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Geneva

CONSULTATIVE COMMITTEE

Eighty-Seventh Session Geneva, April 11, 2014

FINANCIAL SITUATION IN RELATION TO THE 2012-2013 BIENNIUM

Document prepared by the Office of the Union

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1. The Consultative Committee, at its eighty-sixth session, held in Geneva on October 23, 2013, recommended the creation of a special UPOV account that, in a situation where the amount of the reserve fund exceeds 15 percent of the total income for the 2012-2013 Biennium, would be used to finance extra-budgetary projects agreed by the Council (see document CC/86/14 "Report on the Conclusions", paragraphs 29 to 31).

2. In accordance with the "Financial Regulations and Rules of UPOV" (document UPOV/INF/4/3), the annual financial statement for 2013 will be submitted to the External Auditor not later than March 31, 2014, and copies will also be transmitted to the Consultative Committee prior to its eighty-seventh session (see paragraph 3, below). However, in order to provide the Consultative Committee with an estimate of the financial situation in relation to the 2012-2013 Biennium sufficiently in advance of its eighty-seventh session, this document provides an estimate on the basis of figures available at January 28, 2014. This estimate is intended to act as a basis for anticipating the possibility of the amount of the reserve fund exceeding 15 percent of the total income for the 2012-2013 Biennium and the opportunity to finance extra-budgetary projects accordingly.

FINANCIAL SITUATION IN RELATION TO THE 2012-2013 BIENNIUM

Financial Regulations and Rules

3. Document UPOV/INF/4/3 "Financial Regulations and Rules of UPOV" states as follows:

"Financial reporting

"Regulation 6.5

"(1) The annual financial statements for each calendar year of the financial period shall be submitted by the Secretary-General to the External Auditor no later than March 31 following the end of the calendar year to which they relate.

"(2) Within eight months after the end of each calendar year the Secretary-General shall submit the annual financial statements and the audit report of the External Auditor to the Council.

[...]

"Rule 106.11

"(a) Annual financial statements covering each calendar year of the financial period, as at December 31, shall be submitted to the External Auditor not later than March 31 following the end

of the calendar year to which they relate. The annual financial statements shall include all business units of UPOV. Copies of the annual financial statements shall also be transmitted to the Consultative Committee. Additional financial statements may be prepared as and when the Controller of WIPO deems it necessary.

"[...]"

"Regulation 6.6

"(1) Within six months after the end of each financial period, the Secretary-General shall prepare the financial management report for that financial period. That report shall include the following information:

"(a) A statement of budget and actual income and expenditure for the financial period reported on the same accounting basis as the adopted budget;

"(b) The income and expenditures of all funds;

"(c) The status of appropriations, including:

"(i) the original budget appropriation;

"(ii)

"(iii)

"(iv) credits, if any, other than the appropriations approved by the Council;

"(v) the amounts charged against those appropriations and/or other credits;

"(d) Primary financial statements for the financial period prepared on the same accounting basis as the annual financial statements;

"(e) A report on investments;

"(f) A statement on the status of contributions of the members of UPOV.

"(2) The Secretary-General shall also give such other information as may be appropriate to indicate the current financial position of UPOV.

"Rule 106.12

"(a) The Controller of WIPO shall prepare the financial management report in accordance with Regulation 6.3.

"(b) Within eight months after the end of each financial period, the Secretary-General shall submit to the Council the financial management report prepared in accordance with Regulation 6.3."

Financial Situation as estimated at January 28, 2014

4. This document does not contain the annual financial statements: it provides an overview of actual income and expenditure for the 2008-2009 and 2010-2011 biennia and provides the estimated income and expenditure for the 2012-2013 Biennium. The estimate for 2013 is based on the financial situation for the period January to December 2013, before closure. The 2013 income and expenditure estimate does not include adjustments related to the application of the International Public Sector Accounting Standards (IPSAS).

5. Tables 1, 2 and 3 provide an overview of actual income and expenditure for the 2008-2009 and 2010-2011 biennia and provide the estimated income and expenditure for the 2012-2013 Biennium.

