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ORGANIZATION

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# Program and Budget Committee

**Twenty-Fifth Session**
**Geneva, August 29 to September 2, 2016**

## REVIEW OF ALLOCATION METHODOLOGY FOR THE INCOME AND BUDGET BY UNION

*Document prepared by the Secretariat*

### Background and Introduction

1. The World Intellectual Property Organization (WIPO), a specialized agency of the United Nations, has a unique financial structure in that it is funded primarily by fees earned from the international IP registration systems it is mandated to administer. The evolution of the Organization from a mostly contribution-financed Organization to a mostly fee-financed Organization has taken place over the past three decades. In the 2016/17 biennium, WIPO's revenues from fees are expected to represent 94.5 per cent of the Organization's overall revenue.

2. WIPO is a constitutionally complex Organization, whose complexity results from its long history and progressive conclusion of new treaties, several of which have established legally separate Unions of States, with their own administrative apparatus for the members of each Union to take decisions, and providing for a common secretariat in the International Bureau of WIPO. Together, these treaties have established WIPO as the umbrella organization to undertake activities to promote the protection of intellectual property and to ensure administrative cooperation between the various Unions. The Organization currently consists of six contribution-financed (CF) Unions (Paris, Berne, International Patent Classification (IPC), Nice, Locarno, and Vienna) and the WIPO Convention, and four fee-financed Unions (PCT, Madrid, the Hague and Lisbon).

3. WIPO's Financial Regulation 2.3 requires that the Organization's proposed Program and Budget covers estimates for income and expenditure for the financial period to which it relates, in a consolidated form for the Organization, as well as separately for each Union.

4. WIPO's activities are approved by Member States and implemented by the Secretariat in accordance with a Program-based structure (in 2016/17 WIPO has 31 Programs). Each Program has an approved expenditure budget. Programs undertake activities to contribute to the Organization's expected results (ERs). Activities can be broadly categorized as either: (i) specialized (or substantive) activities; and (ii) administrative and management-related activities supporting all Programs.

5. The presentation of the Union view of the income and expenditure of the Organization requires the Secretariat to identify the relationship between the sources of income and the Unions on the one hand, and the Program activities and the Unions on the other hand. Furthermore, it requires that the income and expenditure of the Organization be allocated to the Unions based on an allocation methodology. This has been done systematically in successive Program and Budget proposals submitted to and approved by Member States. A review of the Union view of the biennial budget in the current and past biennia, as reflected in the relevant Program and Budget documents, clearly shows that WIPO is most reliant on the PCT Union for its financial sustainability. The current methodology for the allocation of income and expenditure to the Unions, as described in Annex III of the 2016/17 Program and Budget, has been in use since 2007.

6. In the current biennium, the PCT system fees (the main revenue source for the PCT Union) are expected to account for over 76 per cent of WIPO's overall revenue. Approximately 29 per cent of the PCT Union revenue is estimated to go towards the support of the Organization's activities that are not directly related to the PCT Union.

7. The Madrid System fees (the main source of revenue for the Madrid Union) account for approximately 17 per cent of the overall revenue in the 2016/17 Program and Budget. Approximately 13 per cent of the revenue of the Madrid Union is estimated to go towards support of activities not directly related to the Madrid Union. This includes a small portion towards the IT and translation expenditure of the Hague and Lisbon Unions.

8. The Hague and Lisbon System fees are estimated at approximately 1.4 per cent of the overall Organizational revenue. The Hague and Lisbon Unions are not expected to support any activities that are not directly related to those two Unions.

9. The CF Unions have, for their main source of revenue, Member State contributions that are estimated at 4.6 per cent of WIPO's overall revenue in 2016/17. Approximately 9.4 per cent of the CF Unions' revenue is estimated to go towards the support of activities not directly related to those Unions.

