the proposed decision paragraphs that were currently being drafted.

159. The Delegation of France wished to respond to the Delegation of Indonesia and stated that the best way to answer the question would be to show the draft decision that had been produced to the Delegation.

160. The Delegation of Indonesia thanked the Delegations of the United States of America and France for their further clarifications and enquired whether just because some issues were outstanding that would mean that they would be translated into a unified decision. The Delegation further hoped that this principle could also be applied during the General Assembly where different issues were outstanding. It stated that, in its view, issues that had no clear links should not be linked to other issues. The Delegation did not want to make a linkage when there was no linkage. The Delegation looked forward to seeing the text and trying to understand all the rationale behind it, because it had not been part of the supposedly very productive discussion. The Delegation therefore reserved its rights to consider whether there was enough time left for considering the proposed text and stated that it might not be able to support it within the present session of the PBC.

161. The Chair stated that she hoped that a written version of the text would be available the following morning giving sufficient time to all delegations to consider the proposal and adopt a decision. The Chair then suspended the plenary.

162. When the plenary resumed on item 9, the Chair recalled that the previous Committee session had referred several issues to that PBC session. These issues were: the key performance indicators in Program 19, the narrative and performance indicators in Programs 9, 10, 20 and 32; the proposed decrease in the unit contribution value by 10 per cent; the Union allocation methodology used for Annex III of the Program and Budget; and the conditions for the provision of funds for a Diplomatic Conference to be held in the 2018-2019 biennium. The Chair noted that some delegations had been holding consultations on these issues, and asked whether those delegations had any information to provide on the status of those consultations.

163. The Delegation of the United States of America was pleased to report that the consultations led by the Delegation of France with the members of the Lisbon group and other interested delegations had resulted in a text which had been sent to the Secretariat for distribution to the members of the PBC, and which addressed each of the items outstanding under agenda item 9, including those related to the Proposed Program and Budget for the 2018/19 Biennium, as well as the allocation of spending under the Capital Master Plan for 2018-27 as it related to the 2018/19 biennium. The Delegation offered to read the text, or to wait until the text had been distributed. The Delegation continued that the text represented four key elements with regard to the Program and Budget, including recommended approval of the Proposed Program and Budget for the 2018/19 Biennium without the 10 per cent reduction in the unit contribution value for the contribution financed Unions. It noted, however, that this point remained in brackets, because it was not an essential point for the Members included in the consultation. The Delegation paused to note that it saw indications from some Members that they wished to receive the text before it continued, and deferred to the Chair.

164. The Chair thanked the Delegations of the United States of America, France and all the other delegations who had taken part in the consultations for their work, and proposed to wait a few minutes until the document had been distributed. When distribution was finished, the Chair reopened the floor for comments on the proposal. The proposal introduced by the Delegations of the United States of America and France is attached to the present report as Annex II.

165. The Delegation of Senegal, speaking on behalf of the African Group, thanked all the delegations who had been involved in the consultations which had led to the document just distributed. The Delegation had not had enough time to look at the document and what was behind it, and requested that discussion of the document be pushed to the afternoon session, so that it could have more time to evaluate it.

166. The Delegation of Singapore thanked the Members who had come up with the proposal, and echoed Senegal's request for informal consultations on this topic. The Delegation was flexible as to the timing of such, but wished to first raise some questions which were its initial reactions to the text proposed, and hoped that this would facilitate the conversation that would follow. Noting that it may have more questions later, the Delegation noted that, from the text in front of the Committee, there was a proposal to reallocate costs to certain Unions, namely Madrid and the contribution financed Unions, and that further on in the second section of the text, in (ii) there was a proposal to re-examine the level of the fees of the Madrid Union. As Members prepared for the informal consultations, and given the limited time available, the Delegation wished to know from the Secretariat whether these Unions, namely Madrid and the contribution financed Unions, would be able to accommodate these changes. Secondly, what would the financial impact on the contribution financed Unions be in relation to the proposed 10 per cent reduction in the unit contribution value? Further, the Delegation wished to ask the Delegation of France why there was a singling out, in (iii) of the second part of the proposed decision, of the PCT Union in requiring the consent of the Union in order for the reserves to be used, when that same requirement was not applied to other Unions.

167. The Delegation of Indonesia, speaking in its national capacity, thanked the few delegations who had consulted on the proposed language, and echoed the interventions of the Delegations of Singapore and Senegal. It, too, requested some more time, but it could not

guarantee that it would have any position on the proposal by the time that consultations would take place, because it had only seen the text that morning. The Delegation further noted that this was not the text that it had been expecting, because there was a lot of wording within the proposal that involved systemic issues that should not be discussed within a only a few delegations.

168. The Delegation of Brazil echoed the other delegations who have requested clarification on the document, especially the preliminary question raised by Singapore. The Delegation noted that it was not a single phrase that was proposed to be discussed, but that the proposed text might have a long-term impact in the Committee's discussions on the Capital Master Plan. It invited the delegations who had been involved in the consultations to present their views and the negotiating history behind each of the items, which could assist the Committee in its discussions. It also joined the Delegation of Indonesia in stating that this was a short time to react to the proposal, and perhaps more time would be needed to discuss it.

169. The Chair noted that the issue of time had been mentioned by several delegations, being Senegal, Indonesia, Singapore and now Brazil. The Chair did not expect positions at that time, since Members had just received the text, but Members had the opportunity to make any preliminary or general comments and perhaps ask questions.

170. The Delegation of Chile thanked those who had worked on the text. The Delegation noted that it was the first time that it was seeing the text, and endorsed the request made by other delegations. It would be useful to have a more detailed explanation, either in the plenary or in informal consultations, as the Chair deemed appropriate, from those delegations who had worked on the text and others who knew the background to the negotiation, on whether the elements were already part of the decision which had been taken in the previous biennium, or if there were differences, what the differences were. In this way, Members could have a greater and fuller understanding of the proposal. Likewise, if there are any new elements, what justified those new elements. The Delegation thought that these explanations could help the Committee to understand and finally to reach an agreement.

171. The Delegation of Canada joined others in thanking the delegations who had worked on the text that week. It was looking at the set of proposals from a general perspective. Without prejudice to any other comments that the Delegation could have later, it wished to point out something it thought was a minor issue, but was a matter of accuracy. In paragraph (ii) of the first part of the text starting with "to modify...", the Delegation thought that, instead of "proposed CMP 2018-2027", this should read "2018/19". The Delegation's understanding was that the triage of CMP projects being submitted for approval was with regard to the 2018/19 biennium. The projects beyond the next biennium were not yet costed, so there could not be a decision on the allocation of costs for those uncostered CMP projects. The Delegation therefore thought it was a matter of accuracy to specify "2018/19".

172. The Delegation of Egypt needed more time to review the proposal made by the United States of America, especially since many elements in one document. It also seemed that some delegations would need to refer to their capitals on some items. The Delegation was not sure it was a good idea to have so many things in one text, but that was another issue.

173. The Delegation of France began by thanking all the delegations who had participated in the consultations that had led to the proposed text. In response to some of the comments, the Delegation explained that hearing all of the issues raised by the delegations who had gone to see it took a lot of time but was necessary, and the drafting of the document itself was done in the least amount of time possible in order to allow all the Members of the Committee as much time as possible to study the proposal and to consult their capitals, so that a decision could be reached during that session. As to the two questions the Delegation had heard, first from the Delegation of Canada with regard to (ii) on the CMP, the Delegation stated that this was a typo and could obviously be corrected to "2018/19" instead of "2018-27". With regard to the other

question raised by several delegations regarding the reference in the proposal to “with its consent” in relation to the PCT Union, the Delegation did not think any Members would be surprised to hear that one of the concerns raised by some delegations who had participated in the discussions during the previous few days was the view that the PCT participated too heavily in the financing of the Organization. In the same way that the Delegation had tried to bring onboard, in the proposal, all of the issues raised by all delegations during the consultations, that part was intended to take account of that concern. The Delegation was, of course, open and transparent and ready to explain all of the reasons that had led to each and every detail of the proposed decision. It wished to highlight that, from its perspective, it had tried to come up with the best decision possible, given all of the viewpoints expressed by the delegations who participated in the consultations. Obviously, the adoption, if possible, of the proposal would require approval from the capitals of all Members, and the Delegation understood that point perfectly.

174. The Chair thanked the Delegation of France for the clarifications. As there were no further comments on the proposal, the Chair proposed to move on to another of the issues left pending, and that was the issue regarding the decision of the ICSC. The Chair recalled that, on the previous day, a proposal had been made by a group of countries relating to paragraphs 27 to 29 of the Proposed Program and Budget. Taking in to account the requests from several delegations for the opinion of Legal Counsel on the proposal submitted, the Chair gave the floor to the Secretariat give its comments.

