

C. FINANCIAL INDICATORS, INCOME ESTIMATES AND RESOURCE PLAN

305. The presentation of the financial indicators was first introduced in the context of the proposed budget 2002-2003. This presentation intends to put the proposed budget and income estimates into context: indicating trends and demonstrating that decisions with long-term budget or funding implications can be sustained in the future. Based on the financial indicators developed in Part 1, the biennial income estimates and resource plan for 2002-2003 and 2004-2005 are presented in Part 2.

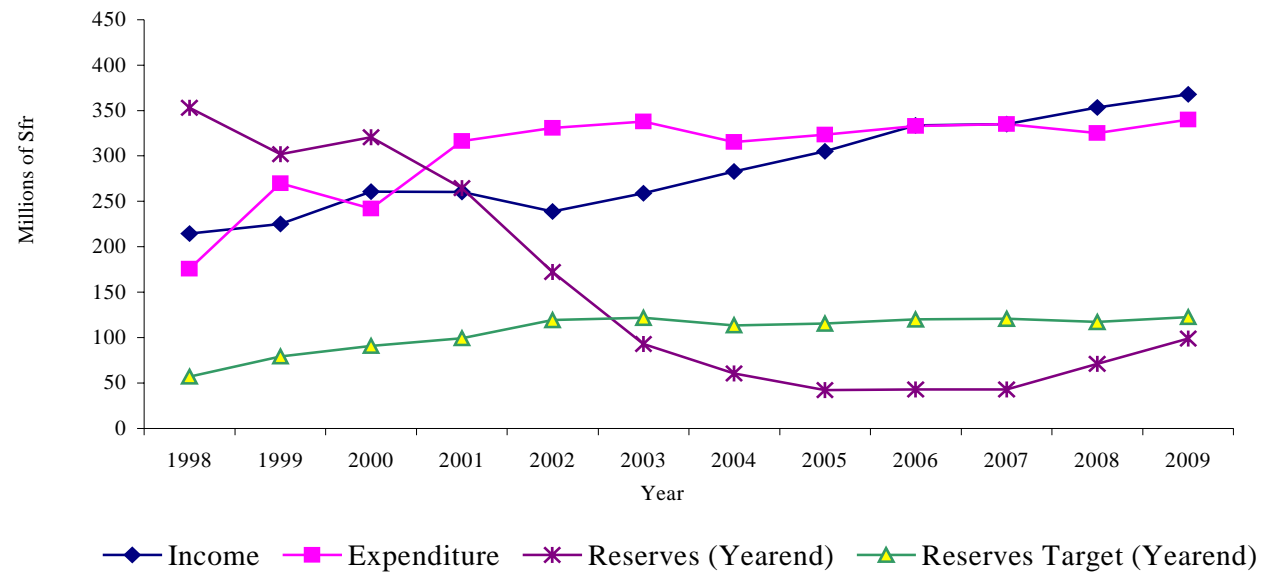
1. FINANCIAL INDICATORS 1998 TO 2009

306. The presentation of financial indicators provides details on the funding approach and underlying assumptions. Expenditures and activities have increased considerably in recent years along with increases in income under the international protection systems. Whereas this is the case overall, there have been significant differences in the rates of growth across Unions and budget parts. In order to incorporate this dynamic situation in the budget process and deploy resources effectively, Member States approved a budget approach in September 2000¹, which integrates the management of income, expenditure and reserves. Expenditures are funded from a combination of income and available reserves. Available reserves are the increases of reserves over-and-above the reserve target. The reserve target was approved by the Assemblies of Member States in September 2000, and corresponds to 18 per cent of the total biennial budget. The balancing of income, expenditure and reserves is shown for the period through 2009. Table 18 presents information on income, expenditure and reserves for the 12-year period 1998-2009.

¹ See document A/35/6 "Adjustment to Budget Process, Policy on Reserve and Working Capital Funds, Policy on Budget Surplus."

Table 18
Income, Expenditure and Reserves for 1998-2009
(in millions of Swiss francs)

	<i>Actual</i>				<i>Revised</i>		<i>Proposed</i>		<i>Estimate</i>			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Income	214.3	225.1	260.6	260.1	238.6	258.8	282.9	305.2	333.5	335.0	353.2	368.0
Expenditure	175.5	269.7	242.1	316.2	330.8	338.0	315.3	323.5	333.0	335.0	325.0	340.0
Reserves (Yearend)	353.0	302.0	320.6	264.4	172.2	93.1	60.7	42.4	42.9	42.9	71.1	99.1
Reserves Target (Yearend)	57.1	79.2	91.1	99.3	119.1	121.7	113.5	115.2	119.9	120.6	117.0	122.4



307. As indicated in Table 18, considerable reserves had been build up prior to 1998 in anticipation of funding needs for major projects to modernize WIPO's infrastructure. Delays in project implementation and higher than anticipated income in recent years resulted in the maintaining of excessively high reserves reaching Sfr353,000,000 in 1998. However, the new reserve and budget policy approved by Member States in September 2000, set the stage to balance income, expenditures and reserves. Whereas activities under the global protection systems continued experiencing substantive growth, which in the case of the PCT showed sustained two-digit rates of growth, the increase in income was reduced due to the implementation of aggressive fee reductions in recent years. In the case of the PCT, the fee of the average international application was reduced by nearly 40 per cent between 1997 and 2002. In the case of the Madrid System, that reduction reached some 20 per cent between 1996 and 2002². For the Hague System, a reduction of nearly 15 per cent between 1996 and 2002 was also implemented. Coupled with these fee reductions, decreases in Member States' Contributions were also approved during the last few years: the value of the Contribution Unit was reduced by nearly 20 per cent since 1997. Indeed, income for 2002 of Sfr238,600,000 was lower as compared to 2001 with Sfr260,100,000. The reduction of income and the implementation of major IT and building infrastructure investments, resulted in the desired effect of reducing reserve levels as from 2000.

