

APPENDIX A

BUDGET POLICY AND PRESENTATION

425. The description of the budget policy and presentation describes the (i) general approach, (ii) calculation of budget stages 2002-2003 and 2004-2005, (iii) arrangement for determining budget allocation by Union, (iv) standard cost rates, (v) workload flexibility formulas for global protection systems and (vi) the definition of budget headings.

1. General Approach

426. The program and budget is presented in a transparent manner to support the review and approval process by Member States and the subsequent implementation by the International Bureau. The main features of the presentation are described below:

- *Budget scope:* The program and budget presents in a single document all budgetary requirements funded from contributions, fee income, reimbursement for services provided to UPOV and other income. The different sources of income are described below in Appendix A.6.
- *Budget dimensions:* The budget is presented by program, object of expenditure and Union. Programs are further elaborated into sub-programs. By object of expenditure, information is presented at the detailed level by sub-program and the main level for summary presentation. Objects of expenditure are described in Appendix A.6. Presentation by Union identifies budget allocation for the Contribution-financed Unions, the PCT Union, the Madrid Union and the Hague Union. The arrangement for determining budget allocation by Union is detailed below in Appendix A.3.
- *Result-based budget:* The program and budget is presented in accordance with a result-based format, identifying by sub-program objectives, results, performance indicators and activities.
- *Income presentation:* The budget proposals are supported by a detailed presentation of estimated income for 2002-2003 and 2004-2005. Detailed

income estimates are presented in Chapter C.2; proposed Member States contribution is shown in Appendix B and the schedule of fees in Appendix C.

- *Resource plan 2002-2003 and 2004-2005:* The resource plan elaborates the biennial funding arrangements, by integrating information on budget, income, surplus/deficit and reserves by Union and for trust funds. The resource plan is presented in Chapter C.2.
- *Financial indicators 1998 to 2009:* The biennial funding arrangements are presented in the context of financial indicators for a 12-year period from 1998 to 2009 as indicated in Chapter C.1.
- *Multi-biennia budgetary implications:* The biennial presentation is supplemented and supported by elaborating the longer-term implications of major budgetary implications. This is done for the WIPO premises plan up to 2009 in Annex A, the new construction project covering the period up to 2007 in Annex B and the IMPACT efficiency gains described in Annex C.
- *Resource description:* For each of the main programs, a detailed resource description is introduced to enhance budget transparency.
- *Standard costs:* Standard costs describe inflation rates and standard salary costs which are parameters to calculate variations in the cost structure of the budget estimates as compared to program variations. The standard costs are identified in Appendix A.4 and the calculation of cost variations is detailed further below in Appendix A.2.
- *Budget stages:* The budget formulation process for the 2004-2005 budget is developed through six budget stages, each illustrating the translation of major decisions into budgetary adjustments. This covers, in particular, the linkage between the program structure 2002-2003 and the program structure 2004-2005 as well as the implications of cost variation as compared to budget variations. The budget stages are described below in Appendix A.2.
- *Workload flexibility formulas:* The flexibility formulas provide a mechanism to adjust the budget of global protection system and services in accordance with unforeseen changes in workload. Appendix A.5 describes the workload flexibility formula for the PCT, Madrid and Hague Union.
- *Trust funds:* As part of the proposed funded program and budget, details are provided for information on the use of trust fund resources in order to provide a comprehensive overview of all resources administered by WIPO.

2. Calculation of Budget Stages 2002-2003 and 2004-2005

427. The budget formulation process is developed through a number of stages including the following steps which are elaborated below: (i) approved budget

2002-2003, (ii) budget variation 2002-2003, (iii) revised budget 2002-2003 according to program structure 2002-2003, (iv) revised budget 2002-2003 according to program structure 2004-2005, (v) budget variation 2004-2005, including program and cost variations, and (vi) proposed budget 2004-2005.

Initial budget 2002-2003

428. The starting point is the 2002-2003 budget of Sfr678,400,000 as approved by the Assemblies of Member States of WIPO on October 3, 2001 (paragraph 154 of document A/36/15).