175. The Secretariat (Legal Counsel) noted that the draft decision text prepared and proposed by the group of delegations yesterday included a reference to his intervention during the previous session of the PBC. The Legal Counsel stated that the proposed decision paragraph sufficiently reflected the comments and cautionary remarks he delivered in the previous session. However, the Legal Counsel reiterated the view he expressed in July that not all aspects and implications of the ICSC decisions were fully reflected in the proposed decision paragraph. In particular, although the decision paragraph included the commitment of WIPO to implementing ICSC decisions, it did not specifically reference the need for transparency and accuracy in the methodology that was applied by the ICSC, or the fact that the Organization had a responsibility of due diligence toward its staff. The Legal Counsel observed that the Director General had also made these particular points very clearly at the beginning of the current session, and it would have been helpful for the modification of the text to include a reference to the Director General’s comments; namely, that there was a need for due diligence and an interest in transparency. The Legal Counsel stated that the proposed decision paragraph referring to his previous statements would be acceptable, provided it was understood to reflect the entirety of those statements made during the July session.

176. As there were no further questions, the Chair considered that discussion had come to an end for the time being. The Committee had therefore addressed all the pending issues under item 9. The Chair requested that the Secretariat circulate a draft decision for the consideration of the Committee. Taking into account the requests from Members for some time to review the documents which had been handed out, the Chair suspended the plenary until 12pm, so that delegations could have time to consider the documents and the information they had received during the session.

177. The Delegation of Spain requested clarification of the procedure, in light of the statement made by the Legal Counsel, whom the Delegation thanked, and the Chair’s announcement that the discussion was closed.

178. The Delegation of Georgia, speaking on behalf of CEBS, also thanked the Legal Counsel for his useful explanations in terms of the ICSC decision and the implications and risks associated with the decision. The Delegation wished to reiterate that it was more inclined to support the paragraph which had been prepared by the Secretariat regarding the ICSC decision, but in the interest of flexibility it had agreed to also support the first version of the

paragraphs, which had also been prepared by the Secretariat. The Delegation also thought that not all aspects of the original text were fully reflected in the new proposed paragraphs. The Delegation thought that there was still a need to clarify the language, and given that there was still sufficient time remaining, the Delegation proposed to work on the text of the decision paragraph regarding the ICSC.

179. The Chair suggested that the Delegations of Georgia and Spain consult to see whether they could reach an agreement on a proposed decision. The plenary was then suspended.

180. When the plenary discussion on item 9 was resumed, the Chair proposed to consider the various pending issues, beginning with matters relating to the ICSC decisions mentioned in paragraphs 27 to 29 of the Proposed Program and Budget. The Chair recalled that, before the break, a draft decision proposed by Spain had been circulated. Subsequently, the Committee had received a new version containing a couple of corrections. The Chair proposed to read out the new version and to explain it. The proposal for the decision paragraph stated that the PBC “agreed to the modifications made by Member States to paragraphs 28, 29 and 30. In this context PBC 27 took note of the DG's opening statement delivered at PBC 27 and the clarifications of the WIPO legal counsel delivered during PBC 26 and PBC 27.” In respect of paragraphs 27 to 29 of the Proposed Program and Budget for the 2018/19 Biennium, the Chair explained that the proposal did not include any changes to paragraph 27. The proposed new paragraph 28 would read as follows: “At the moment of budgeting of personnel costs for the biennium 2018/19 the Secretariat needed more guidance in order to translate the ICSC decisions taken at its 85th session into precise planning parameters. The ICSC will provide all information requested in due time so that WIPO implements ICSC decisions including and in relation to all those listed in paragraph 27 that will have to be applied from 1st February 2018.” The Chair continued that paragraph 29 would be deleted, and paragraph 30 would be renumbered as the new paragraph 29. The current paragraph 30 referred to probable budget scenarios and included a point on staff costs, which read as follows: “Other staff costs include the budgeted biennial provisions for Professional Accident Insurance (PAI) (900,000 CHF) ... litigation costs (400,000 CHF)...” The Chair explained that the proposal was to insert a footnote to state the following: “A conservative estimate for the legal costs associated with implementation of the ICSC decision taken in its 85th session and legal costs could be estimated at 1.6 million Swiss francs.” The Chair reiterated that the text she had just read out would be included in a footnote to a new paragraph 29. These changes would be added by the Secretariat to the revised version of the document which would be considered by the WIPO Assemblies. The Chair then proceeded to adoption of the decision. As there were no objections, the decision was adopted.

181. The Program and Budget Committee (PBC) agreed to the modifications to paragraphs 28, 29 and 30 made by Member States. In this context the PBC took note of the opening statement of the Director General delivered at the 27th session of the PBC and the clarifications of the Legal Counsel delivered during the 26th and 27th sessions of the PBC.

182. The Chair then moved onto the other pending matters under item 9, and recalled that the Delegations of France and United States of America had introduced a proposal. The Chair wished to know whether delegations had any initial comments on the text that was circulated to them.

183. The Delegation of Costa Rica, speaking on behalf of GRULAC, was very grateful to the Chair for her efforts in circulating the proposal. However, the Group was rather concerned that it was drawn up by a closed group and it was submitted to the Committee at the last minute. The Group stated that the issues involved were very far reaching and it was not materially in a position to react to them that day.

184. The Delegation of Senegal, speaking on behalf of the African Group, reported that the Group had examined the draft proposal which had been distributed that morning. Like GRULAC, the Group was not in a position to discuss the text in detail, due to a lack of time. Some delegations in the Group thought it was necessary to consult their capitals first before they could give their technical views on the issues. As a result, the Group could not support the proposal at that stage. The Group also wished to repeat its position that it had expressed the previous day on the Diplomatic Conference. The African Group was not in a position to support any reference in the decision paragraph to the modalities for convening a Diplomatic Conference. The Group was prepared to adopt the Proposed Program and Budget as it was contained in the document and with the changes already adopted.

185. The Chair understood that the break of a little over an hour was been sufficient to understand the proposal which had been circulated that morning. The intention was to know whether the Committee had any comments or questions, or whether it required any clarifications.

186. The Delegation of Indonesia, speaking in its national capacity, stated that it had done its utmost to try to consult with its capital for any comments that they might have, but by the time that the Delegation sent it to the capital, working hours in Indonesia were already almost over. The Delegation would not be ready to provide any comments by the end of the day. The Delegation stated that it would take the floor again later on behalf of the Asian Group.

187. The Delegation of Georgia, speaking on behalf of CEBS, thanked the respective Delegations for their extensive consultations on the document presented to the PBC, and wished to state that, after the first reading of the proposed paragraphs on agenda item 9, CEBS could agree with the draft decision paragraphs as proposed, but wished to have more background information. Further, in the spirit of flexibility and constructiveness, the Group's suggestion was to continue in informal consultations to see the reflections of other Groups on the item.

188. The Chair thanked the Delegation of Georgia for its suggestion, and thought that it might be useful for all delegations to have an informal exchange of views and a frank and open discussion of the proposal, and to receive more information. That was something the Committee could consider.

189. The Delegation of Chile repeated the request that it had made that morning regarding paragraphs (iii) and (iv) of the proposed decision. The Delegation recalled that, when the Program and Budget for the previous biennium was adopted, there were elements related to these two points, but the approach was different this time. The Delegation therefore wanted to understand what the reason for these differences was, so that it could then make an assessment of the need for the changes that had been made to the previous version, which previously had the consensus of the Committee. The Delegation thought that it was better to do this in an informal setting, and that it would be a good idea to have the explanations behind the changes that the Committee now had before it.

190. The Delegation of Indonesia, speaking on behalf of the Asia and Pacific Group, stated that since the Group was not included in the consultation process, it would need more time to consult with capitals and receive comments. The explanation requested by the Delegation of Chile would be helpful for the Group, as Members needed the information to consult capitals and request comments.

191. The Delegation of Brazil supported the statement made by the Delegation Costa Rica on behalf of GRULAC. Like the Delegation of Chile, it had also earlier invited the Delegations that were participating in the consultation to provide background information on the discussions that led to the proposal that had been made. Unfortunately this information had not been provided by them that morning. Perhaps the informal consultations could be a way of providing this

additional information that Members could refer back to their capitals to have additional analysis.

192. Since there were no further requests for the floor, the Chair suggested that plenary be suspended and to hold an informal meeting where Members could have an exchange of views and receive more information about the proposal. If necessary, the Secretariat could also provide explanations that were considered relevant.

193. The Delegation of France took the floor to reply in a general way to the question asked by the Delegation of Chile, and echoed by other delegations. The Delegation did not think it would surprise anyone to hear that the decision paragraph it was proposing was different from the one proposed in 2015 because it was trying to obtain a better decision paragraph, one that would be better for everyone. Of course, the Delegation was prepared to explain, as far as possible, why it thought that this decision paragraph was better than the previous one.