308. As previously indicated, the implementation of the last phase of the infrastructure projects, namely the new construction, will require a temporary use of the reserves³. Reserves are expected to fall below the target recommended by Member States reaching Sfr42,401,000 by the end of 2005 as compared to a recommended level of Sfr115,242,000. Fees are expected to remain stable in the coming years until the new construction project has been completed with opportunity for further reductions as of 2007, resulting in increased income in accordance with the anticipated growth under the global protection systems. With the phasing out of the infrastructure investments together with the corresponding funding requirements, the reduction in rental costs due to utilization of new WIPO-owned facilities and the benefits of automation resulting from the IMPACT Project will reduce budget requirements. This ensures that the process of accommodating increased level of activities while maintaining overall budget levels can continue with expenditure amounting to Sfr340,000,000 in 2009. Anticipated surpluses as of 2006-2007 will be utilized to replenish the reserves and allow for further program increases and reductions in registration fees. In summary, income and expenditures are anticipated to grow although at lower rates in the coming years. Accommodating the additional workload while having lower growth in expenditure will be possible based on major efficiency gains expected to result from the implementation of the PCT automation projects and reduced rental cost through the availability of additional WIPO-owned premises. Towards the end of 2009, the reserves will be close to its recommended level, thus giving the flexibility to consider further expansion of activities and/or further cuts in fees.

² The registration period for Trademark protection was reduced from 20 to 10 years.

³ See document A/37/2 "Revised Project Budget for the New Construction and Revised Program and Budget for 2002-2003."

309. Table 19 elaborates total expenditure by separating the cost of infrastructure investments from operations. This is compared to total income. Infrastructure investments include the new construction project (2000-2007) and the ex-WMO building (1999-2003) as well as the main IT projects such as the development of IMPACT (1998-2005), PCT E-filing (2002-2003), PCT OCR (2002-2003), AIMS (2002-2004) and CLAIMS (2002-2003) and the development and deployment of WIPONET (1998-2005). Operations include all other activities, including the maintenance cost of buildings and the operational cost of IT systems. As indicated in Table 19, infrastructure investment peaks in 2001 with Sfr87.2 million and remains high during 2002 and 2003. Investments decline during the subsequent years with no infrastructure investments planned for the year 2008 and 2009. Operations expenditure increase at essentially the same rates from 1998 to 2009. This reflects the expansion of the WIPO activities, in particular the growth under the global protection systems. Including the exceptionally high infrastructure investments, total expenditure from 2001 to 2003 reached a peak. In subsequent years, total expenditure may have some decline, or remain stable. Increases in the cost of operations are offset by decreases in infrastructure investments. When compared to income, operational costs do not exceed income for the period 1998 to 2009 with the exception of 2002. The past current and anticipated evolution of the operations is well within anticipated income levels, which excludes the opening of a structural deficit. Total expenditure exceeds income during the period from 2001 to 2005 with the gap being largest during 2002, and declining in subsequent years. The gap between income and expenditure reflects the implementation of infrastructure projects funded by the accumulated reserve as indicated in Table 19. By the end of 2005 this process will be concluded.

Income 1998 to 2009

310. Table 20 provides income information by source of income. Income during the period is expected to increase from Sfr214,344,000 in 1998 to Sfr367,971,000 in 2009. This represents an average compounded increase of 4.6 per cent per year, which translates into an overall anticipated income growth of 72.7 per cent for the entire 12-year period from 1998 to 2009.

Member States' Contributions

311. As shown in Table 20, following an initial decline on income from Member States contributions due to reductions in the Contribution's unit, income is now maintained through 2009. The annual amount from 2003 to 2009 corresponds to 377.875 contribution units, at a value of Sfr45,579 per unit. Income projections through 2009 have been prepared on the basis of zero nominal growth in Member States' contributions, and on the assumption of stable membership. It is recalled that the value of the contribution unit was reduced in 1998, 1999 and 2000, by a total of 19.1 per cent with respect to its 1997 value.

Table 19. Income and Expenditure (Operations and Infrastructure) for 1998-2009
(in millions of Swiss francs)

	<i>Actual</i>				<i>Revised</i>		<i>Proposed</i>		<i>Estimate</i>			
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Income	214.3	225.1	260.6	260.1	238.6	258.8	282.9	305.2	333.5	335.0	353.2	368.0
Expenditure	175.5	269.7	242.1	316.2	330.8	338.0	315.3	323.5	333.0	335.0	325.0	340.0
<i>Operations</i>	169.5	210.1	222.4	229.0	253.9	254.2	258.3	274.6	295.0	305.5	325.0	340.0
<i>Infrastructure</i>	6.0	59.6	19.7	87.2	76.9	83.8	57.0	49.0	38.0	29.5	-	-

