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**INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS**

GENEVA

**COUNCIL****Forty-First Ordinary Session  
Geneva, October 25, 2007****DRAFT PROGRAM AND BUDGET  
FOR THE 2008-2009 BIENNIUM***presented by the Secretary-General*Introduction

1. Pursuant to the UPOV Convention (Article 23(2) of the 1961 Convention and of the 1978 Act, and Article 27(2) of the 1991 Act), the draft Program and Budget for the 2008-2009 Biennium is hereby presented for approval by the Council.
2. The draft Program and Budget focuses on the four sub-programs:
  - UV.1 Overall Policy on Plant Variety Protection;
  - UV.2 Improved Services to Members of the Union / Ensuring an Effective System of Plant Variety Protection;
  - UV.3 Extending the Coverage of Protection of New Varieties of Plants;
  - UV.4 External Relations.

3. The draft Program and Budget for the 2008-2009 Biennium proposes a total expenditure of Sfr6,605,000. Income is estimated at Sfr6,754,000. By the end of the 2008-2009 biennium, the reserves (Reserve Fund and Working Capital Fund) will be at a level of Sfr1,323,000. The Reserve Fund alone will stand at Sfr800,000 or 12.1 percent of the budgeted expenditure.

4. This document also reports that a number of developments during the implementation of the 2006-2007 budget are expected to lead to substantial savings (see paragraph 23). The draft Program and Budget for the 2008-2009 Biennium anticipates that, with respect to the resultant surplus, 6 percent of the staff costs are allocated towards the provision for separation from service and medical benefits by the end of the 2006-2007 biennium (see paragraph 24), and that the balance is used to build up the Reserve Fund (see paragraph 28).

5. The Office of the Union will comprise 11 posts.

*6. The Council of UPOV is invited to approve:*

*(a) the proposals contained in this draft Program and Budget for the 2008-2009 Biennium, including the amount of contributions from members;*

*(b) the proposed maximum ceiling of expenditure in the regular budget;*

*(c) the total number of posts for the Office of the Union;*

*(d) the allocation of 6 percent of the staff cost towards the provision for separation from service and medical benefits by the end of the 2006-2007 biennium;*

*(e) the allocation of 3 percent of the staff cost towards the provision of separation from service and medical benefits by the end of the 2008-2009 biennium; and*

*(f) a target level of the Reserve Fund of 20 percent of the budgeted expenditure.*

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### **UPOV Mission Statement**

**To provide and promote an effective system of plant variety protection,  
with the aim of encouraging the development of new  
varieties of plants, for the benefit of society.**

## **A. Policy Considerations**

### **Challenges and Main Program Thrusts**

7. Increased income from additional membership in 2006-2007 and a significant reduction compared to the budgeted expenditure allowed for a moderate program expansion, in particular in Africa, Central Asia and Latin America, which is expected to be maintained over the 2008-2009 biennium. States and regional organizations, in Africa in particular, have expressed growing interest in plant variety protection in accordance with the UPOV Convention. For 2008-2009, the policy considerations reflected in the 2006-2007 program and budget remain essentially valid.

8. During the forthcoming 2008-2009 biennium, meeting the need to provide and promote effective protection of new varieties of plants, in order to encourage plant breeding for the benefit of society, will continue to be a challenge. The UPOV Report on the Impact of Plant Variety Protection, which was published in January 2006, has demonstrated that, in order to enjoy the full benefits which plant variety protection is able to generate, both implementation of the UPOV Convention and membership of UPOV are essential. Furthermore, it demonstrated that the expansion of UPOV provides benefits for both new and old UPOV members.

9. Within the framework of the UPOV Convention, the Union strives to manage and develop its system of plant variety protection in a way that secures the quality of the titles of protection granted by its members at an acceptable cost. The Union seeks to improve efficiency in order to minimize financial burdens on the final product which is the protected variety. Thus, membership of the Union and participation in an internationally harmonized system should produce an economic benefit to the individual member of the Union.