194. The Delegation of Indonesia thanked the Delegation of France for its answer, which was one answer, but not the complete answer to the question of the Delegation of Chile. The Delegation wished to put on record that a decision paragraph that would be better for everyone should include everyone in that consultation.

195. The Delegation of Angola wished to add its voice to the discussion and supported the declaration made by the Delegation of Senegal on behalf of the African Group. The Delegation had the same concern that was expressed by the Delegation of Indonesia. The Delegation wished to know what the format of the informal consultation would be, since all Members were interested in hearing the explanations. If the informal consultation were open to everyone, then the Delegation was not sure that it would be better to have an informal consultation rather than continuing in plenary. The Delegation wanted to hear more of the explanations.

196. The Chair clarified that the idea was to have an informal meeting that would be open to all delegations wishing to participate in it. The Chair was suggesting that it should be in an informal setting because she thought that Members could have a more open discussion. However, the Chair was in the Committee's hands, if it preferred to continue in plenary.

197. The Delegation of Indonesia supported the Chair's suggestion of a discussion in an open setting. The Delegation suggested that explanations on the background of the proposal could be heard in plenary, and the Committee could then move to informals if Members had the time to think it through. The Delegation thought that it would not be effective to discuss whether Members could agree on the draft language at that stage, as most Members would first like to know about the background and what kind of negotiation had taken place, in order to arrive at that language.

198. When the plenary resumed, the Chair announced that the Secretariat had already handed out a document with the list of decisions which had been adopted up until that point. In other words, she noted that the document had all the decisions except for the one that corresponded with agenda item 9 which was still pending. The PBC would therefore continue with the discussion on item 9 of the agenda. The Chair recalled that during the morning, a proposal was received from a group of countries, and invited any further comments in this regard.

199. The Delegation of France, in its national capacity, indicated that it had taken into account the observations and comments of other Delegations that had expressed themselves as to the proposal on item 9 this morning. The Delegation wished to point out three items it did not understand. First, the Delegation noted that the approach this week had been guided, first and foremost, by the willingness to come up with a solution to the budgetary management problems due to the deficits of the Unions, which were not applied to any particular case, and which was what was done in 2015. This was something that could be done in a general way in putting in

place the idea of budgetary solidarity. The Delegation noted that the second thing was that in order to do this, it was important to have an inclusive approach, which took into account all of the considerations and concerns of all Delegations that wanted to express themselves. So the item 3 of the draft decision proposal on the Program and Budget proposed a budgetary approach that allowed the deficits in the Unions to be addressed, regardless of their causes and which also took into account the oppositions that were expressed during the consultations. Finally, the Delegation pointed out that some of the other mechanisms under the proposal were developed at length to address the concerns expressed by the document WO/PBC/27/13. The Delegation hoped that this statement answered the questions with regard to its intentions.

200. The Delegation of the United States of America thanked the Delegation of France for beginning to explain the objective that the Delegation of the United States of America had set for this week. Like the Delegation of France, the Delegation had wanted to continue to address the budgetary problems of the Organization, and not wait until the situation of the PCT Union was in crisis. The Delegation felt that there was now plenty of time to address this situation and it was working together with France and other countries to try to deal with the situation in a very general way to enable progress on the matter. The Delegation had not conducted any formal consultation process; instead it had had a lot of hallway conversations, small bilateral conversations, and one-person to one-person consultations. The Delegation considered that anyone who felt excluded from the process may have been on the Delegation's consultation list, because a lot of the conversations were conducted in the Conference Hall in a very informal way, to try to understand what other Delegations' objectives were for the week. The Delegation believed that while it was not perfectly happy with the proposed decision, it considered that it was a very fair one. The Delegation hoped that as members would have time to study the draft language, a consensus could be reached.

201. The Delegation of Senegal thanked the Delegations that had offered to be flexible as to their positions. The Delegation stated that the comments that it made on these documents had been duly noted, and it did not have much more to say. Having said that, the Delegation pointed out that the African Group had a great deal of attachment to the discussions made this morning and wished to have these reflected in any future proposals.

202. The Chair thanked Delegation for their comments, and noted that there appeared to be no further comments on the proposal which had been handed around in the morning by some countries. As the Chair already noted, this was the last part of the meeting and the PBC needed to conclude item 9 of the agenda. The Chair noted that on the one hand there was the document that referred to the budget for the forthcoming biennium, and on the other hand there was also the Capital Master Plan, the CMP. The Chair considered that there had been a lengthy discussion on different issues regarding the budget, not just in this meeting but also in the July meeting. The PBC had achieved significant progress in both meetings, and had carried out good, sound work. The Chair asked the Secretariat to hand out the Chair's proposal for a draft decision for item 9. The Chair's proposal is annexed to the present report as Annex III. Once the text had been distributed, the Chair explained that the draft decision for the Program and Budget contained two points. The first picked up the agreements which had already been reached, which were to revise the wording to the key performance indicator in Program 15 and modifications to Paragraphs 28, 29 and 30, which referred to the ICSC. The decision then requested the Secretariat to prepare a new version of the proposed Program and Budget, taking into account the modifications or amendments agreed. Subparagraph (iii) used wording lifted out of the decision of the 2015 General Assemblies on the Diplomatic Conferences. In subparagraph (iv), the Committee would recommend the approval of the budget. Then, the second item stated that the Committee would continue its discussion on the methodology for the allocation of income and expenditure in future sessions of the PBC based on documents WO/PBC/25/16 and WO/PBC/27/13, as well as other proposals from Member States. As to the Capital Master Plan, the Chair pointed to the decision paragraph in WO/PBC/27/9 which stated that the Program and Budget Committee would recommend to the Assemblies of the Member States that they approve, from the WIPO Reserves, the funding of the projects presented in the

CMP 2018-27 for the biennium 2018/19, amounting to a total of 25.5 million Swiss francs. The Chair wished to know whether there were any comments.

203. The Delegation of Senegal, on behalf of the African Group, stated that the Group had not formulated any remarks, but had wanted to request a little bit of time to look at the proposal before making its intervention.

204. The Chair suspended the plenary until 4:00 p.m., following which the plenary was resumed. The Chair stated that she hoped the Committee had been able to review the draft decisions which had been handed out and invited Delegations who so wished to take the floor.

205. The Delegation of Switzerland thanked the Chair for the proposal which seemed very pragmatic. The Delegation assured the Chair of its support.

206. The Delegation of Senegal, on behalf of the African Group, thanked the Chair for her efforts. As to the proposal, as the Delegation had said at the outset, there were a few concerns on the third Roman numeral. The Delegation was of the opinion that the flexibility shown there would allow the Group to accept the proposal with the reservation of perhaps making a change in the order of the items listed under (iii) and (iv), which was the Group's proposal.

207. The Chair thanked the Delegation of Senegal for the proposal, which would be duly considered.

208. The Delegation of Brazil thanked the Chair for her efforts in providing the text for the Committee and indicated that it would be in the position to support the proposal as well as the suggestion made by the Delegation of Senegal.

209. The Delegation of Chile wished to endorse the thanks given by other Delegations to the Chair for the whole session and confirmed that it was in a position to support the Chair's proposal, which the Delegation considered moved along the right path for the well-being of the Organization and of the state of negotiations the way they stood at that point.

210. The Delegation of the United States of America very much appreciated the Chair's proposal; however, it indicated that it was not something that it could support. In the Delegation's view, the proposal did not address many of the issues identified by the Program and Budget Committee at its last session in July or other longstanding issues. In fact, the Delegation considered that it presented decisions that were unchanged from the decisions proposed in July despite clear identification of the need to address longstanding issues related to various Unions having budget deficits. The Delegation preferred instead the proposal circulated earlier on the day by several Delegations. That earlier proposal was based on broad consultations that occurred throughout the week.

211. The Delegation of Germany indicated that, like most other Delegations, it fully supported the Chair's proposal for the decision on agenda item 9. The Delegation also wished to take the opportunity to thank the Chair for her excellent guidance during the week. The Delegation considered that the Committee had made significant progress in a very constructive atmosphere and regarded this as a good basis for further discussions in the General Assembly.

212. The Delegation of Mexico joined in what had been expressed to the Chair and the Secretariat previously for the work, not just on the day but throughout the whole week as well as for the decision proposal. Unfortunately, the Delegation was not in a position to be able to go along with the proposed decision. The Delegation believed that although the proposal did reflect some of the positions expressed by some Delegations throughout the week it was not fully comprehensive. It did not reflect the vision of all the membership or the lines of discussion undertaken up until that point. The Delegation was specifically concerned by paragraph (iv), as it did not believe that there was a consensus on this in the past and considered that it would be premature to hasten and close the topic at that point in time.

213. The Chair requested the Delegation of Mexico's clarification regarding the comment made on paragraph (iv).

214. The Delegation of Mexico apologized for the mistaken reference, and stated that it had been referring to the point regarding the 10 per cent reduction of contributions.