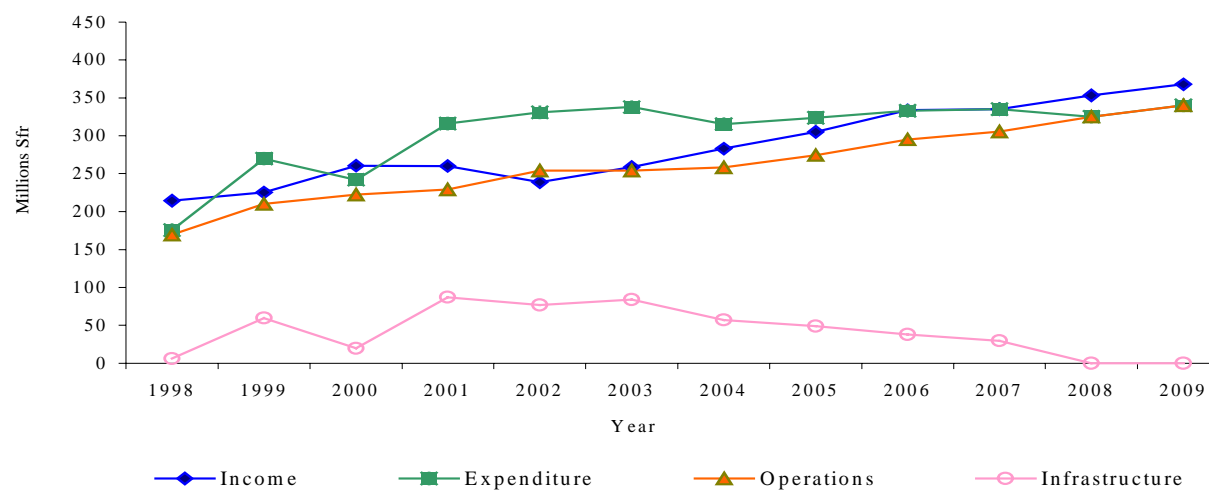
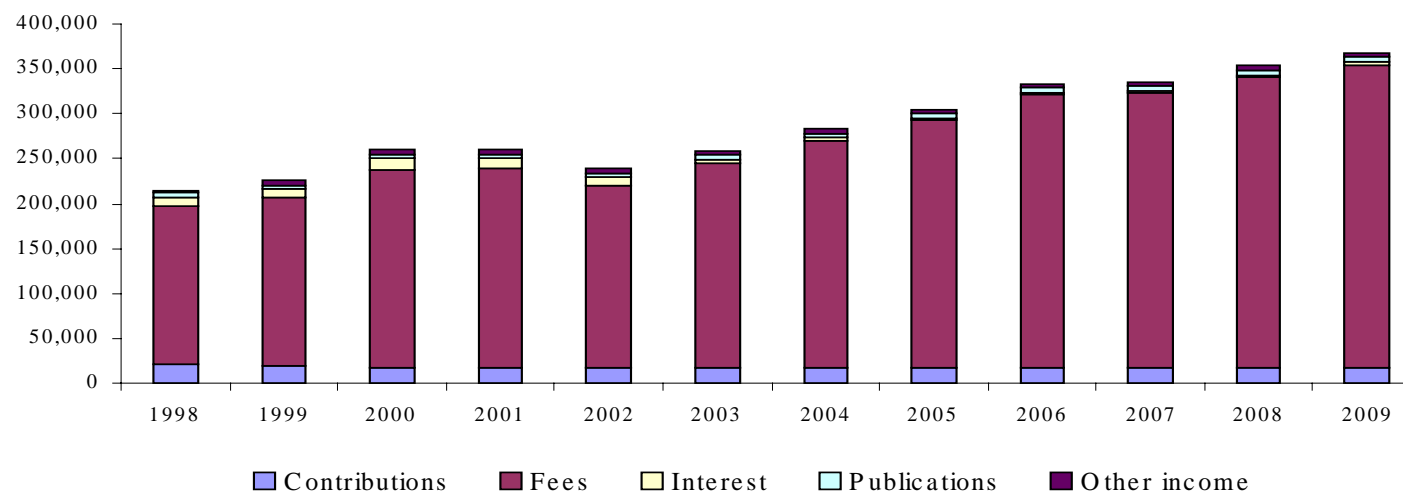


Table 20
Income 1998 to 2009: Variation by Source of Income
(in thousands of Swiss francs)

<i>Year</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Contributions	21,648	19,474	17,527	17,267	17,227	17,289	17,223	17,223	17,223	17,223	17,223	17,223
Fees												
PCT System	147,015	159,056	189,556	190,351	174,512	195,750	219,629	240,654	263,036	262,601	278,114	290,619
Madrid System	22,805	22,622	25,141	25,920	24,110	26,190	28,152	30,285	36,256	38,133	40,010	41,034
Hague System	4,733	4,661	5,147	4,957	4,846	4,990	5,119	5,249	5,378	5,508	5,638	5,767
<i>Total, fees</i>	<i>174,553</i>	<i>186,339</i>	<i>219,844</i>	<i>221,228</i>	<i>203,468</i>	<i>226,930</i>	<i>252,900</i>	<i>276,188</i>	<i>304,670</i>	<i>306,242</i>	<i>323,762</i>	<i>337,420</i>
Interest	9,956	10,172	13,536	12,139	8,663	5,297	3,105	2,111	1,760	1,770	2,325	3,428
Publications	5,567	4,608	4,092	4,462	4,104	4,700	5,000	5,000	5,000	5,000	5,000	5,000
Other income	2,620	4,537	5,624	5,040	5,148	4,600	4,700	4,700	4,800	4,800	4,900	4,900
TOTAL	214,344	225,130	260,623	260,136	238,609	258,816	282,928	305,222	333,453	335,035	353,210	367,971



PCT System: International Applications, Fees and Fee Income

312. Income from PCT fees is anticipated to increase from Sfr123,881,000 in 1996 to Sfr290,619,000 in 2009 as elaborated in Table 21. International applications are anticipated to increase by 288.2 per cent, whereas average fee is being reduced by 36.9 per cent during that period.

313. The estimated 183,600 international applications for 2009 are 60.9 per cent higher than the actual amount for 2002 of 114,100 applications. The projected number of international applications have been discussed with the trilateral offices (USPTO, JPO, EPO), and take into account the effects of the recent slowdown in patent filings, and the anticipated economic recovery. The actual level of PCT applications in 2002 was in line with the initial budget estimates. For 2003 and taking into account recent data on patent applications, the target is estimated at 120,000. While this represents an increase of 5.2 per cent with respect to the actual in 2002, this increase is lower than initially estimated. Future years are expected to continue experiencing growth because of, on the one hand, higher levels of national patent filings as the economic situation is expected to improve, and on the other hand, as higher proportions of national filings choose the PCT-route to file internationally. This effect will be supported by a user-friendlier PCT system incorporating the benefits of the PCT reform, by sustained reductions in PCT fees including specific discounts for applicants choosing to file electronically and by improved knowledge from potential applicants of the advantages the PCT System provides. It is also worth noting the steady increases that the proportion of PCT international applications represent on national patent filings worldwide; however, the degrees of penetration are very different across regions, with the United States of America and Europe showing wider use of the PCT among their domestic patent applicants, while Japan and other World regions show a higher potential for growth. Due to the combined effect of economic evolution and regional factors, PCT international applications are projected to continue increasing, but with a decelerated rate of growth.