10. During the last two decades, there has been a substantial increase in the membership of the Union. By the end of 1991, the Union had 20 members; at the beginning of the 2008-2009 biennium, the membership of the Union will be around 65 members. There is growing awareness in developing countries, and in countries in transition to market economies, that improved varieties are an important means of developing the agricultural sector and the overall economy. More and more countries realize that modern varieties offer trade opportunities, and are able to create income if a reliable legal framework of intellectual property protection is established. In addition, in many countries, publicly-funded

agricultural research and plant breeding institutions, due to budgetary restrictions, have to look for ways to recover expenditure through effective protection of their new varieties in order to pursue research and breeding activities.

11. The mutual advantages of open economies are reflected in the commitment contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) to protect plant varieties. Therefore, it is a realistic assumption to expect around 70 members of the Union by the end of the 2008-2009 biennium.

12. The States and Organizations indicated below have expressed the wish to cooperate with UPOV in developing effective legislation on plant variety protection. This development requires a particular effort on behalf of the Union to assist and advise new and potential members of the Union in the development and implementation of plant variety protection. Priority needs to be given to new members and to potential members according to their commitment to accede to the UPOV Convention.

**States (18) or Organizations (1) Which Have Initiated With the Council of UPOV the Procedure for Becoming Members of the Union**

Armenia, Costa Rica, Egypt, Georgia, Guatemala, Honduras, India, Kazakhstan, Malaysia, Mauritius, Montenegro, Philippines, Serbia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Venezuela, Zimbabwe, as well as the African Intellectual Property Organization (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Senegal, Togo (16)).

**Other States (47) Which Have Been in Contact With the Office of the Union for Assistance in the Development of Legislation on Plant Variety Protection**

Afghanistan, Algeria, Bahrain, Bangladesh, Barbados, Burundi, Cambodia, Congo (Democratic Republic of), Cuba, Cyprus, Djibouti, Dominica, El Salvador, Fiji, Gabon, Ghana, Greece, Guyana, Indonesia, Iraq, Islamic Republic of Iran, Jamaica, Lao People's Democratic Republic, Lebanon, Libyan Arab Jamahiriya, Madagascar, Malawi, Mongolia, Myanmar, Nepal, Oman, Pakistan, Peru, Saudi Arabia, Seychelles, Sri Lanka, Sudan, Suriname, Syrian Arab Republic, Thailand, Tonga, Turkmenistan, Uganda, United Arab Emirates, United Republic of Tanzania, Yemen, Zambia.

13. It is expected that the increase in the number of titles of protection granted according to the UPOV system, which currently amounts to around 8,500 per year, will continue during the forthcoming biennium. The overall number of titles issued according to the UPOV system is estimated to be well over 100,000. Currently, approximately 67,000 titles of protection are in force. It is estimated that protection has been granted to varieties of around 3,000 genera and species. UPOV, therefore, has an important interest in the ongoing discussion on biodiversity and plant genetic resources for food and agriculture.

14. Plant variety protection is a highly specialized field. The basic principles and the issues addressed by the UPOV Convention are not known to the broader public. International

organizations which rely on public funding, have an obligation to explain their role and activities and to participate in the public dialogue on issues that are relevant to their scope of responsibility. Against this background, the Union needs to maintain its corporate identity and public presence during the next biennium.

15. The *sui generis* protection system of the UPOV Convention is adapted to the subject matter of plant varieties. There are other forms of intellectual property protection which can complement the UPOV system, the most apparent being the patent system. Also, the ongoing discussion on biodiversity, plant genetic resources, and traditional knowledge calls for continued attention during the forthcoming biennium to seek to ensure that the systems are mutually supportive in relation to the UPOV Convention.

## Prioritizing and Structuring of Activities

16. The general thrust of the program for the 2006-2007 biennium remains valid for the 2008-2009 biennium, but given the increasing demand for assistance, there is a need to identify specific priorities.