10. At the fifty-fifth series of meetings of the Assemblies of the Member States of WIPO (October 2015), the decision reached in respect of agenda item 11, "Report on the Program and Budget Committee", included the following:

> "The Assemblies of the Member States of WIPO and the Unions, each as far as it is concerned:
>
> > "(i) agreed to approve the revised Proposed Program and Budget (A/55/5/Rev.), as amended during the General Assemblies (Program 6);
> >
> > "(ii) noted the decision of the Lisbon Union Assembly to adopt measures by the 2016 Assemblies to eliminate the Lisbon Union's projected biennial deficit, as described in the 2016/17 biennium WIPO Program and Budget (1.523 million Swiss francs); and

"(iii) decided to approve a loan from the reserves of the Contribution-financed Unions to the Lisbon Union in order to fund the operations of the Lisbon System for 2016/17, in case such measures are not sufficient to cover its projected biennial deficit. Such loan shall be provided on the basis that no interest shall be payable and that it would be repaid when the Lisbon Union reserves would allow it to do so.

"The WIPO General Assembly:

"(i) recognized that the allocation methodology for the income and budget by Union is a cross cutting topic;

"(ii) noted that some delegations are of the opinion that further discussion among the Member States would be needed;

"(iii) requested the Secretariat to conduct a study on potential alternatives for an allocation methodology for the income and budget by Union for consideration at PBC 25."

11. This document presents the results of the study conducted by the Secretariat. The results include a description of the potential alternate income and expenditure allocation methods identified, as well as a comparison of these methods with the current allocation methodology. It explains the principles used to develop the alternative methods for the allocation of income and expenditure to Unions for consideration by the Member States at the twenty-fifth session of the PBC.

Approach adopted by the Secretariat

12. The proposed scope of the review consisted of analyzing the existing methodology to identify potential alternatives for the allocation of income and expenditure to Unions. The opportunity for alternative allocation methods arise from two main sources: (i) a thorough analysis of the underlying financial (and cost allocation) principles; and ( ii) a detailed analysis of the activities carried out by Programs, taking into account the underlying regulatory framework. In developing the alternatives, care has been taken to ensure technical feasibility of implementation and use of data that is reliably and systematically available from the Organization's ERP/EPM system.

13. The work was carried out through extensive cross-sectoral collaboration between the Office of the Controller, Office of the Legal Counsel, and all concerned substantive sectors. External specialist cost analysis expertise from a reputed accounting firm was used to review the identified opportunities for potential alternative income and expenditure allocation methods. The 2016/17 biennial Program and Budget was used as the basis for the analyses.

Potential income and expenditure allocation methods

*Allocation of income*

14. The allocation of income under the current methodology is primarily characterized by the allocation of Member States' contribution to the CF Unions and fee income to the Unions of the international registration systems. In addition to contributions and fees, the 2016/17 budget estimates comprise the income from: (i) the Arbitration and Mediation Center (AMC); (ii) sale of publications; (iii) investment revenue (estimated at 0 in 2016/17); and (iv) miscellaneous income.

15. The allocation method for Member States' contributions and fee income from the international registration systems to the Unions has been retained. As regards the income generated from the sale of publications, the current methodology based on the content of

publications was also retained. For investment revenue, the principle of allocating investment revenues on the basis of the proportionate level of reserves and treasury balances for each of the Unions was assessed to be adequate.

16. For the allocation of income from the AMC, under the current methodology, income is allocated to all Unions based on estimations by the Program Manager. An opportunity for refinement was identified based on the consideration that the work of the AMC comprises a range of dispute settlement services involving intellectual property that is more relevant to the promotion of industrial property under the Paris Convention, and therefore the CF Unions, than the fee-funded Unions.

*The refinement would result in a shift of the allocation of income from the PCT Union, the Madrid Union, the Hague Union and the Lisbon Union to the CF Unions.*

17. Under the current methodology, miscellaneous income (apart from the rental income from the Madrid building) is allocated equally across all Unions. A further opportunity for refinement was identified for the allocation of miscellaneous income based on each Union's relative support to the Programs generating that income (apart from the rental income from the Madrid building).

*The refinement would result in a shift of the allocation of income from the Lisbon Union and the Hague Union to the CF Unions, the PCT Union and the Madrid Union.*

*Allocation of expenditure*

18. Under the current methodology expenditures are allocated under the following four categories:

(i) "direct Union expenses" (e.g., the expenditure incurred by Program 5 - the PCT System - is "direct Union" expenditure of the PCT Union);

(ii) "indirect Union expenses" (e.g., the part of the expenditure of Program 9 - Regional Bureaus and LDCs that is borne by the PCT Union is "indirect Union" expenditure);

(iii) "direct administrative expenses" (e.g., the expenditure of Program 23 – HRMD – that is incurred for human resources related support provided to Program 5 – is "direct administrative" expenditure of the PCT Union); and

(iv) "indirect administrative expenses" (e.g., the part of the expenditure of Program 23 that is incurred for human resources related support provided to Program 9 borne by the PCT Union is "indirect administrative" expenditure).