314. The average fee per application in 2002 was Sfr1,626, a decrease of 7.5 per cent with respect to the average fee in 2001. This reduction is essentially attributable to the decrease in the maximum number of payable designations from six to five as of January 1, 2002. However, the reduction between 2001 and 2002 of the actual fee paid per application was in excess of 16 per cent due to the reversal in the result of exchange rate fluctuations: PCT fees are set in Swiss francs and subsequently fixed in other currencies through an adjustment mechanism which takes into account cumulative changes in the exchange rate over time. While in 2000 and 2001 significant gains were made benefiting from the position of a strong US dollar, the progressive weakening of that currency relative to the Swiss franc during 2002, made the International Bureau to incur losses because of these currency fluctuations. In order to separate these effects from decisions made on fees by Member States, Table 20 shows the average fee calculated in Swiss francs according to the profile of the average international application, while estimating separately income from fees paid to the International Bureau as a Receiving Office and fluctuations essentially due to the fact that payments are made to national patent offices in their local currencies. Concerning the proposed average fee as of January 1, 2004, it is estimated at Sfr1,678. This level of fee was discussed by the Program and Budget

Table 21
PCT System: International Applications, Average Fee and Income

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>International Applications</i>														
Volume	47,291	54,422	67,007	74,023	90,948	103,947	114,100	120,000	130,500	143,000	156,300	165,900	175,700	183,600
% Change	21.6%	15.1%	23.1%	10.5%	22.9%	14.3%	9.8%	5.2%	8.8%	9.6%	9.3%	6.1%	5.9%	4.5%
<i>Average Fee Per Application</i>														
Fee	2,502	2,607	2,201	2,122	1,927	1,757	1,626	1,626	1,678	1,678	1,678	1,578	1,578	1,578
% Change	17.6%	4.2%	(15.6)%	(3.6)%	(9.1)%	(8.8)%	(7.5)%	--	3.2%	--	--	(6.0)%	--	--
<i>Income (in thousands of Swiss francs)</i>														
Fee Income	118,302	141,882	147,505	157,045	175,300	182,680	185,527	195,120	218,979	239,954	262,271	261,790	277,255	289,721
WIPO RO Income	446	486	647	624	593	267	590	630	650	700	765	811	859	898
Fluctuations	5,133	9,631	(1,137)	1,387	13,663	7,404	(11,605)	--	--	--	--	--	--	--
Total, Income	123,881	151,999	147,015	159,056	189,556	190,351	174,512	195,750	219,629	240,654	263,036	262,601	278,114	290,619
% Change	49.7%	22.7%	(3.3)%	8.2%	19.2%	0.4%	(8.3)%	12.2%	12.2%	9.6%	9.3%	(0.2)%	5.9%	4.5%

Committee (see document WO/PBC/6/4) and the Working Group on Reform of the PCT. These consultations highlighted the strong support to provide for a reduced handling fee separate from the international filing fee set in accordance with financial requirements (see document PCT/R/WG/4/14). The level of PCT fees proposed in this document satisfies that request (see appendix C) as it contains a separate handling fee at a level (Sfr200) lower than its current amount, and an international filing fee of Sfr1,450 which was set in accordance to maintain the estimated average fee per application at Sfr1,678. Moreover, the new fee proposal provides for specific discounts for applicants using the PCT EASY software (Sfr100), for those filing fully electronically with documents attached in PDF format (Sfr200), and for those filing fully electronically with documents attached in XML format (Sfr300). In addition, the proposed amended schedule of fees extends the current reduction of 75 per cent available to applicants who are natural persons and who are nationals of and reside in a state whose per capita national income is below USD 3,000; it is proposed that applicants from Least Developed Countries (LDCs) benefit from this reduction, irrespective of whether or not they are natural persons. It has been indicated in the introduction to this section that following the completion of major infrastructure investments by the Secretariat, additional fee reductions could be sought. The financial projections attached to this document anticipate a further 6.0 per cent fee reduction as of January 1, 2007.

Madrid System: Registrations and Renewals, Fees and Fee Income

315. Income from fees under the Madrid System is anticipated to increase from Sfr24,491,000 in 1996 to Sfr41,034,000 in 2009 as elaborated in Table 22. Registrations and renewals are anticipated to increase by 109.2 per cent, whereas average fee is being reduced by 20.0 per cent during that period.

316. The estimated 48,100 registrations and renewals for 2009 is 70.2 per cent higher than the actual amount for 2002 of 28,262 registrations and renewals. The actual figure for 2002 reflects a reduction of 15.6 per cent with respect to the initial estimate, in line with worldwide decreases in trademark registrations during the last year. This situation is not anticipated to continue, rather some growth is projected as higher economic activity is expected will lead to applicants to seek further trademark protection. Furthermore, the accession of new Member States under the Madrid System is expected to be an additional source of growth in new registrations. Finally, the number of renewals is expected to substantially increase by 2006 and beyond, as a period of 10 years since the change in the registration system from 20 to 10 years has elapsed. Owing to that change in cycle, a number of registrations which, under the previous arrangement would have been valid until 2016, would now become due for renewal 10 years earlier (i.e. by 2006). The quantitative effect of these changes is reflected in the estimates provided in Table 22.

317. No changes are envisaged to the schedule of fees payable for registrations and renewals under the Madrid system for the period under projection. The actual average fee in 2002 was Sfr853, essentially unchanged from the average fee in 2001. The same average fee is assumed for future years until 2009 reflecting unchanged proportions of modifications, transmissions and territorial extensions per registration.