Budget variation 2002-2003

429. Budget variation 2002-2003, includes flexibility and supplementary variations. Flexibility variations cover the adjustment of the budgets of global protection systems for unforeseen fluctuations in the workload. This is done according to the flexibility formulas described in Appendix A.5. Budget revisions other than flexibility variations are identified under supplementary variations. For the revised budget 2002-2003, this includes adjustments for the ex-WMO and new construction projects.

Revised budget 2002-2003, in accordance with program structure 2002-2003

430. The revised budget 2002-2003 is the sum of the approved 2002-2003 budget and flexibility variations 2002-2003. The revised budget is presented in Tables 10 to 15 in accordance with the program structure 2002-2003.

Revised budget 2002-2003, in accordance with program structure 2004-2005

431. The proposed program structure 2004-2005 differs from 2002-2003. In order to provide for a realistic comparison between both biennia, the revised budget 2002-2003 is realigned in accordance with the program and sub-program structure proposed for the new biennium. This is done in Chapter C and illustrated in Tables 17 and 18. The revised budget 2002-2003, expressed in accordance with the program structure 2004-2005, provides the basis against which new proposals for the 2004-2005 biennium can be compared.

Budget variation 2004-2005

432. Budget variation 2004-2005, includes program and cost variations. Program variation 2004-2005 represents the budgetary implications of new program proposals. Cost variations 2004-2005 indicate the budgetary implications of changes in the cost structure. Total budget variations amount to Sfr30,000,000 for 2004-2005.

433. Program variation 2004-2005: Program variations in 2004-2005 represent the budgetary implications of program modifications as compared with the 2002-2003 budget. This covers the introduction of new activities and the strengthening, scaling down or termination of existing activities. Program

modifications already introduced in 2002-2003 within the budget flexibility of the Director General are reflected as program variations for 2004-2005. This includes, for example, the redeployment of posts between programs, involving new assignments to the position in question, or reclassifications of posts between the General Service and the Professional categories.

434. Cost variations 2004-2005: Cost variations in 2004-2005 represent the budgetary implications of changes in the cost structure as compared to 2002-2003. Cost variations 2004-2005 are calculated for non-staff and staff costs and are indicated in Appendix A.4. The recosting includes the delayed impact arising from the continuation of posts established during the second year of the 2002-2003 biennium only and continuing for the full duration of 2004-2005. This includes 16 posts approved in the context of the initial budget 2002-2003.

Proposed budget 2004-2005

435. The proposed budget 2004-2005 of Sfr638,800,000 represents the sum of revised budget 2002-2003 and budget variation 2004-2005.

3. Arrangement for Determining Budget Allocation by Union

436. The arrangement for determining budget allocation by Union identifies the key decisions, which determine the size of the Union budgets, and the funding of the program budget by Union. Each Union budget is allocated in accordance with a percentage share to the various program budgets as illustrated in Table 7. The percentage share is determined by Union separately for each of three categories of activities as follows:

Overhead and support activities

437. Overhead or support activities are shared equally between the Unions in accordance with the size of the respective Union budget. This includes, as indicated in Table 7, programs contained in Part I (Policy and Direction) and Part IV (Administrative Services) covering Constituent Organs of Member States, Direction and Executive Management, Resource Management and Information Technology.

Union specific activities

438. Union-specific activities are fully or mainly attributed to a specific Union. This includes, as indicated in Table 7, programs contained in Part II (Intellectual Property Systems and Issues), covering Patents and the Patent Cooperation System (PCT), Trademarks, Industrial Design and Geographical Indications, Copyright and Related Rights, Selected Issues of Intellectual Property, and Arbitration and Mediation Center.

Crosscutting activities

439. Crosscutting activities are shared between all Unions. This includes, as indicated in Table 7, programs contained in Part III, covering Cooperation with Developing Countries, Cooperation with Certain Countries in Europe and Asia, The WIPO Worldwide Academy, Intellectual Property for Economic Development, and Intellectual Property and Creation of IP Culture.

4. Standard Cost Rates

440. The rates of cost increase assumed for Switzerland in 2004 and 2005 for various expenditure types have been estimated by the United Nations Organizations in Geneva and summarized in a document of the UN Chief Executive Board for Coordination dated February 17, 2003. These estimates take account of available official statistics, statements of competent authorities, the views of reputable economic analysts and information gathered from professional associations and other appropriate sources.