This logical categorization of expenditure described above has been retained as the basis for developing potential alternative expenditure allocation methods.

19. The use of relative headcount shares is a standard cost allocation principle for administrative and management-related expenditure. In the current methodology, this principle is therefore applied to the allocation of direct administrative expenditure. Indirect Union expenditure and the related indirect administrative expenditure are allocated based on the capacity to pay principle, which calculates the capacity to pay for a Union based on a two-step approach. In the first step, if the Union has a reserve level above its reserve target, it is deemed to be able to support indirect activities. In the second step, the extent to which this support can be provided by each Union is calculated by considering the relative extent to which the Union's

revenues exceed its direct expenditure. These principles of relative headcount share for direct administrative expenditure and capacity to pay for indirect union and administrative expenditure have been retained for developing the potential alternative expenditure allocation methods.

20. Since the 2012/13 biennium, WIPO has established a results-based system of planning and budgeting, with resources linked to each organizational expected result. The results based management (RBM) model provides information on each organizational unit's contribution to the expected results, thereby providing a level of granularity that was previously not available. results-based information therefore now systematically links expenditure with the substance of the work performed by the Organization. The current methodology, which was developed prior to the introduction of RBM, relies significantly on estimations by Program Managers, at the level of organizational units.

21. It therefore became evident that the RBM model could provide an improved basis for developing alternatives for the allocation of expenditure to Unions. In applying the RBM model, some further opportunities for detailed refinements by Program as compared to the current expenditure allocation methodology, were identified as follows:

(i) Expenses related to activities contributing to expected result (ER) I.1 "Development of balanced international normative frameworks on IP" implemented by the following Programs are allocated as "direct Union" expenses to the CF Unions:

Program 1 (Patent Law)
Program 2 (Trademarks, Industrial Designs and Geographical Indications)
Program 3 (Copyright and Related Rights)
Program 4 (TK, TCEs and GRs)
Program 18 (IP and Global Challenges)

*Program 1*
*Program 2*
*Program 3*
*Program 4*
*Program 18*
→ *ER I.1* → *"direct Union"*
*CF Unions*

(ii) Expenses related to activities contributing to ER I.2 "Tailored and balanced IP legislative, regulatory and normative frameworks" implemented by the following Programs are allocated as "indirect Union" expenses:

Program 1 (Patent Law)
Program 2 (Trademarks, Industrial Designs and Geographical Indications)
Program 3 (Copyright and Related Rights)

(iii) Expenses related to activities contributing to ER III.2 "Enhanced human resource capacities" implemented by the following Programs are allocated as "indirect Union" expenses:

Program 3 (Copyright and Related Rights)
Program 4 (TK, TCEs and GRs)

Under the current methodology, the basis for the allocation is the organizational unit rather than the unit's contribution to the expected results, resulting in all expenses of Programs 2 and 4 being allocated as "direct Union" expenses and expenses of Programs 1 and 3 being allocated partly as "indirect Union" expenses and partly as "direct Union" expenses. Expenses of Program 18 are fully allocated as "indirect Union" expenses.

*The refinement would result in a shift from "direct Union" expenses to "indirect Union" expenses.*

(iv) Expenses related to activities contributing to enhancing the provision of premier global IP services (ERs II.1-7. and ERs II.10 and II.11) implemented by the following Programs are fully allocated as “direct Union” expenses to the PCT Union, the Madrid Union, the Hague Union, and the Lisbon Union, respectively:

Program 5 (PCT System)
Program 6 (Madrid System)
Program 10 (Transition and Developed Countries)
Program 20 (External Relations, Partnerships and External Offices)
Program 31 (The Hague System)
Program 32 (Lisbon System)

Program 6, (Madrid System) supports the IT developments and translation requirements of the Hague and Lisbon Systems. Due to difficulties in the past in estimating the related expenses, those requirements are, under the current methodology, allocated as “direct Union” expenses to the Madrid Union. Following improvements made in linking resources with the work being performed, these expenses can with the facilitation of the ERP/EPM systems be estimated based on time spent by IT developers and translators in support of the two systems. These could be allocated accordingly to the Hague and Lisbon Systems.