Table 22
Madrid System: Applications and Renewals, Average Fee and Income

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Registrations and Renewals</i>														
Volume	22,995	23,994	25,811	25,782	29,837	30,489	28,262	30,700	33,000	35,500	42,500	44,700	46,900	48,100
% Change	1.5%	4.3%	7.6%	(0.1)%	15.7%	2.2%	(7.3)%	8.6%	7.5%	7.6%	19.7%	5.2%	4.9%	2.6%
<i>Average Fee Per Registration/Renewal</i>														
Fee	1,065	900	884	877	843	850	853	853	853	853	853	853	853	853
% Change	9.3%	(15.5)%	(1.8)%	(0.8)%	(3.9)%	0.8%	0.4%	--	--	--	--	--	--	--
<i>Income (in thousands of Swiss francs)</i>														
Fee Income	24,491	21,596	22,805	22,622	25,141	25,920	24,110	26,190	28,152	30,285	36,256	38,133	40,010	41,034
% Change	11.0%	(11.8)%	5.6%	(0.8)%	11.1%	3.1%	(7.0)%	8.6%	7.5%	7.6%	19.7%	5.2%	4.9%	2.6%

Table 23
Hague System: Deposits and Renewals, Average Fee and Income

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Deposits and Renewals</i>														
Volume	5,828	6,223	6,466	6,752	7,300	7,105	7,479	7,700	7,900	8,100	8,300	8,500	8,700	8,900
% Change	4.2%	6.8%	3.9%	4.4%	8.1%	(2.7)%	5.3%	3.0%	2.6%	2.5%	2.5%	2.4%	2.4%	2.3%
<i>Average Fee Per Deposit/Renewal</i>														
Fee	744	747	732	690	705	698	648	648	648	648	648	648	648	648
% Change	2.2%	0.4%	(2.0)%	(5.7)%	2.2%	(1.0)%	(7.2)%	--	--	--	--	--	--	--
<i>Income (in thousands of Swiss francs)</i>														
Fee Income	4,334	4,647	4,733	4,661	5,147	4,957	4,846	4,990	5,119	5,249	5,378	5,508	5,638	5,767
% Change	6.4%	7.2%	1.9%	(1.5)%	10.4%	(3.7)%	(2.2)%	3.0%	2.6%	2.5%	2.5%	2.4%	2.4%	2.3%

Hague System: Deposits and Renewals, Fees and Fee Income

318. Income from fees under the Hague system is anticipated to increase from Sfr4,334,000 in 1996 to Sfr5,767,000 in 2009 as elaborated in Table 23. Deposits and Renewals are anticipated to increase by 52.7 per cent, whereas average fee is being reduced by 12.9 per cent during that period.

319. The estimated 8,900 deposits and renewals in 2009 is 19.0 per cent higher than the actual amount for 2002 of 7,479 deposits and renewals. The actual figure for 2002 reflects a reduction of 5.3 per cent with respect to the initial estimate, although it represents a 5.3 per cent increase with respect the actual level of deposits and renewals in 2001. Deposits in future years are anticipated to continue increasing at a rate of some three per cent annually.

320. No changes are envisaged to the schedule of fees for deposits and renewals under the Hague System for the period under projection, while noting that the Geneva Act of the Hague Agreement may enter into force in the coming years. Any adjustment to the schedule of fees required from that Act would be addressed with the spirit of maintaining the fee per deposit currently paid by applicants. The actual average fee in 2002 was Sfr648, a 7.2 per cent decrease with respect to 2001, reflecting a reduction in publication fees as of January 1, 2002.

Interest

321. Interest income evolved from Sfr9,956,000 in 1998 peaking at 13,536,000 in 2000, to decline progressively to Sfr1,760,000 in 2006 and subsequently to increase again to Sfr3,428,000 in 2009. This income source is expected to yield Sfr5,216,000 in the 2004-2005 biennium, which represents a decline of 62.6 per cent with respect to the interest income now anticipated in the current biennium. Decreases in interest income are also projected in the 2006-2007 biennium in accordance with the anticipated evolution in the level of reserves and working capital funds. By contrast, this source of income is expected to increase in 2008-2009 by the end of the period under projection, mirroring the anticipated increase in reserves in that biennium.

Publications

322. Publications income evolved from Sfr5,567,000 in 1998 to Sfr4,104,000 in 2002 as WIPO information products have been adjusted and reconfigured in recent years. This income source is expected to yield Sfr10,000,000 in the 2004-2005 biennium and it is projected to remain at that level for the period under projection, as the volume and type of WIPO-published material (either on paper or by electronic means) is seen to remain stable in the future. Moreover, prices for WIPO publication products are established on a cost-recovery basis in order to allow for wide dissemination of WIPO's published material assisting in that manner to the demystification of intellectual property.

Other Income

323. As shown in Table 20 above, other income sources increased from Sfr2,620,000 in 1998 to Sfr4,900,000 in 2009. Other income sources include income from the arbitration center, rentals, reimbursement from UPOV to services provided by WIPO, miscellaneous and other income. Arbitration center income is expected to yield Sfr1,524,000 annually, with a stable caseload for the period under projection. Rental income is projected at Sfr700,000 annually. Reimbursement from UPOV is projected at Sfr800,000 annually, as no significant changes are anticipated on the support provided by WIPO to the UPOV's secretariat. Miscellaneous and other income yielded Sfr1,443,000 in 2002 with projected small annual increases through 2009.

2. INCOME ESTIMATES AND RESOURCE PLAN 2002-2003 AND 2004-2005

324. On the basis of the annual income presentations for the year 1998 to 2009 outlined above in Chapter C.1, a comparison of the income estimates for the 2002-2003 and 2004-2005 biennium is presented. This is done in Table 24 by source of income and Union. The estimates are supported by a number of selected workload and income indicators shown in Table 25.

325. The revised income target for 2002-2003 is estimated at Sfr497,425,000 and presents a decrease of Sfr34,357,000 or 6.5 per cent as compared to the approved income estimate of Sfr531,782,000. The total income for 2004-2005 is estimated at Sfr588,150,000, reflecting an increase of Sfr90,725,000 or 18.2 per cent as compared to the revised income target for 2002-2003 of Sfr497,425,000.