Table 1: Income, Expenditure 2008-2009, 2010-2011 and 2012-2013
(in thousands of Swiss francs)

	2008-2009 Actual	2010-2011 Actual	2012-2013 Budget	2012-2013 Actual*	2012-2013 Estimated % of Biennium
1. Income	6,771	6,900	6,798	6,801	100.0%
2. Expenditure	6,381	6,479	6,798	6,283	92.4%
Difference (1-2)	390	421	-	518	

*: Preliminary figures, subject to final closure of 2013

	2012	2013 estimated	2012-2013
Income	3,388	3,413	6,801
Expense	2,954	3,329	6,283
	434	84	518

Table 2: Expenditure 2008-2009, 2010-2011 and 2012-2013
(in thousands of Swiss francs)

	2008- 2009 Actual	2010- 2011 Actual	2012- 2013 Budget	2012-2013 Actual*	2012-2013 Estimated % of Biennium
1. Personnel Resources	4,369	4,271	4,542	4,036	88.9%
2. Non-Personnel Resources					
<i>Travel and contractual services</i>	743	908	990	978	98.7%
<i>Operating expenses, furniture and supplies</i>	1,269	1,300	1,266	1,270	100.3%
Grand Total	6,381	6,479	6,798	6,283	92.4%

*: Preliminary figures, subject to final closure of 2013

Table 3: Expenditure 2008-2009, 2010-2011 and 2012-2013: Object of Expenditure
(in thousands of Swiss francs)

	2008-2009	2010-2011	2012-2013	2012-2013	2012-2013
	Actual	Actual	Budget	Actual*	Estimated % of Biennium
Object of Expenditure					
A. Personnel Resources					
Posts	4,291	4,055	4,382	3,372	77.0%
Short-term expenses	78	216	160	664	415.0%
Total	4,369	4,271	4,542	4,036	88.9%
B. Non-Personnel Resources					
Travel and Fellowships					
Staff missions	445	437	470	430	91.5%
Third Party Travel	72	184	90	102	113.2%
Total	517	621	560	532	95.0%
Contractual Services					
Conferences	152	224	250	183	73.3%
Experts	3	3	100	5	5.4%
Publishing	63	48	70	33	47.0%
Other	8	11	10	224	22
Total	227	286	430	446	103.7%
Operating Expenses					
Total	1,247	1,274	1,236	1,243	100.5%
Equipment and Supplies					
Furniture and Equipment	14	6	10	4	38.0%
Supplies and Materials	7	21	20	23	116.0%
Total	21	27	30	27	90.0%
Grand Total	6,381	6,479	6,798	6,283	92.4%

*: Preliminary figures, subject to final closure of 2013

Income

6. The estimated figure for the 2012-2013 Biennium indicates that income was consistent with the budgeted figure.

Personnel Resources

7. The estimated expenditure for the 2012-2013 Biennium indicates that personnel resource expenditure was lower (88.9%) than budgeted. The reduced expenditure in personnel resources was the result of one of the posts in the professional category being vacant and changes of grade due to personnel changes. In response to those developments, there was substantially increased expenditure on experts in the Biennium (see below). There were also increased costs in 2013 as a result of the two staff members that were employed at 80%, returning to work at 100%.

Non-Personnel Resources

Travel

8. Travel costs for the 2012-2013 Biennium were broadly in line with budgeted costs (95%).

Contractual Services

9. Contractual services are broadly in line with budgeted costs (104%). However, Conference costs are significantly below the budgeted figure at 183,000 Swiss francs compared to 250,000 Swiss francs (73%). The remaining contractual services costs are significantly above the budgeted figure at 263,000 Swiss francs compared to 180,000 Swiss francs (146%). Most of the costs initially budgeted under "Experts" were categorized under "Other" as a result of changes in the cost categories. The expenditure for "Other" includes the expenditure on information technology (IT) experts in relation to the development of an electronic application form and an electronic template for Test Guidelines, experts to supplement the work of the UPOV staff in the development of the advanced distance learning training course "Examination of applications for plant breeders' rights" (DL-305) and the administration of the DL-205 course "Introduction to the UPOV System of Plant Variety Protection under the UPOV Convention".