17. Following the guidance from the Council, concentration of activities along the following lines is required:

- services to existing members of the Union with a view to improving the effectiveness and efficiency of the plant breeder's rights system;
- prioritization and concentration of information, advice and training activities on new members of the Union and potential new members, according to the commitment of States or organizations to accede to the UPOV Convention;
- coordination of activities, e.g. combination of Technical Working Party sessions with regional or national activities;
- prioritizing of external relations' activities; and
- use of communication technologies (e.g. distance learning, video-conferencing).

18. It is proposed to continue efforts in respect of particular projects which were taken up and have already yielded substantial results, and which are expected to bring about medium- and long-term benefits:

- continued development of distance learning materials in all UPOV languages with a focus on the introduction of a new course on the examination of applications for plant breeders' rights;
- a systematic approach to training and education which reflects the growing number of new members of the Union expected in the forthcoming years and which maximizes the effectiveness of existing forms of activity, such as national and regional workshops and seminars, and supplements these with new approaches, such as distance learning; and

- creation and improvement of databases related to improved services to current and future members and ensuring an effective system of plant variety protection.

19. Provisions have been made to allow for the Office to provide lecturers and other support for the international training courses which an increasing number of members are offering (Japan, the Netherlands, Republic of Korea, Sweden and the United States of America).

20. Provision has been made to compensate for significantly reduced possibilities for the World Intellectual Property Organization (WIPO) to co-fund projects of mutual interest.

21. As the sub-program structure of the 2006-2007 biennium has proven to be appropriate, it is proposed to retain this for the 2008-2009 biennium as follows:

**Sub-program 1: Overall Policy on Plant Variety Protection**—This comprises policy guidance and coordination of the activities of the Union as carried out by the Secretary-General and its Governing Bodies (Council and Consultative Committee).

**Sub-program 2: Improved Services to Members of the Union / Ensuring an Effective System of Plant Variety Protection**—This includes the governance and servicing of the Administrative and Legal Committee, the Technical Committee and its Technical Working Parties and the provision of legal advice and technical guidance.

**Sub-program 3: Extending the Coverage of Protection of New Varieties of Plants**—This includes the provision of advice, assistance and training to existing and potential members of the Union.

**Sub-program 4: External Relations**—This includes the enhancement of UPOV's external outreach, the production of public information products, and relations with intergovernmental and non-governmental organizations.

## **Structure of the Draft Budget**

22. The proposed budget for the 2008-2009 biennium is kept at almost the same level as the previous biennium and anticipates a slight surplus. The reserves (including the Reserve Fund and the Working Capital Fund) would amount to Sfr1,323,000; the Reserve Fund alone would stand at Sfr800,000, or 12.1 percent of the budgeted expenditure.

**Table 1: Income, Expenditure and Reserves 2004-2005, 2006-2007 and 2008-2009**  
(in thousands of Swiss francs)

|  | 2004-2005<br>Actual<br>A | 2006-2007<br>Estimated<br>B | 2006-2007<br>Budget<br>C | Variation |        | 2008-2009<br>Proposed<br>E=C+D |
|--|--------------------------|-----------------------------|--------------------------|-----------|--------|--------------------------------|
|  |                          |                             |                          | D         | D/C(%) |                                |
| A. Income  | 6,043                    | 6,757                       | 6,701                    | 53        | 0.8    | 6,754                          |
| B. Expenditure   | 6,026                    | 6,206                       | 6,550                    | 55        | 0.8    | 6,605                          |
| Difference (B-A)                                       | 17                       | 551                         | 151                      |           |        | 149                            |
| C. Reserve Fund  | 100                      | 651                         | 186                      |           |        | 800                            |
| D. Working Capital Fund                                | 465                      | 513                         | 508                      |           |        | 523                            |
| E. Total Reserves at end of period (C+D) <sup>a*</sup> | 565                      | 1,164                       | 694                      |           |        | 1,323                          |

<sup>a</sup> *Strict budget control led to reduced expenditures and to higher reserves than budgeted (Sfr450,000) by the end of the 2004-2005 biennium. Further steps during the implementation of the 2006-2007 budget are expected to result in additional savings (for details, see paragraph 23). It is, therefore, now anticipated that the reserves at the end of the 2006-2007 biennium will be approximately Sfr1,164,000 instead of Sfr694,000 as originally budgeted.*