Member States' Contributions

326. Contributions provided by Member States are expected to amount to Sfr34,446,000 for the 2004-2005 biennium. This figure compares with a budgeted amount of Sfr34,583,000 for the 2002-2003 biennium. The value of the contribution unit for 2004-2005 remains at Sfr45,579. It should also be noted that within certain groups, Member States have the flexibility to choose their contribution class and therefore the amount of contributions they wish to make to WIPO. The slight decrease that can be observed in the contribution amount for 2004-2005 is the result of some changes in contribution groups. Contribution classes range from 25 units (class I) to 0.03125 units (class Ster).

Table 24
Income 2002-2003 and 2004-2005: Variation by Source of Income and Union
(in thousands of Swiss francs)

	2000-2001	2002-2003	Variation		2002-2003	Variation		2004-2005
	Actual	Initial			Revised			Proposed
	A	B	C	C/B (%)	D=B+C	E	E/D (%)	F=D+E
A. By Source of Income								
Contributions	34,794	34,583	(67)	(0.2)	34,516	(70)	(0.2)	34,446
Fees								
PCT System	379,907	378,691	(8,429)	(2.2)	370,262	90,021	24.3	460,283
Madrid System	51,062	55,143	(4,843)	(8.8)	50,300	8,137	16.2	58,437
Hague System	10,103	10,179	(343)	(3.4)	9,836	532	5.4	10,368
Total, fees	441,072	444,013	(13,615)	(3.1)	430,398	98,690	22.9	529,088
Interest	25,674	23,100	(9,141)	(39.6)	13,959	(8,744)	(62.6)	5,216
Publications	8,554	10,138	(1,334)	(13.2)	8,804	1,196	13.6	10,000
Other Income	10,665	19,948	(10,200)	(51.1)	9,748	(348)	(3.6)	9,400
Total, A	520,759	531,782	(34,357)	(6.5)	497,425	90,725	18.2	588,150
B. By Union								
Contri-fin. Unions	38,679	38,430	(499)	(1.3)	37,931	317	0.8	38,248
PCT Union	404,788	399,394	(15,509)	(3.9)	383,885	83,204	21.7	467,090
Madrid Union	61,194	66,464	(10,665)	(16.0)	55,799	7,130	12.8	62,929
Hague Union	11,332	11,486	(975)	(8.5)	10,511	468	4.5	10,979
Others	4,766	16,008	(6,709)	(41.9)	9,299	(395)	(4.2)	8,904
Total, B	520,759	531,782	(34,357)	(6.5)	497,425	90,725	18.2	588,150

Table 25
Income 2002-2003 and 2004-2005: Variation by Selected Workload Indicators and Income Indicators

	2000-2001	2002-2003	Variation		2002-2003	Variation		2004-2005
	Actual	Initial			Revised			Proposed
	A	B	C	C/B (%)	D=B+C	E	E/D (%)	F=D+E
A. Selected Workload Indicators								
PCT international applications	194,895	236,000	(1,900)	(0.8)	234,100	39,400	16.8	273,500
Madrid registrations and renewals	60,326	68,000	(9,038)	(13.3)	58,962	9,538	16.2	68,500
Hague deposits and renewals	14,405	16,100	(921)	(5.7)	15,179	821	5.4	16,000
B. Selected Income Indicators (In Swiss Francs)								
Contribution unit	45,579	45,579	-	-	45,579	-	-	45,579
PCT average fee	1,842	1,605	21	1.3	1,626	52	3.2	1,678
Madrid average fee	847	836	17	2.0	853	-	-	853
Hague average fee	702	632	16	2.5	648	-	-	648

PCT System Fee Income

327. Income from PCT fees is expected to be Sfr460,283,000 in the 2004-2005 biennium (Sfr219,629,000 in 2004 and Sfr240,654,000 in 2005), an increase of Sfr90,021,000 or 24.3 per cent as compared to the revised income of Sfr370,262,000 for the 2002-2003 biennium. This is on the basis of 273,500 international applications (130,500 in 2004 and 143,000 in 2005), an increase of 39,400 applications or 16.8 per cent as compared to the revised 2002-2003. As outlined in Chapter C.1, the increase is anticipated due to additional growth in PCT international applications, although at a declining rate. In addition, the average fee for 2004-2005 is anticipated to amount to Sfr1,678 (in either 2004 and 2005), an increase of Sfr52 or 3.2 per cent with respect the estimated average fee 2003. However, it should be taken into account that as of 2004 the average fee is calculated according to the revised fee structure.

328. The revised income of Sfr370,262,000 for the 2002-2003 biennium (Sfr174,512,000 in 2002 and Sfr195,750,000 in 2003) falls below the approved estimates by Sfr8,429,000 or 2.2 per cent. This reflects a decrease in the estimates by 1,900 applications or 0.8 per cent and a decrease in the average fee by Sfr21 or 1.4 per cent. As outlined in Chapter C.1, the decline in applications in 2003 takes into account recent information from patent offices. Concerning the average fee, its calculation includes receiving office income, miscellaneous fees and exchange rate fluctuations. The main reasons for the discrepancy in the average fee were: (i) unanticipated exchange rate losses because of the stronger position of the Swiss franc, in particular with respect to the US dollar, and (ii) a reduced proportion in the processing of Chapter II applications with respect to previous years.

Madrid System Fee Income

329. Income from Madrid fees is expected to be Sfr58,437,000 in the 2004-2005 biennium (Sfr28,152,000 in 2004 and Sfr30,285,000 in 2005), an increase of Sfr8,137,000 or 16.2 per cent as compared to the revised income of Sfr50,300,000 for the 2002-2003 biennium. This is on the basis of 68,500 registrations and renewals (33,000 in 2004 and 35,500 in 2005), an increase of 9,538 applications or 16.2 per cent as compared to the revised 2002-2003. As outlined in Chapter C.1, the increase is expected due to the anticipated economic recovery on the one hand and additional applications generated by new states acceding to the Madrid System on the other. In addition, the average fee for 2004-2005 is anticipated to amount to Sfr853 (in either 2004 or 2005), the same amount as the revised estimate for 2002-2003.