215. In response to the point raised by the Delegation of Mexico, the Chair pointed out that in the proposal which had just been handed out there was no reference to the 10 per cent reduction of contributions.

216. The Delegation of Mexico pointed out that 1.4 recommended that the Assemblies of the Member States of WIPO and Unions, each as far as it is concerned, approve the proposed Program and Budget for 2018/2019 biennium. In that proposal, the Secretariat had made a reference to a 10 per cent reduction in contributions.

217. The Chair confirmed that indeed, the proposed budget contained a proposal for the reduction of the unit of contribution by 10 per cent, which would be maintained.

218. The Delegation of China supported the Chair's proposal and thanked her for the hard work during the week. In the Delegation's view, the proposal on item 9 laid a good foundation for the General Assembly.

219. The Delegation of Indonesia, speaking on behalf of the Asia and Pacific Group, commended all in the discussions this week, and noted that it was the responsibility of the Program and Budget Committee to recommend a budget. Therefore the Asia and Pacific Group could go along with the proposed Program and Budget and its modification. Regarding the Chair's proposal on item 9, the Group thanked the Chair for her efforts and all Member States that were in the short discussions that the Group had had regarding all of the outstanding issues on agenda item 9. The Asia and Pacific Group was of the view that the Chair's proposal on agenda 9 was a good basis for further general discussion in the General Assembly.

220. The Delegation of Malaysia wished to echo the previous Delegates in support of the Chair's proposal, and indicated that it was agreeable to it as it laid a good basis for the General Assembly. The Delegation took the opportunity to thank the Chair and commend her for her efforts throughout the week.

221. The Delegation of Mexico confirmed that it would not be in a position to support the proposed decision as regards subparagraph (iv) of the proposed decision on the Program and Budget.

222. The Chair thanked the Delegation of Mexico for the clear statement, and thanked all the Delegations who had made comments. The Chair also expressed her thanks for all the support that had been given to the proposal that she submitted to the Committee. After a short break, the Chair announced that a new draft decision for item 9, regarding the Proposed Program and Budget, had been prepared. While this new version was being distributed, the Chair turned to the draft decision on the Capital Master Plan for 2018-27, contained in document WO/PBC/27/9. The Chair wished to know whether the Committee could adopt this draft decision.

223. The Delegation of the United States of America appreciated the Chair's efforts to try to help the Committee complete its work. For the reasons that the Delegation had stated in its paper (document WO/PBC/ 27/13), and the reasons that had been discussed earlier in connection with the informal document that was submitted, the Delegation could not support the proposed decision at that point. The Delegation requested that it be included with the issues to be discussed during the General Assembly.

224. The Chair noted that there were no further requests for the floor. Bearing in mind what one Delegation had said, the Chair indicated that a new version of the draft decision for the Capital Master Plan would be distributed. In the meantime, she proceeded to read out the revised version of the draft decision on the Proposed Program and Budget for the 2018/19 Biennium, which had been distributed. As there were no objections, the decision was adopted.

225. The Program and Budget Committee (PBC), having completed its comprehensive review of the Proposed Program and Budget for the 2018/19 Biennium, as contained in document WO/PBC/27/8

(i) agreed to:

(a) a revised wording to the key performance indicator in Program 15;

(b) the modifications to paragraphs 28, 29 and 30 made by Member States. In this context the PBC took note of the opening statement of the Director General delivered at the 27th session of the PBC and the clarifications of the Legal Counsel delivered during the 26th and 27th sessions of the PBC;

(c) maintain the unit contribution value at the same level as in the 2016/17 biennium;

(ii) requested the Secretariat to issue a revised version of the proposed Program and Budget for the 2018/19 biennium based on (i); and

(iii) agreed to discuss outstanding issues at the 57th series of meetings of the WIPO Assemblies.

226. The Chair turned back to the Capital Master Plan, document WO/PBC/27/9, and read out the revised draft decision. As there were no objections, the decision was adopted.

227. The Program and Budget Committee (PBC), having further considered the allocation of Proposed CMP 2018/19 projects to the Unions, agreed to continue discussions on the Capital Master Plan for 2018-27 at the 57th series of meetings of the WIPO Assemblies.

228. The Chair thanked the Committee, noting that, with this final decision, it had concluded its work, which had enabled it to make to make additional progress.

ITEM 10 FINAL PROGRESS REPORT ON THE IMPLEMENTATION OF A COMPREHENSIVE INTEGRATED ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN WIPO

229. Discussions were based on document WO/PBC/27/10.

230. The Chair opened agenda item 10, the Final Progress Report on the Implementation of a Comprehensive Integrated Enterprise Resource Planning (ERP) System in WIPO, as set out in document WO/PBC/27/10, explaining that this document complemented previous progress reports submitted to the Program and Budget Committee (PBC), providing Member States with a final update of the progress made and budget utilization under the ERP Portfolio of Projects. The Chair handed the floor to the Secretariat for the further introduction of the agenda item.

231. The Secretariat explained that the overall portfolio of projects and its delivery stood at approximately 79 percent of the planned scope, with a budget utilization standing at 75 percent. This illustrated that the progress on delivery was commensurate with the utilization of the budget that had been approved by the Member States. The portfolio would be completed within

the approved budget and any unused funds would be returned to the reserves at the end of the portfolio. The implementation of projects was currently underway, and would be completed by the end of 2017 and in the first quarter of 2018, after which no new projects would be initiated. This was, therefore, the final project progress report. Ongoing projects were being very closely monitored through a comprehensive governance structure that was established, in particular to identify any potential risks and to ensure the completion of the projects effectively within the remaining timeframe. Emphasis was being placed on drawing a maximum of value from all projects, in particular in cases where the projects were not expected to be fully completed within the timeframe. In such cases, the focus was on those aspects that would give maximum benefit to the Secretariat. For example, in the case of conference services, a project had been identified but only the analysis would be undertaken during the timeframe of the portfolio. So this would help to optimize the starting point when further work would be undertaken on the project through the regular Capital Master Plan. The Secretariat went on to say that the second Independent Verification and Validation had been conducted, and the recommendations issued subsequent to the review had been implemented, thus ensuring that the maximum of business benefits were obtained from this review process. The overall conclusion of the Independent Verification and Validation underlined WIPO's strong strategic vision of the progress to be made and, to this end, the Organization had successfully engaged in a positive and constructive learning process. Vendor performance had continued to improve over the years, partly due to the collaboration with new partners. Three new partner long-term agreements had been established based on an open international tender process to help ensure sustainable support over the forthcoming five years. The Secretariat then highlighted some of the key achievements since the issuance of the previous report. The first was in the area of Human Resources Talent Management. The first phase had gone live, providing electronic performance appraisals for temporary staff. The second phase of the project for regular staff was due to go live at the start of the next performance cycle in the first quarter of 2018. The Human Resource self-service projects had made considerable progress and several elements of new functionality had been delivered during the year. The contact database had been developed as part of the Customer Relationship Management stream, this had gone live. A very important aspect for fee paying customers was reflected in the Revenue Management project, and this included the adoption of a common and standard payment platform for all of WIPO's revenue generating systems. This would also include the identification and implementation of new payment methods in order to satisfy the fee paying customers. Various business sectors within the Organization had started to transition to the new payment platform. The Travel and Meeting project had undertaken a comprehensive review of existing business processes and had identified new streamlined processes for travel and event management and had also identified potential solutions on how to address these requirements. A significant transformation was being undertaken of the existing operational unit within WIPO in order to ensure that they were geared up and capable of supporting the comprehensive and expanded footprint of the ERP system as this was taken into the future.

232. The Delegation of Canada wished to make a point of clarification or information. The previous report, at that point it had been an interim report, had referred to an assessment of the portfolio that had been conducted by the consultant Gartner. At the time, the WIPO document had indicated that the consultancy had identified the portfolio as being well on track, which, in the view of the Delegation, was the assessment of Gartner. The Delegation wondered if the Secretariat had made a similar assessment this time. There were some quotes of the assessment in the document that the Secretariat had prepared, but the Delegation wished to know if there was a third-party assessment of the progress this time as well.

233. The Secretariat replied to the question raised by the Delegation of Canada by saying that there had indeed been such a third party assessment of the progress made as there had been a second Independent Validation and Verification process conducted by Gartner. The Secretariat added that it had therefore had the benefit of having the baseline assessment, then a follow-up. Gartner had assessed the different aspects and pointed to what was needed to be

improved. The Secretariat said that, as mentioned previously, it had taken advantage of the fact that this had been within the portfolio timeframe to implement these recommendations.

234. Seeing that there were no further requests to take the floor, the Chair read out the decision paragraph, which was adopted.