<sup>\*</sup> *Includes Reserve Fund and Working Capital Fund; the provision for separation from service and medical benefits is anticipated to stand at Sfr300,000 by the end of 2009.*

23. A number of developments during the implementation of the 2006-2007 budget are expected to lead to substantial savings. Of particular relevance are:

- the clarification with WIPO that all translation costs are covered under Operating Expenses;
- the transformation of one post in the professional category into a post in the general service category;
- a vacancy of six months in a post in the general service category; and
- the postponing of the use of contractual services for database development in order to first explore the possibilities of cooperation with WIPO.

24. Together, those developments are expected to contribute to a surplus of Sfr400,000 above the anticipated level of Sfr151,000 by the end of the current biennium if 6 percent of the staff cost are allocated towards the separation from service and medical benefit provision



in order to respond to Recommendation No. 2<sup>1</sup> of the Auditor's Report to the Council on the 2004-2005 Biennium (see document C/40/4, Annex B, page 5).

25. UPOV's Rules and Regulations specify the application *mutatis mutandis* of the Staff and Financial Regulations of WIPO to UPOV. The organizations of the United Nations (UN) system will shift from the UN accounting standards to International Public Sector Accounting Standards (IPSAS) from the year 2010. Accordingly, WIPO has also put forward a proposal to its Member States to adopt IPSAS as of 2010. The proposed new Financial Regulations of WIPO (being submitted to its Member States in September 2007) take into account the adoption of IPSAS, subject to approval by WIPO's Assemblies. The transition to these new standards in 2010 will oblige organizations to show the liability for separation from service and after-service medical benefits in their financial statements (as liabilities on their balance sheets).

26. According to the actuarial evaluation carried out by an independent study commissioned by WIPO, the value of that accrued liability as at December 2005 amounted to Sfr963,300 in respect of UPOV's staff<sup>2</sup>.

27. In light of the above and based on the available estimates for the value of the accrued liability, and in accordance with Recommendation No. 2<sup>1</sup> of the Auditor's Report, it is proposed that UPOV begins to progressively cover the long-term liabilities of the Organization for separation from service and After-Service Health Insurance (ASHI) at a rate equivalent to 6 percent of biennial staff expenditure for the 2006-2007 biennium. It is further proposed that an allocation of 3 percent of the staff expenditure is made towards this provision by the end of the 2008-2009 biennium. Recommendations in respect of the continued funding of this actuarial liability will be incorporated in UPOV's budget proposals for the coming biennia.

28. In accordance with Recommendation No. 3<sup>3</sup> of the Auditor's Report to the Council on the 2004-2005 Biennium, it is proposed to use the expected surplus to build up the Reserve Fund. The Reserve Fund would then stand at approximately Sfr650,000 by the end of the 2006-2007 biennium, which amounts to 9.9 percent of the budget, and the Working Capital Fund would reach Sfr513,000. Since only the Reserve Fund would be available to cover temporary structural deficits, it appears necessary to agree on a suitable level. Considerable fluctuations in income and expenditure over recent years suggests that a level of 20 percent of the budgeted expenditure should be targeted for the Reserve Fund to secure the necessary stability in UPOV's operation. An assessment of financial sustainability of UPOV is presented under Section E. This document also contains three Annexes, including a description of the budget methodology, contributions from members of the Union and definitions of budget headings.

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<sup>1</sup> "Recommendation No. 2: As a precaution, I believe that provision should be made by UPOV for the costs of separation from service and medical benefits."

<sup>2</sup> Accrued liability as at December 31, 2005, for (a) separation from service has been estimated at Sfr194,300, and (b) after-service medical benefits at Sfr769,000.

<sup>3</sup> "Recommendation No. 3: In order to guarantee balanced finances for UPOV in the future, I consider that it is my duty to draw the Council's attention to the need to set up a Reserve Fund which is able to ensure the Union's ongoing financial good health."