330. The revised income of Sfr50,300,000 for the 2002-2003 biennium (Sfr24,110,000 in 2002 and Sfr26,190,000 in 2003) is lower than the approved estimates by Sfr4,843,000 or 8.8 per cent. This reflects a decrease of 9,038 estimated registrations and renewals or 13.3 per cent, partly compensated by an increase of Sfr17 or 2.0 per cent in the average fee owing to higher proportions of territorial extensions and modifications than anticipated per registration.

Hague System Fee Income

331. Income from Hague fees is expected to be Sfr10,368,000 in the 2004-2005 biennium (Sfr5,119,000 in 2004 and Sfr5,249,000 in 2005), an increase of Sfr532,000 or 5.4 per cent as compared to the revised income of Sfr9,836,000 for the 2002-2003 biennium. This is on the basis of 16,000 deposits and renewals (7,900 in 2004 and 8,100 in 2005), an increase of 821 deposits and renewals or 5.4 per cent as compared to the revised 2002-2003. As outlined in Chapter C.1, an increase in activity levels of three per cent per year is anticipated in view of the evolution of the Hague System. In addition, the average fee for 2004-2005 is anticipated to amount to Sfr648 (in either 2004 and 2005), the same amount as the revised estimate for 2002-2003.

332. The revised income of Sfr9,836,000 for the 2002-2003 biennium (Sfr4,846,000 in 2002 and Sfr4,990,000 in 2003) is lower than the approved estimates by Sfr343,000 or 3.4 per cent. This reflects a decrease of 921 estimated deposits and renewals or 5.7 per cent, partly compensated by an increase of Sfr16 or 2.5 per cent in the average fee because of publication of additional pages per deposit.

Publications Income

333. Income from publications is estimated at Sfr10,000,000 in the 2004-2005 biennium (Sfr5,000,000 in both 2004 and 2005), an increase of Sfr1,196,000 or 13.6 per cent as compared to the revised income of Sfr8,804,000 for the 2002-2003 biennium. The revised income is lower than the approved estimates for the 2002-2003 biennium by Sfr1,334,000 or 13.2 per cent. This is mainly because of lower sales of Paris, Bern and IPC publications. Increased sales are projected for the 2004-2005 biennium as additional income is expected from PCT and Madrid published products (CD-ROMs, Guides, Gazettes). Pricing of publications, is assumed stable as WIPO publication products are priced such that sales revenue is sufficient to recover the direct cost of producing the publication, while wide dissemination of WIPO's published material can be achieved in order to help in the demystification of intellectual property.

Interest Income

334. Interest income is estimated at Sfr5,216,000 in the 2004-2005 biennium (Sfr3,105,000 in 2004 and Sfr2,111,000 in 2005), a decrease of Sfr8,744,000 or 62.6 per cent as compared to the revised income of Sfr13,959,000 for the 2002-2003 biennium. The revised income is lower than the approved estimates of Sfr23,100,000 for the 2002-2003 biennium by Sfr9,141,000 or 39.6 per cent. Interest income is calculated on the basis of average annual fund balance and applicable interest rates as follows: balance of Sfr304,411,000; rate of 2.85 per cent for 2002, balance of Sfr196,692,000; rate of 2.69 per cent for 2003, balance of Sfr126,573,000; rate of 2.45 per cent for 2004, balance of Sfr94,737,000; rate of 2.21 per cent for 2005. Interest rate is calculated as a composite of rates earned on funds deposited long-term and funds maintained in current accounts.

Other income

335. Other income is estimated at Sfr9,400,000 in the 2004-2005 biennium (Sfr4,700,000 in both 2004 and 2005), a decrease of Sfr348,000 or 3.6 per cent as compared to the revised income of Sfr9,748,000 for the 2002-2003 biennium. The revised income is lower than the approved estimates of Sfr19,948,000 for the 2002-2003 biennium by Sfr10,200,000 or 51.1 per cent. Other income includes income from rental of Sfr1,400,000 in 2004-2005 and Sfr1,297,000 in 2002-2003, from UPOV reimbursement of Sfr1,600,000 in 2004-2005 and Sfr1,600,000 in 2002-2003, from arbitration center of Sfr3,048,000 in 2004-2005 and Sfr3,815,000 in 2002-2003 and other miscellaneous income of Sfr3,352,000 in 2004-2005 and Sfr3,036,000 in 2002-2003. Reductions in other income are mainly due to lower than expected income from arbitration activities.

336. Table 26 indicates the source of income by Union for the 2002-2003 and 2004-2005 biennium, which provides further details on the distribution of income provided in Table 24.

337. The resource plan for 2002-2003 and 2004-2005 is shown in Table 27. The resource plan provides for an integrated view of all resources at the disposal of WIPO and illustrates the interrelationship between budget, income and the related movements of reserves.

338. The starting point is the revised budget 2002-2003 (line 1) which amounts to Sfr668,800,000. Budget estimates are presented by Union as elaborated in Chapter B.1 of the current document. Income for 2002-2003 (line 2) is estimated at Sfr497,425,000 and described in Chapter C.2. In order to balance the budget in 2002-2003, an amount of Sfr171,375,000 (lines 3 and 10) is transferred from the Reserve and Working Capital (RWC) funds. Table 27 illustrates the resource transfer by Union and the implication for the level of the RWC funds which is reduced from Sfr264,426,000 in December 31, 2001 (line 9) to Sfr93,051,000 in December 31, 2003 (line 11). The starting point for the coming biennium is the proposed budget 2004-2005 (line 5) amounting to Sfr638,800,000 as elaborated in Chapter A.1. The income 2004-2005 (line 6) is estimated at Sfr588,150,000 and described in Chapter C.2. In order to balance the budget in 2004-2005, RWC funds are transferred (line 7 and 12) in the amount of Sfr50,650,000. As a result, RWC funds are reduced to Sfr42,401,000 as of December 31, 2005 (line 13). A comparison between estimated level of RWC funds as of December 31, 2005 (line 13), and recommended target (line 14) indicates the extent to which temporary use is proposed Union reserves.