441. Overall rate of inflation: "A 1.0 per cent general rate of inflation could be used for 2003, 2004 and 2005."

Staff costs

442. Professional and higher categories: "The margin between the UN and the comparator (US Federal Civil Service) has fallen to 109.3. This is below the range of 110 to 120 approved by the UN General Assembly. Hence, ICSC is recommending to the General Assembly an increase equivalent to 5.7 per cent across the board to restore the margin to the desirable mid-point of the range (115). ICSC is also recommending to the General Assembly that this increase be differentiated by grade level because of the current imbalances at different grade levels (e.g. the D1 margin – 101, the P5 – 107.8, P3 – 115, P1 – 120). (In the event, the General Assembly agreed to a differentiated increase which would bring the margin at D2, D1, P5 and P4 at 111)."

443. General Service category: "As a result of the most recent GS salary survey, ICSC has recommended to Executive Heads the implementation of a revised GS salary scale effective January 1, 2002. The size of the increases is 4.33 per cent (in respect of the scale applied to staff recruited on September 1, 1995 or thereafter) and 1.46 per cent. (in respect of staff on board before September 1, 1995). In accordance with the methodology, and assuming inflation in Geneva remains below five per cent a year, the implication of the implementation of this recommendation is that the now single GS scale will move upwards each January 1st to reflect the movement of 90 per cent of the CPI over a 12 month period."

444. Contributions to the United Nations Joint Staff Pension Fund: "The Pension Board has not recommended any change to the total rate of contribution to the United Nations Joint Staff Pension Fund, corresponding to 23.7 per cent of pensionable remuneration. The two-thirds share financed by member organizations would

therefore remain at 15.8 per cent of pensionable remuneration in 2002, 2003 and 2004. Any recommendation by the Pension Board meeting in the summer of 2004 would only have an impact in 2005. The meeting agreed to assume that the status quo with regard to the rate would continue.”

445. “Pensionable remuneration will increase in November 2002 and annually thereafter to the extent of changes in the total net remuneration (i.e. net base salary and post adjustment) of the professional and higher categories resulting from an increase in the post adjustment. The increase in November 2002 is expected to be about 3.55 per cent. It will also increase in March 2003 if the net base salary increases reported above are agreed to by the General Assembly.”

446. “For staff in the General Service category, pensionable remuneration was the dollar equivalent of the sum of the local gross salary, any language allowance and any non-resident's allowance payable. Thus application of the new GS salary scale should result in an increase in the pensionable remuneration. This increase and any changes in the US dollar-Swiss franc rates of exchange would impact the dollar costs of organizations' contributions.”

447. Other common staff costs: “Proposals are currently before the General Assembly for an increase in secondary dependent allowances. ICSC is also recommending increases to Education Grant level in the following countries/currency areas where education-related expenses are incurred: Austria (Euro), Italy (Euro), Switzerland (Swiss Francs), Spain (Euro), UK (Pound sterling), US dollars in USA and US dollars outside USA. The increases would be effective for the school year in progress on January 1, 2003.”

448. Travel and Transport and Air Freight: “There was considerable uncertainty in this area given the impact of an unfavourable economic environment for air carriers, the costs of increased security measures, and the risk of increased fuel costs in the light of instability in the Middle East. Excess capacity and slow economic growth might in some markets lead to competitive pressure on pricing while in other markets carriers might try to leverage weaker competition by increasing prices in order to stay profitable.”

Contractual Services

449. Contractual printing and binding: “Leaving aside the factor of paper cost, it is expected that increases for printing and binding services will be at the general rate of inflation assumed above. In cases where the orders are placed in other countries than Switzerland different annual rates of increase need to be foreseen.”

450. Other contractual services (including contractual maintenance of premises and equipment): “Costs of other contractual services including contractual maintenance of premises and equipment are expected to increase at the annual rate of inflation assumed above.”

General Operating Expenses

451. Fuel oil: "It was difficult to estimate the evolution of fuel prices in the light of recent major increases in crude oil costs and the uncertain political situation in the Middle East. It was agreed that organizations should take into account the latest price levels in effect at the time of the completion of their proposed budgets and assume a general inflation rate thereafter."