## **Performance Assessment**

29. According to the practice established in 2003, a system for the assessment of UPOV's performance will continue to be applied, using performance indicators to measure actual performance. The purpose of performance assessment in UPOV is twofold. Firstly, it increases transparency for members of the Union and, secondly, it constitutes a consolidated structure through which UPOV's long-term performance can be enhanced. A performance report for the 2008-2009 Biennium will be provided as an annex to the Secretary-General's Annual Report in October 2010, and will provide an account of the extent to which expected results have been achieved.

## B. Proposed Program and Budget for the 2008-2009 Biennium

30. The total program of activities to be conducted by UPOV in the 2008-2009 biennium amounts to Sfr6,931,000. This amount includes Sfr6,605,000 within the regular budget (see Table 1), and Sfr326,000 financed from extra-budgetary resources provided under trust fund arrangements. Contributions in kind are not included in these estimates. Table 2 provides a resource plan for the 2006-2007 and the 2008-2009 biennia.

**Table 2: Resource Plan 2006-2007 and 2008-2009**  
(in thousands of Swiss francs)

| <b>Budget and Resource Availability</b> | <b>Regular<br/>Budget<br/>A</b> | <b>Extra-<br/>Budgetary<br/>B</b> | <b>Total<br/>Resources<br/>C = A+B</b> |
|---|---------------------------------|-----------------------------------|--|
| <b>Budget 2006-2007</b>                 |                                 |                                   |  |
| 1 Budget                                | 6,550                           | 349                               | 6,899                                  |
| <b>Resource availability 2006-2007</b>  |                                 |                                   |  |
| 2 Income                                | 6,701                           | 349                               | 7,050                                  |
| 3 +/-(-) Transfer from/ to reserves     | (151)                           | -                                 | (151)                                  |
| 4 Total, resources                      | 6,550                           | 349                               | 6,899                                  |
| <b>Budget 2008-2009</b>                 |                                 |                                   |  |
| 5 Budget                                | 6,605                           | 326                               | 6,931                                  |
| <b>Resource availability 2008-2009</b>  |                                 |                                   |  |
| 6 Income                                | 6,754                           | 326                               | 7,080                                  |
| 7 +/-(-) Transfer from/ to reserves     | (149)                           | -                                 | (149)                                  |
| 8 Total, resources                      | <b>6,605</b>                    | <b>326</b>                        | <b>6,931</b>                           |
| 9 Variation 8/4(%)                      | <b>0.8</b>                      | -                                 | <b>0.5</b>                             |
| <b>Reserves<sup>1</sup> (revised)</b>   |                                 |                                   |  |
| 10 Level 31.12.2005                     | 565 (100)                       | 231                               | 796                                    |
| 11 +/-(-) Transfer to/ from reserves    | 551                             | -                                 | 551                                    |
| 12 Level 31.12.2007                     | 1,164 <sup>a</sup> (651)        | 175                               | 1,338                                  |
| 13 +/-(-) Transfer to/ from reserves    | 149                             | -                                 | 149                                    |
| 14 Level 31.12.2009                     | 1,323 <sup>a</sup> (800)        | 163                               | 1,486                                  |
| 15 Percentage of Budgeted Expenditure   | 20.0 (12.1)                     | 50.0                              | 21.4                                   |

<sup>1</sup> Reserve Fund and Working Capital Fund; in brackets: Reserve Fund alone.

<sup>a</sup> Includes contribution from new members to Working Capital Fund (2007: Sfr48,000; 2009: Sfr10,000).