235. The Program and Budget Committee took note of the Progress Report on the Implementation of a Comprehensive Integrated Enterprise Resource Planning (ERP) System (document WO/PBC/27/10), in particular the fact that:

- (i) the Portfolio will complete within the approved budget;
- (ii) the Portfolio will close in 2018;
- (ii) projects/stages have only been initiated if approved by the AIMS Portfolio Board according to defined criteria; and
- (iv) unspent funds when the portfolio closes will be returned to the Reserves.

ITEM 11 PROPOSED AMENDMENTS TO THE FINANCIAL REGULATIONS AND RULES (FRR)

236. Discussions were based on documents WO/PBC/27/11 and WO/PBC/27/14.

237. The Chair introduced the draft agenda and explained that discussions were based on documents WO/PBC/27/11 (Proposed Amendments to WIPO's Financial Regulations and Rules) and WO/PBC/27/14 (Comments of the Independent Advisory Oversight Committee (IAOC) on the Secretariat's Proposed Amendments to WIPO's Financial Regulations and Rules). During its 26th session, explained the Chair, the PBC had agreed to the proposed amendments to the Financial Regulations and Rules pertaining to procurement. The PBC had further requested the Secretariat to present a revised draft of the proposed amendments to the FRR as set out in Annex II of document WO/PBC/26/5 for the 27th session of the PBC, taking due consideration of the comments made by Member States. Lastly, the PBC had requested the Independent Advisory and Oversight Committee (IAOC) to review these amendments and to present their views, accordingly, to the 27th session of the PBC. The Chair explained that she would first give the floor to the Secretariat for the presentation of the amendments and then to the Chairman of the IAOC, Mr. Ámon, for the presentation of the views of the IAOC on these proposed changes.

238. The Secretariat explained that the document contained proposals for amendments to WIPO's Financial Regulations and Rules (FRRs), in accordance with the decision of the 26th Session of the PBC, which (i) Took note of the amendments proposed to the Financial Regulations and Rules in Annex II of document WO/PBC/26/5 and requested the Secretariat to present a revised draft of these amendments for the 27th session of the PBC, taking due consideration of the comments made by Member States and (ii) Requested the Independent Advisory and Oversight Committee (IAOC) to review the amendments referred to under point 3 above, and to present their views thereon to the 27th session of the PBC. Following discussions at PBC 26, comments and inputs had been received from the Delegations of France and the United States of America, respectively, in accordance with the agreed deadline. The document presented the proposed amendments in two sections. The first section, as detailed in Annex I, focused on amendments to WIPO's reporting practices and housekeeping changes to correct inaccuracies or provide clarification in the formulation of Regulations or Rules discussed at the 26th session of the PBC and for which it was understood that general support was expressed during the meeting, subject to the review by the IAOC. The second section reflected the initial changes proposed to the Regulations and Rules for which Member States had provided specific alternate proposals or new proposals. These were detailed in

Annex II of the document. The IAOC had been provided with the proposal in order to enable it to provide its views to the PBC, as requested. The Secretariat recalled that the subject of streamlining the financial and performance reporting had previously been discussed with the IAOC who had welcomed this. The IAOC's comments were presented in document WO/PBC/27/14.

239. The Chair of the IAOC said that the IAOC had reviewed the proposed amendments. The first step had been to compare the amendments to be presented to Member States at PBC 27 with those proposed during PBC 26. The IAOC had found that there were no new proposed changes, no changes that were not included among the changes presented to PBC 26. There were three proposed changes that were no longer among the changes proposed to PBC 26. These are all 101.3 (e), definition of appropriations, 101.3 (n), the definition of reserve funds and Regulation 4.6, the use of reserve funds. As mentioned earlier, the proposed amendments could be classified in two main groups. The first group was aimed at eliminating duplication in reporting. The second was aimed at correcting inaccuracies and providing clarifications to existing wording in the FRR. The conclusion of the IAOC was that the revised proposed amendments to WIPO's Financial Regulations and Rules would assist the Secretariat in streamlining reporting and in increasing the clarity and consistency of WIPO's programmatic and financial reporting. The Committee therefore supported the proposed amendments listed in Annex I of document WO/PBC/27/11.

240. The Chair opened the floor to any delegations wishing to make interventions.

241. The Delegation of Japan, speaking on behalf of Group B, thanked the Secretariat for preparing document WO/PBC/27/11 and the proposed amendments to the Financial Regulations and Rules, FRR, and also the IAOC for making comments on it as contained in document WO/PBC/27/14, informing that it would require discussions on the proposed amendments.

242. The Delegation of Georgia, speaking on behalf of the CEBS group, thanked the Secretariat for providing the revised drafts to the proposed amendments to the Financial Regulations and Rules in accordance with the comments made by the Member States in the previous session of the PBC and believed that these amendments could improve the general principles to make the responsibilities and decision making process clearer.

243. The Delegation of the United States of America appreciated the efforts undertaken by the Secretariat to strengthen WIPO's procurement process and address the duplication in reporting and the correction of inaccuracies, and welcomed and supported the Independent Advisory and Oversight Committee's recommendations of the proposed changes to the Financial Regulations and Rules.

244. Seeing that there were no further requests to take the floor, the Chair read out the decision paragraph, which was adopted:

245. The Program and Budget Committee recommended to the WIPO General Assembly to approve (i) the proposed amendments to Regulations 2.14, 3.7, 3.13, 3.14, 5.3, 5.4, 5.7, 6.3, 6.7, and 10.1; (ii) the deletion of Regulation 6.6; and (iii) the introduction of proposed new Regulation 2.14bis., as indicated in Annex I of the present document WO/PBC/27/11.

246. The Program and Budget Committee took note of (i) the amendments to Financial Rules 101.1, 101.3(h) and (j), 103.2, 104.4, 105.1, 105.6, 105.9, 105.33, 106.3, 106.7, 106.10, and 110.1; (ii) the deletion of Financial Rule 106.12; and (iii) the introduction of proposed new Rules 102.7 and 106.11bis., as indicated in Annex I of the present document WO/PBC/27/1.

ITEM 12 OPENING OF NEW WIPO EXTERNAL OFFICES

247. Discussions were based on documents WO/PBC/27/12 and A/56/15.

248. The Chair opened item 12 “Opening of New WIPO External Offices.” Discussions were based on document WO/PBC/27/12 “Opening of New WIPO External Offices during the 2018/19 Biennium” and document A/56/15 “Opening of New WIPO External Offices during the 2016/17 Biennium.” The Chair recalled that the discussion concerning the opening of new WIPO External Offices was something that had been examined for some time now, adding that it was worth recalling the decisions upon which the discussion was based and the current status of the discussion. At the 55th Assemblies in October 2015, the WIPO General Assembly had decided to adopt the Guiding Principles and to “open not more than three external offices per biennium for the biennia 2016/17 [and] 2018/19, subject to approval of the WIPO General Assembly”. At the 56th Assemblies in October 2016, the WIPO General Assembly had decided to open WIPO External Offices in Algeria and Nigeria and “to continue consultations on the opening of one External Office in the current biennium and three External Offices in the 2018 2019 biennium based on a relevant call for proposals made by the Secretariat with a view to making a decision on the above during the 2017 General Assembly based on the Guiding Principles”. At the 26th Session of the PBC in July, seven of the nine Member States which had made proposals to host a WIPO External Office in the 2018/2019 biennium delivered presentations of their proposals. Member States were provided the opportunity to ask questions of proponents and there was an initial exchange of views. There were also informal consultations which showed that efforts still had to be made to reach a consensus. In this respect, the Chair urged Delegations to work in a spirit of compromise so that the current Session of the PBC would allow recommendations to the General Assembly of WIPO on the Opening of New External Offices in 2016/17 and the 2018/19 biennium to be made. The Chair recalled that Document WO/PBC/27/12 contained the report on “Opening of New WIPO External Offices during the 2018/19 Biennium” and that in the prior 26th Session of the PBC it had been decided to debate in the current Session so as to make a recommendation to the General Assembly to be held in October 2017. The Chair invited delegations wishing to take the floor to intervene.

249. The Delegation of Indonesia, speaking on behalf of the Asia and Pacific Group on the issue of new WIPO external offices, said that the Asia and Pacific Group believed there was a need to move forward on this discussion at the earliest opportunity with the help of the guiding principles and with mutual respect among all Member States. The Delegation assured that the Group stood ready to contribute actively constructively to reach decision on the methodology to decide on the opening of new WIPO external offices in line with the guiding principles. In this spirit, the Asia and Pacific Group, along with the six applicants from the Group, namely India, Iran, Oman, Republic of Korea Saudi Arabia and the United Arab Emirates, reaffirmed its commitment to being a part of the solution. Regarding the last remaining office to be opened and decided in the current biennium, it wished to remind the Committee that the Asia and Pacific Group had three valid applications in the current biennium which were from India, Iran and the Republic of Korea. The Group felt confident that it had the capacity to bring about a desirable outcome.