452. Other utilities: "Water rates are expected to increase at a rate of 1 per cent per year as from 2003 and could remain at that level through 2004 and 2005. For electricity, it was anticipated that prices would not increase from present levels."

453. Communications (Telephone, telex and facsimile services): "After a period of generally falling rates, in some markets communications costs have increased recently; these might continue to increase at a rate of around 5 per cent per year depending on the degree of competition in different geographical markets."

454. Post: "These costs are expected to increase by 7 per cent in 2002-2003 and by 10 per cent in 2004-2005."

455. Pouch services: "Pouch costs are expected to reflect a tariff increase of 12 per cent in 2002-2003 and a further 10 per cent in 2004-2005."

Supplies and Materials

456. Paper and printing supplies: "Based on recent market developments, including substantial increases in pulp prices, an overall increase of 15 per cent for 2004-2005 could be assumed (note it is 7.5 per cent per year). However, in some competitive markets, such as those for photocopy paper, increases might be far less."

457. Other supplies and materials: "The cost of other supplies was expected to increase at around the general rate of inflation."

458. Acquisition of furniture and equipment: "The steady price decreases for office automation equipment (hardware and software) are expected to continue. However, the need to replace the old equipment by more sophisticated equipment, which is more expensive, and the purchase of new software packages, were expected to completely offset the anticipated savings. For furniture and other equipment, average increases were expected in line with the general inflation assumption for 2003, and an overall 10 per cent increase for 2004-2005."

5. Workload Flexibility Formulas for Global Protection Systems

459. The workload flexibility formulas recognize that there exists a direct link between fluctuations in the overall workload and requirements for staff support in the global protection systems and services. These formulas provide for a justifiable increase in the number of posts and related costs in case of higher than anticipated increases in the workload, as they also require corresponding decreases in posts in

case of lower than anticipated levels of workload. The workload flexibility formulas have first been described in the context of the program budget exercise for 2002-2003 (Appendix 3 of document WO/PBC/4/2). This includes: (i) International Patent Cooperation Union (PCT Union); (ii) Special Union for the International Registration of Marks (Madrid Union); (iii) Special Union for the International Deposit of Industrial Designs (Hague Union). The existing arrangements are recalled below, including proposed changes as required. The flexibility formula for WIPO Internet domain name dispute resolution, first introduced for the 2002-2003 biennium, is discontinued as of 2004-2005 due to the lower than anticipated workload and stable outlook for arbitration and mediation activities.

General Approach

460. Workload fluctuations change the requirements for staff support primarily in the units concerned with the processing of applications, and also in units providing related services. The units concerned with global protection systems and services perform tasks such as inputting data in computer systems; examining the applications as to form, preparing the necessary notifications to Contracting Parties and communications to applicants and holders; preparing the necessary translation of applications and reports; preparing and publishing pamphlets and gazettes. Other WIPO units provide several other services in support of the units in charge of global protection systems and services. In particular, the Human Resources Management Division provides related staff management services, the Division of Finance processes related financial transactions, the IT Services Division supports the computer systems used to operate the registration systems, the Buildings Division provides office space and related maintenance services to staff, the Printing Services produces printed material to be disseminated to applicants and to patent and trademark offices, the Corporate Image and Product Development Section sells and distributes gazettes and other printed material to the public, and other administrative and managerial services of WIPO also contribute to the support of global protection systems and services. The budgetary implications of the flexibility formulas are determined by identifying the staff expenses at the G6 level (average examiner's grade) and by apportioning related costs for the maintenance and, if applicable, the renting of office space. Total staff and related costs for each post amount to Sfr324,000 per biennium in each of the 2002-2003 and 2004-2005 biennia.

International Patent Cooperation Union (PCT Union)

461. The General Assembly and the PCT Union approved in 1989 the flexibility formulas for PCT as described in paragraph 7 to 14 of document PCT/A/XVI/1. As noted in paragraph 10 of that document, variations of 242 international applications or 1,440 Chapter II demand lead to an adjustment of one post in the PCT Union budget. Moreover, further interpretation were provided in paragraph 9(a) of document AB/XXVI/4 issued on May 29, 1995, providing for the introduction of a provision for supervision of variable posts.