31. Table 2 describes in a consolidated fashion the evolution of both income and expenditures within UPOV as well as the reserves, including the Reserve Fund and the Working Capital Fund. For the regular budget in 2006-2007, the surplus of income over expenditure is now anticipated to be larger than budgeted and will allow a substantial transfer to the reserves. For the 2008-2009 biennium, income and expenditure are budgeted at similar levels to the 2006-2007 biennium in order to provide for activities which have been postponed, for specific development projects (database development; production of additional distance learning material in all UPOV languages), for services which, in the past, were financed by WIPO as activities of direct interest to UPOV (e.g. training) and for support to training programs organized by members of the Union. Those activities are expected to yield important medium- and long-term benefits in terms of efficiency gains both at the level of the members and of the Office of the Union. Furthermore, a re-establishment of the Reserve Fund towards the proposed target level of 20 percent of the budgeted expenditure in the medium term is also envisaged.

32. Extra-budgetary resources include Funds in Trust, which are voluntary financial donations provided to UPOV by a member of the Union, usually provided to finance a specific program of activities mutually agreed between the Office of the Union and the donor member. Without prejudging sovereign decisions from donor members, it is expected that the overall amounts of Funds-in-Trust for the 2008-2009 biennium will be at a level of Sfr326,000.

33. Budget variations by object of expenditure between the 2004-2005 and the 2008-2009 biennia are shown in Table 3. Actual expenditures in 2004-2005 amount to Sfr6,026,000. The budget for 2006-2007 amounts to Sfr6,550,000, which represents an increase of 8.7 percent. The proposed budget for 2008-2009 is at the level of Sfr6,605,000, an increase of Sfr55,000 or 0.8 percent compared to the 2006-2007 budget. That increase is the combination of savings due to program variations of Sfr67,000 (1.0 percent) and increases due to cost variations of Sfr122,000 (1.9 percent).

**Table 3: Proposed Budget 2008-2009: Budget Variation by Object of Expenditure**  
(in thousands of Swiss francs)

| Object of Expenditure             | 2004-2005    | 2006-2007    | Resource Variation |              |              |               |              |               | 2008-2009    |
|-----------------------------------|--------------|--------------|--------------------|--------------|--------------|---------------|--------------|---------------|--------------|
|                                   |              |              | Program            |              | Cost         |               | Total        |               |              |
|                                   | Actual       | Budget       | Amount             | %            | Amount       | %             | Amount       | %             | Proposed     |
|                                   | A            | B            | C                  | C/B          | D            | D/B           | E=C+D        | E/B           | F=B+E        |
| <b>A. Personnel Resources</b>     |              |              |                    |              |              |               |              |               |              |
| Posts                             | 4,159        | 4,358        | (120)              | (2.8)        | 279          | 6.4           | 159          | 3.7           | 4,517        |
| Short-term expenses               | -            | -            | 90                 | -            | -            | -             | 90           | -             | 90           |
| <b>Total</b>                      | <b>4,159</b> | <b>4,358</b> | <b>(30)</b>        | <b>(0.7)</b> | <b>279</b>   | <b>6.4</b>    | <b>249</b>   | <b>5.7</b>    | <b>4,607</b> |
| <b>B. Non-Personnel Resources</b> |              |              |                    |              |              |               |              |               |              |
| <i>Travel and Fellowships</i>     |              |              |                    |              |              |               |              |               |              |
| Staff missions                    | 190          | 270          | 27                 | 10.0         | 3            | 1.0           | 30           | 11.1          | 300          |
| Third Party Travel                | 14           | 70           | (1)                | (1.4)        | 1            | 1.0           | 0            | 0.0           | 70           |
| Fellowships                       | -            | -            | -                  | -            | -            | -             | -            | -             | -            |
| <b>Total</b>                      | <b>204</b>   | <b>340</b>   | <b>26</b>          | <b>7.7</b>   | <b>4</b>     | <b>1.2</b>    | <b>30</b>    | <b>8.8</b>    | <b>370</b>   |
| <i>Contractual Services</i>       |              |              |                    |              |              |               |              |               |              |
| Conferences                       | 98           | 80           | 39                 | 48.8         | 1            | 1.0           | 40           | 50.0          | 120          |
| Experts                           | -            | 151          | (2)                | (1.3)        | 2            | 1.0           | 0            | 0.0           | 151          |
| Publishing                        | 61           | 61           | (1)                | (1.0)        | 1            | 1.0           | 0            | 0.0           | 61           |
| Other                             | 107          | 130          | (99)               | (76.2)       | 1            | 1.0           | (100)        | (76.9)        | 30           |
| <b>Total</b>                      | <b>266</b>   | <b>422</b>   | <b>(63)</b>        | <b>108.5</b> | <b>3</b>     | <b>1.0</b>    | <b>(60)</b>  | <b>(14.2)</b> | <b>362</b>   |
| <i>Operating Expenses</i>         |              |              |                    |              |              |               |              |               |              |
| Premises and Maintenance          | 185          | 200          | -                  | -            | -            | -             | -            | -             | -            |
| Communication and Other           | 1,188        | 1,200        | -                  | -            | -            | -             | -            | -             | -            |
| <b>Total</b>                      | <b>1,373</b> | <b>1,400</b> | <b>0</b>           | <b>0.0</b>   | <b>(164)</b> | <b>(11.7)</b> | <b>(164)</b> | <b>(11.7)</b> | <b>1,236</b> |
| <i>Equipment and Supplies</i>     |              |              |                    |              |              |               |              |               |              |
| Furniture and Equipment           | 4            | 15           | -                  | -            | -            | 1.0           | 0            | 0.0           | 15           |
| Supplies and Materials            | 20           | 15           | -                  | -            | -            | 1.0           | 0            | 0.0           | 15           |
| <b>Total</b>                      | <b>24</b>    | <b>30</b>    | <b>-</b>           | <b>-</b>     | <b>-</b>     | <b>1.0</b>    | <b>0</b>     | <b>0.0</b>    | <b>30</b>    |
| <b>GRAND TOTAL</b>                | <b>6,026</b> | <b>6,550</b> | <b>(67)</b>        | <b>(1.0)</b> | <b>122</b>   | <b>1.9</b>    | <b>55</b>    | <b>0.8</b>    | <b>6,605</b> |