Table 26
Income: Summary by Union and Source of Income for 2002-2003 and 2004-2005
(in thousands of Swiss francs)

<i>Source of Income</i>	<i>CF Unions</i>		<i>PCT Union</i>		<i>Madrid Union</i>		<i>Hague Union</i>		<i>Others</i>		<i>Total</i>	
	<i>Amount A</i>	<i>% of total</i>	<i>Amount B</i>	<i>% of total</i>	<i>Amount C</i>	<i>% of total</i>	<i>Amount D</i>	<i>% of total</i>	<i>Amount E</i>	<i>% of total</i>	<i>Amount F=A+...E</i>	<i>% of total</i>
A. 2002-2003												
Contributions	34,516	91.0	-	-	-	-	-	-	-	-	34,516	6.9
Fees	-	-	370,262	96.5	50,300	90.1	9,836	93.6	-	-	430,398	86.5
Interest	1,393	3.7	10,350	2.7	1,881	3.4	301	2.9	34	0.4	13,959	2.8
Publications	2,022	5.3	3,273	0.9	3,321	6.0	178	1.7	10	0.1	8,804	1.8
Other Income	-	-	-	-	297	0.5	196	1.9	9,255	99.5	9,748	2.0
Total, A	37,931	100.0	383,885	100.0	55,799	100.0	10,511	100.0	9,299	100.0	497,425	100.0
B. 2004-2005												
Contributions	34,446	90.1	-	-	-	-	-	-	-	-	34,446	5.9
Fees	-	-	460,283	98.5	58,437	92.9	10,368	94.4	-	-	529,088	90.0
Interest	1,202	3.1	3,307	0.7	592	0.9	111	1.0	4	0.0	5,216	0.9
Publications	2,600	6.8	3,500	0.7	3,600	5.7	300	2.7	-	-	10,000	1.7
Other Income	-	-	-	-	300	0.5	200	1.8	8,900	100.0	9,400	1.6
Total, B	38,248	100.0	467,090	100.0	62,929	100.0	10,979	100.0	8,904	100.0	588,150	100.0

Table 27
Resource Plan 2002-2003 and 2004-2005
(in thousands of Swiss francs)

Budget and Resource availability	Regular Budget						Trust Funds G	TOTAL H=F+G
	Con.-Fin. Unions A	PCT Union B	Madrid Union C	Hague Union D	Others E	Total F=A+...E		
Budget 2002-2003								
1. Revised Budget	38,441	528,499	78,613	13,314	9,933	668,800	13,369	682,169
Resource availability 2002-2003								
2. Income	37,931	383,885	55,799	10,511	9,299	497,425	15,521	512,946
3. +/(-) Transfer from/to fund balance	510	144,614	22,814	2,803	634	171,375	(2,152)	169,223
4. Total, Resources	38,441	528,499	78,613	13,314	9,933	668,800	13,369	682,169
Budget 2004-2005								
5. Proposed Budget	38,441	505,719	72,996	12,760	8,884	638,800	17,225	656,025
Resource availability 2004-2005								
6. Income	38,248	467,090	62,929	10,979	8,904	588,150	19,508	607,658
7. +/(-) Transfer from/to fund balance	193	38,629	10,067	1,781	(20)	50,650	(2,283)	48,367
8. Total, Resources	38,441	505,719	72,996	12,760	8,884	638,800	17,225	656,025

Fund Balance ¹	Reserve and Working Capital Funds (RWCF)												Trust Funds G	TOTAL H=F+G
	CFU A	PBE %	PCT B	PBE %	Madrid C	PBE %	Hague D	PBE %	Others E	PBE %	Total F=A+...E	PBE %		
9. Level 31/12/2001	19,859	53	202,921	46	35,612	58	5,199	48	835	21	264,426	40	9,374	273,800
10. +/(-) Transfer to/from fund balance	(510)		(144,614)		(22,814)		(2,803)		(634)		(171,375)		2,152	(169,223)
11. Level 31/12/2003	19,349	50	58,307	11	12,798	16	2,396	18	201	2	93,051	14	11,526	104,577
12. +/(-) Transfer to/from fund balance	(193)		(38,629)		(10,067)		(1,781)		20		(50,650)		2,283	(48,367)
13. Level 31/12/2005	19,156	50	19,678	4	2,731	4	615	5	221	2	42,401	7	13,809	56,210
14. Target 31/12/2005	19,221	50	75,858	15	18,249	25	1,914	15	n/a		115,242	18	n/a	n/a

¹ Does not include Separation Reserve which amounts to Sfr12,592,000 as of 31/12/2001.

339. The percentage information indicated for the RWC funds describe the level of the funds as a share of the biennium budget, indicated as percentage of estimated biennial expenditure (PBE factor). The RWC funds of Sfr42,401,000 correspond to a PBE factor of seven per cent (line 14) which compares to a recommended target of 18 per cent. For the contribution-financed Unions, the PBE factor of 50 per cent compares to a target of 50 per cent. For the PCT and Madrid Unions, the PBE factor will reach four per cent compared to the targets of 15 per cent for the PCT and 25 per cent for Madrid. For the Hague Union, the PBE factor will reach five per cent compared to the target of 15 per cent. As illustrated in the financial scenario presented in Chapter C.1 above, it is anticipated that the RWC funds reach the lowest level by the end of 2005. In the period to follow, the RWC will be replenished towards its PBE target level through 2009.

340. In order to present an integrated view of all resources available to WIPO, Table 27 also illustrates in column G the financial situation of trust funds. For 2002-2003, expenditure is estimated to reach Sfr13,369,000 (line 1) and income Sfr15,521,000 (line 2). For 2004-2005, expenditure is estimated at Sfr17,225,000 (line 5) and income at Sfr19,508,000 (line 6). As a result, the fund balance of trust fund resources is expected to increase from Sfr9,374,000 (line 11) by December 31, 2001, to Sfr11,526,000 (line 12) by December 31, 2003, followed by a subsequent increase to Sfr13,809,000 (line 14) by December 31, 2005.

[Annex A follows]