462. Within the PCT Union budget, the number of posts determined according to the approved flexibility formulas are allocated between the Office of the PCT and other offices according to a 75:25 ratio. The additional income generated by the

number of international applications and Chapter II demands which justify one additional post amounts to Sfr356,000 in 2002-2003 and Sfr349,000 in 2004-2005, exceeding the direct and related annual cost of Sfr162,000 for each flexibility post by Sfr194,000 in 2002-2003 and by Sfr187,000 in 2004-2005. It is anticipated that the IMPACT Project will result in efficiency gains for the PCT operation in the subsequent biennium. As a result, the current flexibility formula will be revised to reflect the change in resource requirements.

Special Union for the International Registration of Marks (Madrid Union)

463. In 1989, the Assembly of the Madrid Union noted (see document MM/A/XXI/3, paragraph 18(i)) and, by adopting the budget for the 1990-1991 biennium, approved the application of the flexibility formula for the Madrid Union described in paragraphs 8 to 15 of document MM/A/XXI/1. According to that initial formula (see paragraph 11 of document MM/A/XXI/1), variations of 731 international registrations and renewals led to an adjustment of one post in the budget of the Madrid Union. That formula was first revised in 1993 to take account of the increasing workload generated by the increase in the number of modifications entered in the International Register (consequent upon the growth in the International Register) and in the number of notifications of refusal to be processed (consequent upon the growth in the membership of the Madrid Union and in the number of designations).

464. Subsequently, the formula was revised in 2001, as described in Appendix 3 of document WO/PBC/4/2. From that revision, the International Trademark Registry operated by adjusting one post for a variation of 600 international applications and renewals. The formula referred to international applications rather than registrations insofar as it was the number of applications that determined the required staff resources. Furthermore, the total number of posts determined according to the flexibility formula was allocated in full to the International Registrations Department. Support requirements in related offices were accommodated within their regular budget submissions.

465. During the two years which have elapsed since the last revision of the formula, it is noted that the average number of communications relating to international registrations and requiring action by the International Bureau (such as refusals of protection, requests concerning changes in ownership, changes of name or address, limitations, subsequent designations, etc.) has significantly increased. In fact, while the number of such communications in 2000 reached 153,000 (5.1 per registration), it exceeded 182,000 in 2002 (6.5 per registration). This is mainly due to the continuing increase in the membership of the Madrid Union and in the number of international registrations in force. Moreover, the entry into force in 2002 of both the eighth Edition of the Nice Classification (introducing three new classes) and extensive amendments to the Common Regulations under the Madrid Agreement and Protocol have entailed a higher degree of complexity in the processing by the International Bureau of international applications and other communications relating thereto. It follows that the average workload to process such international applications and other communications has also increased. Considering this higher (quantitative and qualitative) workload for the International Bureau, the resources required in 2002 to

process international applications and other communications relating thereto were higher than in 2000. Quantification of this workload suggests to adjust one post upwards (or downwards) for an increase (or decrease) of 525 registrations and/or renewals recorded. The additional income generated by the number of registrations and renewals which justify one additional post amounts to Sfr448,000 in 2002-2003 and 2004-2005, exceeding the direct and related annual cost of Sfr162,000 for each flexibility post by Sfr286,000 in either biennia.

Special Union for the International Deposit of Industrial Designs (Hague Union)

466. In 1989, the Assembly of the Hague Union noted (see document H/A/X/2, paragraph 14(i)) and, by adopting the budget for the 1990-1991 biennium, approved the application of the flexibility formula for the Hague Union described in paragraphs 11 to 18 of document H/A/X/1. According to that initial formula (see document H/A/X/1, paragraphs 13 and 14), the number of international deposits and renewals that led to an adjustment of one post in the budget of the Hague Union was 640 in 1989.