34. Table 4 reflects the number of posts by grade clusters. The post of the Secretary-General is included within this count, but at no cost, because the current Director General of WIPO has declined any salary or allowance from his functions as Secretary-General of UPOV. With effect from February 2007, one post in the professional category was transformed into a post in the general service category, which reduced the overall increase in staff costs (see Table 3, Personnel Resources). Currently, two of the posts in the general service category are filled at 80%. It is proposed that that situation and the increased workload due to the growth of the Union should be addressed with short-term support in the general service category at relevant times of the year. An increase of Sfr249,000 is proposed compared to the 2006-2007 budget. Personnel resources for the 2008-2009 biennium reflect a cost increase which is based on past experience and which includes a provision for separation from service and medical benefits of 3 percent of the staff cost.

**Table 4: Budget 2008-2009: Posts by Category**

| Post Category   | 2004-2005 | 2006-2007 | Variation | 2008-2009<br>Proposed |
|-----------------|-----------|-----------|-----------|-----------------------|
|                 | A         | B         | C-B       | C                     |
| Directors       | 3         | 3         | -         | 3                     |
| Professionals   | 4         | 4         | -1        | 3                     |
| General Service | 4         | 4         | +1        | 5                     |
| <b>Total</b>    | <b>11</b> | <b>11</b> | <b>-</b>  | <b>11</b>             |

35. Official travel is proposed to have a moderate increase with respect to the 2006-2007 budget (Sfr370,000) in order to meet the demands for assistance. Expenditure for third party travel will be incurred, in particular in order to respond to requests of new members of the Union for practical assistance in technical matters of plant variety protection, which requires involvement of experienced DUS experts from other UPOV members. Provision for some 36 staff missions and some 12 missions of third-party experts to UPOV meetings is thus made.