*The expenses of Programs 5, 6, 31 and 32 would be fully allocated as “direct Union” expenses (same as under the current methodology).*

*The refinement would result in a shift of the allocation of expenses for Program 6 from the Madrid Union to the Hague and Lisbon Unions.*

*The expenses of Programs 10 and 20 would be partly allocated to the fee-funded Unions. Under the current methodology, the expenses of Programs 10 and 20 are fully allocated as “indirect Union” expenses.*

(v) Expenses related to activities implemented by Program 7 (AMC) are allocated as “direct Union” expenses based on estimates by the Program Manager as per the current methodology. As noted above, an opportunity for refinement was identified based on the consideration that the work of the AMC comprises a range of dispute settlement services involving intellectual property that is more relevant to the promotion of industrial property under the Paris Convention, and therefore the CF Unions, than the fee-funded Unions.

*This refinement would result in a shift of the allocation of expenses from the PCT Union, Madrid Union, the Hague Union, and the Lisbon Union to the CF Unions.*

(vi) Expenses related to activities contributing to:

- ER I.2 “Tailored and balanced IP legislative, regulatory and normative frameworks” (Strategic Goal I)
- All ERs contributing to facilitating the use of IP for development (Strategic Goal III);
- ER IV.2 “Enhanced access to and use of IP information” and ER IV.4 “Enhanced technical and knowledge infrastructure” (Strategic Goal IV);

- ER V.1 “Wider use of WIPO IP statistical information” and ER V.2 “Wider use of WIPO economic analysis” (Strategic Goal V);
- ER VI.1 “International policy dialogue on building respect for IP” and ER VI.2 “Systematic cooperation on building respect for IP” (Strategic Goal VI);
- ER VII.2 “IP-based platforms” (Strategic Goal VII); and,
- ER VIII.4 “Interaction with non-governmental stakeholders” (Strategic Goal VIII); and,
- ER VIII.5 “Interaction with the UN and other IGO processes” (Strategic Goal VIII).

implemented by the following Programs are allocated as “indirect Union” expenses:

Program 8 (DACD)
Program 9 (Regional Bureaus and LDCs)
Program 10 (Transition and Developed Countries)
Program 11 (The Academy)
Program 14 (Access to Information and Knowledge)
Program 15 (Business Solutions for IP Offices”)
Program 16 (Economics and Statistics)
Program 17 (Building Respect for IP)
Program 18 (IP and Global Challenges)
Program 20 (External Relations, Partnerships and External Offices)
Program 21 (Executive Management)
Program 30 (SMEs and Entrepreneurship Support)

*The expenses of Programs 8, 9, 11, 14, 15 and 16 would be fully allocated as “indirect Union” expenses (same as under the current methodology except for the expenses of Program 14 which currently are allocated as “direct union” expenses based on relative income shares).*

*The expenses of Programs 10, 18, 20 and 21 would be partly allocated as “indirect Union” expenses. The expenses of Program 17 would be partly allocated as “indirect Union” expenses and partly as administrative expenditure (the latter due to the Program’s contribution to ER VIII. “More effective communication about IP” (currently the expenses of Programs 10, 17, 18 and 20 are fully allocated as “indirect Union” expenses. The expenses of Program 21 are currently fully allocated as administrative expenditure).*

(vii) Under the current methodology, the allocation of expenditure of Program 12 (Classifications and Standards) to the Unions relies on an estimation by the Program Manager. An opportunity for refinement was identified to base the allocation of expenditure on the actual workload of Program 12 (i.e. respective shares of work related to the IPC, Nice, Locarno and WIPO Standards).