467. Subsequently, the formula was revised in 2001, as described in Appendix 3 of document WO/PBC/4/2. From that revision, the Hague operation was adjusted by one post for a variation of 600 deposits and/or renewals. The number of posts determined according to the flexibility formula is allocated in full to the International Registrations Department. Support requirements in related offices are accommodated within their regular budget submissions. No revision of the formula for the Hague System is proposed at this time. The additional income generated by the number of deposits and renewals which justify one additional post amounts to Sfr389,000 in 2002-2003 and 2004-2005, exceeding the direct and related cost of Sfr162,000 for each flexibility post by Sfr227,000 in either biennia.

6. Definitions of Budget Headings

Sources of Income

- Contributions: Contributions of States to the Organization under the unitary contribution system.
- Fees: Fees for the International Bureau under the PCT, Madrid, Hague and Lisbon Systems.
- Interest: Revenues from interest on capital deposits.
- Publications: Revenues from the sale of publications and from subscriptions to periodicals published by the Secretariat, in paper, CD-ROM or any other format.
- Other income: fees for the arbitration of domain names, registration fees for conferences and training courses, support charges in respect of extra-budgetary activities executed by WIPO and financed by UNDP and trust funds, accounting

adjustments (credits) in respect of prior years and currency adjustments (credits), rental of WIPO premises, UPOV's payments to WIPO for administrative support services.

Objects of Expenditure

Staff expenses

- Posts: remuneration received by staff members, in particular salaries, post adjustment, dependency allowances, language allowances and overtime, non-resident allowances, assignment grant and representation allowances and allowances received by staff members not included in their salaries. The latter includes employer's contribution towards pension fund, participation in sickness insurance scheme, contribution towards the separation provision used for covering payments due upon separation from service, education grants, removal expenses, travel expenses of dependent children attending educational institutions, home leave, grants to cover costs of installation in the duty station, professional accident insurance premia, refund of national income taxes on salaries and other allowances, indemnities or grants paid by the Secretariat.
- Short-term expenses: remuneration and allowances paid to staff on short-term appointments.

Travel and fellowships

- Staff missions: travel expenses and daily subsistence allowances for the staff and headquarters-based consultants of the Secretariat on official travel.
- Third party travel: travel expenses and daily subsistence allowances for Government officials, participants and lecturers attending WIPO-sponsored meetings.
- Fellowships: travel expenses, daily subsistence allowances and training and other fees in connection with trainees attending courses, seminars, long-term fellowships and internships.

Contractual services

- Conferences: remuneration, travel expenses and daily subsistence allowances for interpreters; renting of conference facilities, and interpretation equipment; refreshments and receptions; and the cost of any other service directly linked to the organization of a conference.
- Consultants: remuneration, travel expenses and daily subsistence allowances, with the exception of mission costs of headquarters-based consultants; honoraria paid to lecturers.

- Publishing: outside printing and binding; reviews; paper and printing; other printing: reprints of articles published in reviews; brochures; treaties; collections of texts; manuals; working forms and other miscellaneous printed material; production of CD-ROMs, videos, magnetic tapes and other forms of electronic publishing.
- Other services: fees of translators of documents; rental of computer time; cost of staff training; recruitment costs; and other external contractual services.

Operating expenses

- Premises and maintenance: acquiring, renting, improving and maintaining office space and renting or maintaining equipment and furniture.
- Communication and other expenses: communication expenses such as telephone, telegrams, telexes, facsimile and mail, postage and carriage of documents; other expenses such as medical assistance, housing service, Administrative Tribunal, Staff Association, hospitality; bank charges; interest on bank and other loans (except building loans); currency adjustments (debits); audit expenses; unforeseen expenses and accounting adjustments (debits) in respect of prior years; contributions to joint administrative activities within the United Nations system; repayment to one or more Unions of advances in connection with the creation of a new Union or amortization of the deficit resulting from the organizational expenses of a Union, and expenses not specifically provided for.

Equipment and supplies

- Furniture and equipment: office furniture and office machines; text processing and data processing equipment; conference servicing equipment; reproduction equipment; transportation equipment.
- Supplies and materials: stationery and office supplies; internal reproduction supplies (offset, microfilms, etc.); library books and subscriptions to reviews and periodicals; uniforms; data processing supplies; computer software and licenses.

Construction

- Construction: pre-structural works, main structural works, special equipment and services and external works for the construction of buildings.

[Appendix B follows]