250. The Delegation of Georgia, speaking on behalf of the Central European and Baltic States Group, thanked the WIPO Member States for putting forward the proposals to host the WIPO external offices. The Group reiterated its support of the guiding principles agreed on at the 2015 General Assembly stating that priority should be given to the regions without any external offices and adding that equitable geographical distribution should be considered and respected. In this context, the Group wished to draw the attention of Member States to the fact that CEBS remained the only region without an external office and that Romania had submitted its candidacy to host a WIPO external office. It emphasized that the establishment of external offices had to add value at the functional and financial levels and should correspond to the actual needs of the Organization in terms of providing technical assistance, capacity building

and training. The Group encouraged Member States to consider these principles while discussing the external office issue. Since a lot of time had been dedicated to the discussion of this issue during the previous General Assembly, added the Group, it was in favor of a pragmatic and efficient approach, urging Member States to take into consideration the statement of the Chair of the General Assembly in 2016 when preparing the decision for opening external offices in the biennium 2018/2019. The Group remained committed to engaging in constructive discussions on this issue.

251. The Delegation of the United Arab Emirates, UAE, expressed its support for the statement made by Indonesia on behalf of the Asian Group and wished to thank the World Intellectual Property Organization for its untiring efforts to set up an Intellectual Property system that was effective and that promoted Intellectual Property so as to meet cultural, intellectual, economic and social needs. The UAE, since its foundation, had adopted an IP policy in line with its international commitments and also its regional commitments. Since joining WIPO in 1975, the UAE had committed itself to all of the International Treaties in Intellectual Property. It had a profound belief in the role of Intellectual Property and the achievements of the Millennium Goals. The UAE had submitted a request to host an external office because it met the conditions and considered it could play an important role in the area of Intellectual Property and in promoting it. The Delegation added that the UAE was also able to provide the necessary institutional assistance in the Middle East and throughout Asia. Coming to the proposal of the UAE, this was based on the principles decided on by the 2015 General Assemblies. The United Arab Emirates met the necessary conditions for hosting an external office. It had a very ambitious vision, a sustainable economy and believed in the importance of an environment that was conducive or that would encourage Intellectual Property and Sustainable Development. The UAE, continued the Delegation, had adopted a number of measures so as to set up a knowledge society and support creativity. In the business environment, for example, many facilities had been granted to businessmen and legislation had been passed. The UAE also had a solid network of regional and international connections and was very open to international markets. The UAE enjoyed political and institutional stability with very high growth rates in spite of the political and economic situation. The growth rate in the last three years had been 3 per cent and the UAE was in the fifth place in the world from the point of view of GDP per capita. Furthermore, added the Delegation, the UAE was very competitive and at the crossroads of the world, i.e. between Asia, Africa and Europe. The UAE had agreements with 86 countries in civil aviation and was very advanced in its international economic relations. For example, it was the first in the region and tenth in the world as regards to global competitiveness in 2017. This had been published by the competition center in Switzerland. The UAE was the first in the region and 35th out of 75 countries worldwide as regarded innovation. This came from a list published in 2017 by WIPO and other important bodies. The UAE was also the first in the region and tenth in to the world as regarded competitiveness and had made considerable progress in implementing a system for the protection of Intellectual Property. The UAE had ratified most of the international instruments relating to Intellectual Property administered by WIPO, and other international instruments as well. It had adopted new legislation on Intellectual Property, in conformity with international standards. Considerable progress had been made in this area because the UAE had a very advanced electronic infrastructure for Patents, Copyright and Trademarks and it was also undergoing electronic migration. The UAE had a computerization system for IP recovery and designs and Patents and its efforts had been crowned with a new system for Patents, a new national system which would contribute to a radical transition in the development of the UAE's IP system. The UAE also supported start-ups in industry and technology. The Delegation said that the UAE attached particular importance to the opening of a new external office and that it had committed to providing the necessary facilities to achieve Sustainable Development Goals which was desirable for the country and the region. It had very carefully chosen Abu Dhabi to host this external office, a location which would make it possible to ensure that the office worked as best as possible. The necessary resources had been mobilized, also in view of having training programs. The Delegation wished to take the opportunity to request that comprehensive technology be taken into account when considering the countries that would host external offices, adding that a mechanism with consensus was

needed so as to choose the right place for offices which would serve the objectives of the Organization. The UAE was prepared to contribute to discussions and to discuss all of the items on the agenda. By way of conclusion, the Delegation wished to reaffirm the role of Member States and of the Organization in the promotion of the role of Intellectual Property and encouragement of creativity through Intellectual Property worldwide.

252. The Delegation of Senegal, speaking on behalf of the African Group, recalled what had been said at the Twenty Sixth Session of the PBC last July. It was still in favor of opening new external offices because this would encourage innovation and the development of the world IP system. The Delegation underlined the need to bear in mind the fact that there was a General Assembly decision requiring implementation. It hoped that it would be possible to reach an agreement on a consensus methodology so as to formulate a recommendation to the General Assembly. The African Group welcomed the considerable and constant efforts made by the Secretariat to resolve this problem which was of great interest to Member States.

253. The Delegation of Costa Rica, speaking on behalf of GRULAC, encouraged everybody to be constructive so that a solution that would be acceptable to everyone could be found. GRULAC, like other Regional Groups, wished to continue positively to the debate on the subject of external offices. It took note of the discussion and efforts made in the past sessions of this Committee, particularly the informal ones, and considered that the focus should be on being able to discuss a methodology that was balanced and reasonable for all based on the guiding principles as well as the decision and mandate from the last General Assembly. The Group urged Delegations not to neglect all the background and all the efforts and commitments undertaken in the past to reach an agreement for the adoption of the guiding principles. It had taken careful note of all of the interventions made so far in the plenary and agreed on the importance of making a creative and collective effort to allow everyone, especially the candidate countries and regions, to feel comfortable with the methodology. The Group reiterated its interest in hosting an external WIPO office in Colombia, adding that it was more than willing to continue constructive dialogue and build bridges with all regions and candidate countries so that at the end of the sessions a recommendation could be taken to the General Assembly to indicate where to open the four new external offices.

254. The Delegation of Turkey wished to talk briefly about the external offices and about how the present situation had come about, from the second session of the PBC in July of 2014. Eight open ended consultations had been held and meetings organized in the period from May to July, 2014, to facilitate and submit the draft guiding principles for the external offices to the Chair. These guiding principles were adopted in 2015 by the GA. In 2016, it had been decided to continue consultations on the opening of one external office in the current biennium and three external offices in the 2018/19 biennium based on the relevant call for proposals made by the Secretariat with a view to making decisions in the 2017 GA. The Secretariat had provided a factual report on the proposed external offices and it was consistent with the guiding principles. Having received a call from the Secretariat, countries wishing to host an external office had made their proposals in writing before February 2017. Most candidate countries had made presentations and answered questions. Turkey had delivered a presentation and answered many questions, thereby expressing its interest in hosting an external office in the 2016/2017 or 2018/2019 biennium. The questions posed by Group B and Oman had been answered in writing before the deadline and the Delegation believed the responses would help to further assess the country's applications, including Turkey's application. The Delegation wished to touch on the main points presented in the Twenty Sixth Session on the issue of hosting an external office and said that the progress achieved in Intellectual Property in Turkey was presented by facts and figures and supported by statistics. The Delegation believed that Turkey had made good progress in a relatively short period of time on IP matters and gained huge experience. Secondly, the Delegation said that cooperative activities undertaken and initiated by Turkey had been presented in detail. Based on facts, the Delegation maintained that Turkish Patent Trademark offices were the most active in the geographical region. Because of its unique geographical location it had close connections with the countries in the West and the

East, added the Delegation. Turkey participated in projects with the European Intellectual Property office and also, for the very first time, IP related projects were initiated by Turkey for organizations of Islamic countries. The Delegation believed that the IP knowledge and information could spread and be shared in a more cost-effective way not only in Turkey but in the geographical region as well. It would be possible, continued the Delegation, to establish better and stronger communication with local stakeholders and organize meetings, trainings and seminars in a more cost-effective way. Thus, the deliverables of the programs adopted in the WIPO Program and Budget could be more efficiently and effectively maintained. The Delegation certainly believed that an external office in Turkey would have the potential to improve the achievement of WIPO's relevant programs, Expected Results, not only for Turkey but for the countries in the region, in a cost-effective way. The responses to the questions asked by Group B and Oman further detailed the main issues and the Delegation believed that this had been circulated to all members.