*The refinement would result in a shift of the allocation of expenses from the PCT Union to the Madrid Union and the CF Unions.*

(viii) Under the current methodology, the allocation of expenditure of Program 13 (Global Databases) to the Unions relies on estimations by the Program Manager. The estimations predate the expansion of the Global Brand Database with the addition of national collections and the launch of the Global Design Database. An opportunity for refinement was identified for the allocation of expenses related to activities contributing to ER IV.3 “Broad geographical coverage of WIPO Global IP Databases” as “direct Union” expenses taking into account the relative share of data originating from national collections (allocated to the CF Unions) *versus* data originating from the PCT, Madrid and the Hague Systems in each of the global databases respectively (allocated to the PCT, Madrid and the Hague Unions). Expenses of activities related to the Program's contribution to ER IV.2 "Enhanced access to and use of IP information" would be allocated as "indirect Union" expenses. Under the current methodology the latter is allocated as "direct Union" expenses.

*The refinement would result in a shift of the allocation of expenses from the PCT Union and the Madrid Union to the CF Unions and the Hague Union.*

(ix) Expenses related to activities implemented by Program 19 (Communications) and Program 20 (External Relations, Partnerships and External Offices) are allocated to the Unions as "indirect Union" expenses under the current methodology. However, the majority of the activities implemented by these Programs are of an enabling nature contributing to Strategic Goal VIII, similar to the administrative Programs contributing to Strategic Goal IX. The related expenses could therefore be considered as "administration" related expenditure, a portion of which is allocated to the Unions based on relative headcount ratios and the remaining share based on the capacity to pay principle.

*The refinement would result in a shift of the allocation of expenses from the PCT Union to the Madrid Union, the Hague Union and the Lisbon Union.*

(x) Expenses related to activities contributing to efficient administrative and financial support structure to enable WIPO deliver its Programs (Strategic Goal IX), implemented by the following Programs, are allocated as "direct administrative" expenses to all Unions as follows: (a) direct attribution to the Unions of administrative costs such as the share of cost of server hosting at UNICC and share of cost of the Income Section in Finance; and (b) attribution to the Unions of the remaining administrative costs based on relative headcount shares. The administration related expenses which are not allocated as "direct administrative" expenses are allocated as "indirect administrative" expenses based on the capacity-to-pay principle:

Program 21 (Executive Management)
Program 22 (Program and Resource Management)
Program 23 (HRMD)
Program 24 (General Support Services)
Program 25 (ICTD)
Program 26 (Internal Oversight)
Program 27 (Conference and Language Services)
Program 28 (Information Assurance, Safety and Security)

*Allocation same as under the current methodology except for Programs 21 and 24 which are allocated partly as "indirect Union" and partly as administrative expenses.*

22. Under the current methodology, the capacity to pay principle results in allocating "indirect Union" and "indirect administrative" expenses on the basis of the financial ability of the respective Unions to support such expenditures, after considering the Unions' mandated reserves target and their direct (Union and administrative) expenditure. This implies that a Union contributes to its own reserves before assuming a share of indirect expenditure. While the capacity to pay, in principle, was assessed as suitable, an opportunity for refinement has been identified. This refinement would imply that a Union assumes a share of indirect expenditure before contributing to its own reserves. The capacity to pay in this case would be calculated only on the basis of the Unions' income and direct expenditure.

*This refinement would have no impact on the allocation of expenditure applied to the 2016/17 Program and Budget.*

23. Two alternative scenarios have been developed, taking into consideration the income and expenditure methods outlined in this document, and applied to the 2016/17 Program and Budget. They are presented in Annex I. The allocation of income and expenditure for 2016/17 to the Unions applying the current methodology (as contained in Annex III of the 2016/17 Program and Budget), is reproduced for ease of reference in Annex II of this document.

*24. The Program and Budget Committee (PBC) is invited to consider the potential alternative methods for the allocation of income and expenditure to the Unions presented in the current document.*

[Annexes follow]

## SCENARIO 1

- Allocation of Member States' contributions and fee income from the international registration systems, sale of publications and investment revenue as per current methodology as described in paragraph 15 and allocation of income from the AMC as described in paragraph 16.

- Allocation of expenditure based on applying the RBM model taking into account Program units' contribution to the organizational expected results with further detailed refinements as described in paragraph 21.