Operating Expenses

10. Operating Expenses for the 2012-2013 Biennium were in line with budgeted costs.

Equipment and Supplies

11. Expenditure on Equipment and Supplies for the 2012-2013 Biennium was broadly in line with budgeted costs (90%).

RESERVE FUND

12. Regulation 4.6 of the "Financial Regulations and Rules" (document UPOV/INF/4/3) states that:

"The use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the amount in excess shall be reimbursed to the members of UPOV, unless otherwise decided by the Council. Any member of UPOV may request that the reimbursement attributed to it be deposited in a special account or trust fund specified by it."

13. In a situation where the amount of the reserve fund exceeds 15 percent of the total income for the 2012-2013 Biennium, the Consultative Committee, at its eighty-sixth session, recommended the creation of a special UPOV account that would be used to finance extra-budgetary projects agreed by the Council. It was agreed that the account should be used for projects that would, in particular:

- (i) support members of the Union, and in particular new members of the Union, in the operation of their plant variety protection systems;
- (ii) extend over more than one biennium;
- (iii) provide long-term benefits to members of the Union; and
- (iv) be advanced more rapidly by extra-budgetary funds.

14. It was further agreed that projects to be considered under a special UPOV account would be presented for consideration by the Consultative Committee prior to submission to the Council for approval. In that regard, it was agreed that the Consultative Committee would have flexibility to recommend projects that took into account factors other than those identified in (i) to (iv) above (see documents CC/86/2 "Reserve Fund" and CC/86/14 "Report on the Conclusions", paragraphs 29 to 31).

15. Based on the estimated income, expenditure and the IPSAS adjustments, the reserve fund at the end of the 2012-2013 Biennium is projected to be as follows:

Table 4: Estimate of IPSAS adjustment impacts on the reserve fund

Reserves summary:	Based on Projected income and expenditure
	(in thousands of Swiss francs)
Reserve fund as at 31.12.2012 (1)	1,097
Program and budget result 2013 (2)	84
Estimated IPSAS adjustments 2013 (3)	28
Estimated reserve fund as at 31.12.2013	1,208

(in thousands of Swiss francs)	
Estimated Income 2012/2013*	6,801
Reserve Ceiling as % of income (15%)	<u>1,020</u>
Reserve fund in excess of 15%	<u>188</u>

*: Preliminary figures, subject to final closure of 2013

- (1) Per audited 2012 financial statements
- (2) Per projection of income and expenditure (subject to final closure)
- (3) The IPSAS adjustments are estimates concerning principally employee benefit liabilities. They have been prepared prior to the receipt of the 2013 actuarial reports for ASHI and repatriation benefits. ASHI and repatriation benefit adjustments are therefore based on projections provided in the 2012 actuarial report.

16. The estimated figures indicate that the reserve fund at the end of the 2012-2013 Biennium will exceed 15 percent of the total income for the Biennium by approximately 188,000 Swiss francs. On that basis, it is proposed that the Consultative Committee recommend to the Council to create a special UPOV account to finance extra-budgetary projects agreed by the Council (Project Account) and to transfer the amount of the reserve fund exceeding 15 percent of the total income for the 2012-2013 Biennium to that account.

17. With regard to proposals for extra-budgetary projects that might be funded by the Project Account, the Consultative Committee may wish to request the Office of the Union to prepare a document for consideration at its eighty-eighth session, setting out possible projects including, if appropriate, projects that would relate to an international filing system, a UPOV quality assurance program and a central examination system for variety denominations (see document CC/87/5 "Matters raised by the International Seed Federation (ISF)").

18. *The Consultative Committee is invited to:*

(a) *recommend to the Council to create a special UPOV account to finance extra-budgetary projects agreed by the Council (Project Account) and to transfer the amount of the reserve fund exceeding 15 percent of the total income for the 2012-2013 Biennium to that account; and*

(b) request the Office of the Union to prepare a document for consideration at its eighty-eighth session, setting out possible projects including, if appropriate, projects that would relate to an international filing system, a UPOV quality assurance program and a central examination system for variety denominations.

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