255. The Delegation of Japan, speaking on behalf of Group B, considered that the 2015 decision of the GA, including the guiding principles, was rigid and should be followed. The 2015 decision of the GA recognized the Organization's limited capacity to open new external offices and adopted a prudent approach when establishing new external offices and open not more than three external offices per biennium in 2016/2017 and 2018/2019, subject to approval by the WIPO GA. Therefore, Group B was of the view that the decision on the opening of an external office in the current biennium could not be carried over to the following biennium. In addition, continued the Delegation, the system used to identify host countries for new external offices had to be objective and the criteria for the identification of external offices had to be tangible. Group B trusted that the PBC would be able to find a measured and agreeable way forward on this issue as well as to reach a sound decision, that was the objective of the guiding principles. The Delegation remembered that, in 2016, the GA had devoted a lot of time to this issue, and although two offices had been agreed on, a third had not been identified and there had not been enough time to discuss certain other issues either. Group B remained committed to engaging in discussions in a constructive manner. Having said that, the Group believed that not all of the available time should be devoted to this issue since other important issues remained to be discussed.

256. The Delegation of Pakistan, speaking in its national capacity, believed that WIPO had already dispensed its role of enhanced engagement with Member States by providing Global IP Services, capacity building, technical assistance and ensuring an effective IP system adequately without external offices. The utility of external offices, continued the Delegation, was questionable for various logical reasons. New EOs would entertain wasting precious and scarce resources as shown by some past experiences with external offices that were still being born to date. The Delegation believed that it was time to become detached from the euphoric frenzy of blindly replicating EOs and that a transparent cost benefit analysis should be made with the help of a dispassionate, credible and objective assessment by external sources to compare the deliverables and outcomes of external offices with the cost involved in establishing and executing them. Secondly, the Delegation was proposing that a fresh and neutral expert level group be formed without inclusion of WIPO's Secretariat in order to ensure an unbiased assessment. The study could make comparisons of probable benefits of the EOs with respect to the costs involved and present its assessment in a matrix form which may be helpful to analyze the results. The Delegation understood that such a study had been conducted in the past, but that no convincing rationale was presented to WIPO Member States for the existence of such external offices which were just adding a burden to WIPO's financial resources. Thirdly, the Delegation maintained that there were too many candidate countries and that this would cause ill feeling in a time when a consensual approach needed to be adopted. The Delegation added that one new external office host may potentially protect its political and economic interest at the expense of that of another country. The Delegation, therefore, did not support this unhealthy trend which may subsequently drag WIPO into country specific politics, may interfere with its role and badly affect its reputation as a technical organization to protect innovation and creativity. The Delegation reiterated that WIPO took all its decisions with

consensus and that this rule engaged the collective responsibility of all States in institutional matters. The Delegation would therefore not support any other approach on any matter, including this one, which may be against the institutional rules of WIPO. If a country needed to be selected for establishing an external office, each proposal needed to be assessed on merit, exclusivity and consensus. The Delegation formally believed the direct relationship between countries and WIPO headquarters should be adequately safeguarded and not be prejudiced by the establishment of external offices, in line with the guiding principles. The Delegation was of the view that the establishment of external offices was not proceeding as smoothly as originally envisioned. Instead of having more external offices, it would be prudent to review the existing approved ones first. The Delegation considered that external offices could fall prey to problems between various states and said that WIPO should be aware of this particular issue and not become part of unnecessary interstate frictions.

257. The Islamic Republic of Iran considered that guiding principles were the outcome of the long standing negotiations between Member States in order to make the decision on establishing WIPO external offices, reflecting a transparent and inclusive process. Accordingly, the establishment of EOs should be guided by guiding principles taking into account the equitable, geographical distribution of such offices. The Delegation believed that all proposals should be met with in a manner to ensure a holistic approach toward establishment of EOs. The Delegation considered that an artificial deadline on the completion of discussions on this agenda item should strictly be avoided. In regard, the Delegation pointed out that, based on the 2016 decision of the General Assembly, the decision on the opening of external offices in the current biennium and three external offices in the forthcoming biennium would be made during the 2017 General Assembly. The Delegation said that one of the core functions of the external offices was to deliver technical assistance and capacity building activities. Hence, according to the guiding principles, in establishing new EOs due consideration should be given to development aspects. The Delegation added that the guiding principles stipulated that any decision in this regard should be made according to the principle of sustainable equity and ensure an efficient geographical network of EOs. Any initiatives on modalities for the selection of the host countries, continued the Delegation, should be made in full conformity with the guiding principles, WIPO general rules of procedures, and ensure consensus on the outcome of all deliberations. Last but not least, the Delegation hoped that the discussions on this important issue would lead to consensual outcome and that there was a need to constructively engage so as to serve IP objectives.

258. The Delegation of the Republic of Korea supported the statement made by Indonesia on behalf of the Asia and Pacific Group. The Republic of Korea expressed thanks to the Chair for her leadership and efforts to move forward the discussions regarding the external offices. Regarding the decision process of WIPO external offices, the Republic of Korea took note that the guiding principles ruled the qualification of the hosting countries but that they did not provide clear guidance on how to select the external offices based on the qualifications. In this regard, the Delegation wished to encourage the focus of discussions to be on the methodology before beginning substantial discussions. It hoped that the best methodology could be identified during this PBC session. The Delegation pointed out that, apart from the methodology, the 2016/2017 biennium was almost coming to an end and that there was little difference between this biennium and the next biennium in terms of substance as well as the process. Therefore, it was of the view that it would be more realistic and practical to have a single process for selecting four external offices rather than dividing the process. However, for the sake of time, the Delegation suggested that discussions focus firstly on the methodology issue as a matter of priority. Finally, the Republic of Korea, as an applicant for an external office, stood ready to make a constructive contribution during the upcoming discussions on the external offices.

259. The Delegation of India aligned itself with the statement delivered by Indonesia on behalf of the Pacific and Asia group. The Delegation considered that the discussion on the opening of new WIPO external offices had gone on for far too long. It had heard frequently, both in the PBC and during the discussions in the previous General Assembly, unreasonable trepidation

about the impact of opening an external office in a country on WIPO's activities with other countries in the same region. The Delegation had constantly acknowledged that existing external office coverage was limited. The opening of enough external offices could be a win/win proposition for those countries that already put in place, an enabling environment for enhancing innovation and creativity or for countries wishing to get direct support from WIPO for technical assistance and capacity building to involve national IP policies and the relevant IP infrastructure. New external offices, continued the Delegation, were expected to be used as technical experts were pulled and stationed for rapid delivery of services and on site innovation and interventions. The presence of local experts should contribute to the effective transfer of knowledge and enhancement of mutual support through the creation of regional networks. The Delegation said it was important to take into account the interest of different geographical regions and other factors such as balancing the need and demand on account of population, the size of the economy and growth in IP filings. Geographical distribution was particularly important to the delivery of WIPO services for technical assistance and capacity building. India had also expressed its interest in opening up an external Office of WIPO in India in its national capacity. The Delegation hoped to see a decision on an external office in a speedy manner in line with the agreed guiding principles and was willing to work constructively with all groups and delegations to reach a consensus on the methodology and opening of new WIPO external offices.

260. The Acting Chair of the General Assembly took the floor to make a few comments. Having been active in this area, the Acting Chair was most interested in seeing a positive outcome of this conversation in the PBC in order to ensure smooth sailing during the General Assembly. The Acting Chair reminded that the process was not starting from zero. There was a legacy which dated back a few years, starting with the adoption of the guiding principles in 2015 and ongoing negotiations which led to the decision of the General Assembly in 2016 with three elements. One element was the designation of two external offices in Africa. Consensus had been reached on this on the condition that there would be a Chair's statement which was part of the decision. The Acting Chair of the GA invited everyone to refer to Chair's statement which was part of last year's GA decision. These three elements needed to be taken into account during discussions. Another element was that the conversation should be guided not only by guiding principles, but also by analysis, what WIPO as Organization would gain in opening an external office in any given country. Frequently, the Acting Chair said he had heard statements praising achievements in Intellectual Property protection in host countries. Very few were saying what WIPO as Organization would gain by opening an office in that particular country. This was a discussion on external offices, not on national offices promoting Intellectual Property regimes. Finally, the Acting Chair considered that one substantive element was missing in the conversation, a vision of the Director General or Secretariat on the network of external offices of WIPO in the world. This vision was missing, and it would probably be very helpful to have one. The Acting Chair wondered if it was feasible to request Director General to provide such a vision at the next General Assembly or some later date. Without prejudice to the decisions of Member States, he considered it extremely useful in this conversation to see how the Secretariat of the Organization saw the expansion of an external office network from an organizational perspective.

261. The Chair thanked the Ambassador for his comments, hoping that the Committee would contribute to the General Assembly on this topic and adding that his comments had been very important. The Chair requested the Secretariat to circulate a draft decision for the consideration of the Delegations and suspended the plenary to allow time for consideration of the proposed decision. When the plenary on item 12 was resumed, the Chair read out the proposed draft decision. As there were no objections, the decision was adopted.