*Applied to the budgeted figures for 2016/17.*

| | CF Unions | | PCT Union | | Madrid Union | | Hague Union | | Lisbon Union | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **RWCF, end 2015** | **24,918** | | **212,692** | | **55,167** | | **(12,699)** | | **(1,015)** | | **279,063** | |
| **Income 2016/17** | 38,211 | | 576,607 | | 129,831 | | 10,976 | | 673 | | 756,297 | |
| Estimated IPSAS adjustment to income | - | | (7,514) | | (419) | | (147) | | - | | (8,080) | |
| **Total Income after IPSAS adjustment** | **38,211** | | **569,093** | | **129,412** | | **10,829** | | **673** | | **748,217** | |
| **Expenditure 2016/17** | | | | | | | | | | | | |
| Direct Union | 28,861 | | 215,262 | | 59,577 | | 10,134 | | 1,517 | | 315,351 | |
| Direct Admin | 15,622 | | 120,047 | | 38,544 | | 6,429 | | 984 | | 181,626 | |
| Sub-total, Direct | 44,482 | | 335,309 | | 98,121 | | 16,563 | | 2,501 | | 496,977 | |
| Indirect Union | - | | 115,010 | | 15,394 | | - | | - | | 130,404 | |
| Indirect Admin | - | | 70,252 | | 9,403 | | - | | - | | 79,655 | |
| Sub-total, Indirect | - | | 185,263 | | 24,797 | | - | | - | | 210,059 | |
| **Total, Expenditure 2016/17** | **44,482** | | **520,572** | | **122,918** | | **16,563** | | **2,501** | | **707,036** | |
| Estimated IPSAS adjustment to expenditure | 1,284 | | 15,028 | | 3,548 | | 478 | | 72 | | 20,411 | |
| **Total Expenditure after IPSAS adjustment** | **45,767** | | **535,600** | | **126,466** | | **17,041** | | **2,573** | | **727,447** | |
| ***Operating Result*** | ***(7,556)*** | | ***33,493*** | | ***2,946*** | | ***(6,212)*** | | ***(1,900)*** | | ***20,770*** | |
| **RWCF, end 2017** | **17,362** | | **246,185** | | **58,113** | | **(18,911)** | | **(2,915)** | | **299,833** | |
| RWCF, Target | 22,241 | 50.0 | 104,114 | 20.0 | 30,729 | 25.0 | 2,484 | 15.0 | - | n/a | 159,569 | 22.6 |

**RWCF targets are calculated as percent of the biennial budgetary expenditure for each union.*
***Capacity to pay calculations take into account the total income after IPSAS adjustments.*
**** Reserve targets for the Unions are based on targets determined in the Revised Policy on Reserves (WO/PBC/23/8).*

## SCENARIO 2

- Allocation of Member States' contributions and fee income from the international registration systems, sale of publications and investment revenue as per current methodology as described in paragraph 15, allocation of income from the AMC as described in paragraph 16 and allocation of miscellaneous income as described in paragraph 17.

- Allocation of expenditure based on applying the RBM model taking into account Program units' contribution to the organizational expected results with further detailed refinements as described in paragraph 21.