262. Having examined documents WO/PBC/27/12 and A/56/15, the Program and Budget Committee (PBC):

- (i) had an exchange of views, including on the methodology to reach a decision on the pending new External Offices for the 2016/17 and 2018/19 biennia;
- (ii) did not reach a consensus on the opening of new External Offices; and
- (iii) recommended further consideration of the matter at the 57th session of the WIPO Assemblies.

ITEM 13 CLOSING OF THE SESSION

263. The Delegation of Costa Rica, speaking on behalf of GRULAC, thanked the Chair for leading the session and thanked the Secretariat for their excellent work. The Delegation indicated that the Group would continue to cooperate with the Chair and other Delegations to finalize pending issues. The Delegation highlighted the importance of keeping open and transparent consultations on the items to be discussed. In respect to External Offices, the Delegation thanked the Chair for the serious, well ordered conduct of the discussions on the subject, for facilitating the informal discussions and the efforts made to propose a procedure to achieve consensus on the selection of the four countries to host the external offices. The Delegation appealed to all Regional Groups to collectively look for viable and well-balanced alternatives to reach an agreement. The Delegation had shown signs of compromise and flexibility and hoped that others would do the same.

264. The Delegation proceeded to read a letter, which would be sent to the Chair of the Assemblies prior to the end of the current session of the PBC:

“Distinguished Ambassador, we cordially greet you and I would like, on behalf of the GRULAC, to transmit to you this communication and message to be received by you as interim Chair of the assemblies of WIPO and we request you to share it with all Regional Coordinators. You participated in and have been witness to the whole process of negotiation that enabled the members to adopt the guiding principles on WIPO External Offices and the decisions that have been taken by consensus by the Member States. We are referring both to the negotiations and understandings reached at the Assemblies in 2015 which led to their adoption and also the process of implementation to date. We also refer to the partial decision adopted in 2016 at the Assemblies, when a decision was taken to open two offices in Africa. All Member States and Regional Groups are aware of the long road traveled and which now requires us with an eye on the Assemblies to be held in October this year to meet our commitments and the mandate of the 2016 Assembly in regard to the decision to open a third external office for 2016/17 and three for the biennium of '18/19. It is in this text that GRULAC regrets that it has not been possible to achieve the adoption of the recommendation to the Assemblies on this matter by the PBC, which is finishing today. We recognize in any case the efforts made by the interim Chair of the PBC. Our Regional Group, which has always shown great compromise and flexibility in trying to find agreements and consensus, in particular on this subject, has participated once again in the discussions at this session of the PBC in this same spirit and it is our wish to continue doing so. It cannot be denied that there are a limited number of External Offices, and this requires the Regional Groups, to whom we transmit a special appeal, to do work in their groups leading to limiting or prioritizing their proposals. This should really be done before coming to the next Assemblies. This is a difficult, complex job which has already been done in GRULAC when we submitted the consensus candidate that is Colombia for the 2016/17 biennium, which is just ending. This, taken together with the fact that we have not put forward any candidates for 2018/19 is a great contribution to negotiations. That should be understood by all. We don't think it is viable to achieve a satisfactory result at the Assemblies if we're not determined to find consensus solutions. It is up to you, Ambassador to take on this complex job as Chair of the Assemblies and we believe it would be more opportune to

take up the dialogue again and discuss things as Regional Groups to take a decision in the Assemblies, bearing in mind the background commitment and contributions of Regional Groups, particularly GRULAC.”

265. The Delegation of Indonesia, speaking on behalf of the Asia and Pacific Group, thanked the Chair for her amazing leadership in guiding the meeting towards conclusion. The Delegation extended its appreciation to the Secretariat for the preparations and hard work, in making sure there was a smooth, successful meeting. The Delegation noted the good discussions on the proposed Program and Budget, and thanked the Chair again for the amazing job done in facilitating discussions, which enabled the Committee to complete its comprehensive review of the proposed Program and Budget for the 2018/'19 biennium as contained in WO/PBC/27/8. The Delegation looked forward to receiving an agreed revised version of the draft proposed Program and Budget for the 2018/'19 biennium. The Delegation indicated that it would remain constructive and committed in the discussion on all issues that were acceptable for all and was looking forward to the successful series of meetings of the WIPO assemblies. The Asia and Pacific Group highlighted the importance of an open, inclusive process that involved all Member States and Regional Groups. The Delegation took the opportunity to thank the Chair again, and to thank the Secretariat for the preparations, clarifications, explanations, that certainly helped all the discussions in the Committee. The Delegation also thanked all the Regional Groups, coordinators and all Member States. It wished to remind everybody that all Regional Groups were doing their utmost to remain constructive. The Delegation also thanked the conference services and the interpreters, noting that without them it would be hard to imagine a smooth, successful meeting. Lastly, the Group wished a safe journey back home for all delegates and a great weekend ahead.

266. The Delegation of Georgia, speaking on behalf the Central European and Baltic States Group, commended the Chair's guidance and efforts to advance the work of the Committee. The Delegation was pleased that under the Chair's leadership the Committee had achieved progress in the second reading of the draft Program and Budget document and other important issues. Likewise, the Delegation thanked the Secretariat for their efforts in the preparation of relevant documents and for the competent responses on different issues, and of course the skilled interpreters for their work throughout the week. With respect to agenda item 9, the Delegation expressed its thanks to Delegations for constructive deliberations on finding the best possible way out and consensus, and recalled the opening statement of the Director General, referring to the due diligence and of the legal counsel for the useful explanations that brought the Committee to the proposed wording of the decision. Along the same lines, the Delegation wished to stress that it trusted and respected the commitment of the Secretariat in this particular matter. The Delegation regretted that the Program and Budget for 2018/'19 was not recommended to the Assemblies for approval, but was hopeful that the pending issues would be solved during the coming Assemblies. Regarding agenda item 12, External Offices, the Delegation appreciated the Chair's continuous efforts to advance the work and expressed regret that no progress was made during the week. The Delegation wished to encourage Delegations to continue bilateral discussions on the issue in order to advance the exercise. At the same time, the Delegation reiterated that Member States should consider and respect equitable geographical distribution and priority to the regions without external offices. The Delegation continued to believe that there was a need to respect the history of negotiations that took a long time and the guiding principles on the External Offices. The Delegation thanked all Regional Coordinators and Member States for the constructive engagement during the week. It continued to believe that the spirit of constructive deliberations would prevail during the coming Assemblies on the pending issues which would help the Committee to reach the best outcome.

267. The Delegation of Senegal, speaking on behalf of the African Group, thanked the Chair and expressed its appreciation for the way in which the Chair led the Committee's work during this past session. The Delegation also thanked the Secretariat for their constant commitment, noting that the combined efforts were laudable. The Delegation noted that the African Group had worked throughout the week in a constructive and spirit of compromise so that the

Twenty-Seventh Session of the PBC would be a successful one. The African Group had thus expressed its commitment to the Chair's first wording of the proposal on agenda item 9 on the Program and Budget so that it would be adopted at this session of PBC. The Delegation indicated that the Group was committed to continuing its efforts in order to support the Chair's actions and again expressed its fullest confidence in the Chair. The Delegation also noted that the Group committed itself to continuing discussions in the upcoming Assemblies of the Organization in a similar spirit. The Delegation noted that the African Group had once again shown its openness so that all agenda items could be reviewed and recommended to the Assemblies. It looked forward with great interest to the revised document. The Group noted the need for a transparent, inclusive and open process, and thanked the Regional Coordinators and the members of the groups as well as the interpreters and the conference services.

268. The Delegation of Japan, speaking on behalf of Group B, wished to extend its appreciation to the Chair for her guidance. The Delegation also extended its appreciation to the PBC Secretariat for its contributions during the week and to the skilled interpreters who were always with the Committee throughout the week. The Delegation wished to thank all Regional Groups, Regional Coordinators and Member States for their efforts during the week. With respect to agenda item 9, the Delegation took note that the Program and Budget 2018/'19 would not be recommended to the GA fully, but expressed hope that the remaining issues would be solved during the next Assemblies with the support of all Member States. The Delegation expressed its sincere appreciation for the Chair for her continuous efforts in respect of agenda item 12, External Offices. It expressed regret that no substantive progress was made during the week in this regard. Keeping in mind the decisions of 2015, including the guiding principles, the Delegation hoped that a constructive, pragmatic solution will be reached by the end of GA 2017.

269. The Chair thanked the Committee for the constructive spirit and compromise that members had been willing to make and for all the efforts that had been deployed throughout the entire week, indicating that progress had been made on a few topics. The Chair noted that unfortunately the Committee hadn't been able to resolve all issues, and would continue to discuss these during the Assemblies. The Chair expressed the hope that in the Assemblies the Member States would come to agreement on these. The Chair also thanked the Secretariat for the organization and preparation of the meeting, and also for the constant support provided throughout the week, and the interpreters for their work and their support. The session was closed.

[Annexes follow]