*Applied to the budgeted figures for 2016/17.*

| | CF Unions | | PCT Union | | Madrid Union | | Hague Union | | Lisbon Union | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **RWCF, end 2015** | **24,918** | | **212,692** | | **55,167** | | **(12,699)** | | **(1,015)** | | **279,063** | |
| **Income 2016/17** | 37,817 | | 578,236 | | 129,765 | | 10,434 | | 46 | | 756,297 | |
| Estimated IPSAS adjustment to income | - | | (7,514) | | (419) | | (147) | | - | | (8,080) | |
| **Total Income after IPSAS adjustment** | **37,817** | | **570,722** | | **129,346** | | **10,287** | | **46** | | **748,217** | |
| **Expenditure 2016/17** | | | | | | | | | | | | |
| Direct Union | 28,861 | | 215,262 | | 59,577 | | 10,134 | | 1,517 | | 315,351 | |
| Direct Admin | 15,622 | | 120,047 | | 38,544 | | 6,429 | | 984 | | 181,626 | |
| Sub-total, Direct | 44,482 | | 335,309 | | 98,121 | | 16,563 | | 2,501 | | 496,977 | |
| Indirect Union | - | | 115,133 | | 15,271 | | - | | - | | 130,404 | |
| Indirect Admin | - | | 70,327 | | 9,328 | | - | | - | | 79,655 | |
| Sub-total, Indirect | - | | 185,460 | | 24,599 | | - | | - | | 210,059 | |
| **Total, Expenditure 2016/17** | **44,482** | | **520,770** | | **122,720** | | **16,563** | | **2,501** | | **707,036** | |
| Estimated IPSAS adjustment to expenditure | 1,284 | | 15,034 | | 3,543 | | 478 | | 72 | | 20,411 | |
| **Total Expenditure after IPSAS adjustment** | **45,767** | | **535,803** | | **126,263** | | **17,041** | | **2,573** | | **727,447** | |
| ***Operating Result*** | ***(7,950)*** | | ***34,919*** | | ***3,083*** | | ***(6,754)*** | | ***(2,527)*** | | ***20,770*** | |
| **RWCF, end 2017** | **16,968** | | **247,611** | | **58,250** | | **(19,453)** | | **(3,542)** | | **299,833** | |
| RWCF, Target | 22,241 | 50.0 | 104,154 | 20.0 | 30,680 | 25.0 | 2,484 | 15.0 | - | n/a | 159,560 | 22.6 |

**RWCF targets are calculated as percent of the biennial budgetary expenditure for each union.*
***Capacity to pay calculations take into account the total income after IPSAS adjustments.*
**** Reserve targets for the Unions are based on targets determined in the Revised Policy on Reserves (WO/PBC/23/8)*

[Annex II follows]

# ALLOCATION OF INCOME AND EXPENDITURE FOR 2016/17 TO THE UNIONS APPLYING THE CURRENT METHODOLOGY
(as contained in Annex III of the 2016/17 Program and Budget)

*2016/17 Approved Program and Budget*

| | CF Unions | | PCT Union | | Madrid Union | | Hague Union | | Lisbon Union | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **Income 2016/17** | 35,645 | | 578,241 | | 130,630 | | 11,055 | | 727 | | 756,297 | |
| Estimated IPSAS adjustment to income | - | | (7,514) | | (419) | | (147) | | - | | (8,080) | |
| **Total Income after IPSAS adjustment** | **35,645** | | **570,727** | | **130,211** | | **10,908** | | **727** | | **748,217** | |
| **Expenditure 2016/17** | | | | | | | | | | | | |
| Direct Union | 21,858 | | 235,553 | | 66,577 | | 8,802 | | 1,372 | | 334,162 | |
| Direct Admin | 9,634 | | 125,091 | | 43,128 | | 5,566 | | 815 | | 184,233 | |
| Sub-total, Direct | 31,492 | | 360,643 | | 109,704 | | 14,368 | | 2,187 | | 518,394 | |
| Indirect Union | 2,242 | | 113,412 | | 11,070 | | - | | - | | 126,724 | |
| Indirect Admin | 1,095 | | 55,414 | | 5,409 | | - | | - | | 61,918 | |
| Sub-total, Indirect | 3,337 | | 168,825 | | 16,479 | | - | | - | | 188,642 | |
| **Total, Expenditure 2016/17** | **34,829** | | **529,469** | | **126,184** | | **14,368** | | **2,187** | | **707,036** | |
| Estimated IPSAS adjustment to expenditure | 1,005 | | 15,285 | | 3,643 | | 415 | | 63 | | 20,411 | |
| **Total Expenditure after IPSAS adjustment** | **35,835** | | **544,754** | | **129,826** | | **14,783** | | **2,250** | | **727,447** | |
| ***Operating Result*** | ***(190)*** | | ***25,973*** | | ***385*** | | ***(3,875)*** | | ***(1,523)*** | | ***20,770*** | |
| RWCF, Target | 17,415 | 50.0 | 105,894 | 20.0 | 31,546 | 25.0 | 2,155 | 15.0 | - | n/a | 157,009 | 22.2 |

**RWCF targets are calculated as percent of the biennial budgetary expenditure for each union.*
***Capacity to pay calculations take into account the total income after IPSAS adjustments.*
**** Reserve targets for the Unions are based on targets determined in the Revised Policy on Reserves (WO/PBC/23/8)*

[End of Annex II and of document]