36. Contractual services are proposed at Sfr362,000 reflecting a decrease of Sfr60,000 with respect to the 2006-2007 biennium. This decrease results from an understanding reached with WIPO on the cost of translation work for UPOV (see paragraph 37). It is proposed to maintain an allocation of Sfr151,000 for specialist assistance in the development of UPOV databases beyond the current level of support from WIPO's IT Department, which was not used in the 2006-2007 biennium, since consultations with WIPO were initiated on some of the projects. It is expected that UPOV's GENIE database will be online by the end of the current biennium. However, projects such as the upgrading of the UPOV-ROM into a web-based plant variety database, and a future database on assistance in implementing plant variety protection are also considered to be investments which should generate medium- and long-term benefits for UPOV. Consultation with WIPO on those projects is underway. However, UPOV may need external support to implement those projects.

37. Under the sub-item "Other", considerably lower expenditures (Sfr30,000 instead of Sfr130,000) are expected since it was agreed with WIPO in 2006 that translation costs of UPOV documents outsourced by WIPO are also covered under "Operating Expenses" for services rendered by WIPO to UPOV.

38. A substantial change materialized with regard to "Operating Expenses". In agreement with WIPO, the sub-items "Premises and Maintenance" and "Communication and Other" are merged because both concern indemnification for administrative services rendered to UPOV by WIPO as stipulated under Articles 1 and 2 of the WIPO/UPOV Agreement of November 26, 1982 (document UPOV/INF/8.). Furthermore, and also in line with Recommendation 1<sup>4</sup> of the Auditor's Report to the Council on the 2004-2005 Biennium (see document C/40/4, Annex B, page 4), the level of the indemnification was reviewed and an

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<sup>4</sup> "Recommendation No. 1: The allocations between WIPO and UPOV should be clearly defined in the WIPO budget. The latter should include an annex which provides details of the allocations applicable to each individual Union."

appropriate level of indemnification of Sfr1,236,000 was agreed with WIPO, which means a downward adjustment by Sfr164,000 compared to the 2006-2007 biennium.

39. Equipment and supplies are proposed at Sfr30,000, as in the 2006-2007 biennium.

40. Concerning the programmatic classification of expenditures, Table 5 provides the proposed budget allocation by sub-program.

**Table 5: Proposed Budget 2008-2009: Allocation by Object of Expenditure**  
(in thousands of Swiss francs)

| <i>Object of Expenditure</i>         | <i>Sub-program</i> |              |              |             | <i>Total</i> |
|--------------------------------------|--------------------|--------------|--------------|-------------|--------------|
|                                      | <i>UV.1</i>        | <i>UV.2</i>  | <i>UV.3</i>  | <i>UV.4</i> |              |
| <b>A. Personnel Resources</b>        | <b>770</b>         | <b>2,155</b> | <b>1,120</b> | <b>562</b>  | <b>4,607</b> |
| Posts                                | 770                | 2,065        | 1,120        | 562         | 4,517        |
| Short-term expenses                  | -                  | 90           | -            | -           | 90           |
| <b>B. Non-Personnel Resources</b>    |                    |              |              |             |              |
| <b><i>Travel and Fellowships</i></b> | <b>-</b>           | <b>130</b>   | <b>210</b>   | <b>30</b>   | <b>370</b>   |
| Staff Missions                       | -                  | 130          | 150          | 20          | 300          |
| Third Party Travel                   | -                  | -            | 60           | 10          | 70           |
| Fellowships                          | -                  | -            | -            | -           | -            |
| <b><i>Contractual Services</i></b>   | <b>51</b>          | <b>251</b>   | <b>60</b>    | <b>-</b>    | <b>362</b>   |
| Conferences                          | 35                 | 85           | -            | -           | 120          |
| Experts                              | -                  | 121          | 30           | -           | 151          |
| Publishing                           | 16                 | 45           | -            | -           | 61           |
| Other                                | -                  | -            | 30           | -           | 30           |
| <b><i>Operating Expenses</i></b>     | <b>-</b>           | <b>1,236</b> | <b>-</b>     | <b>-</b>    | <b>1,236</b> |
| <b><i>Equipment and Supplies</i></b> | <b>-</b>           | <b>30</b>    | <b>-</b>     | <b>-</b>    | <b>30</b>    |
| Furniture and Equipment              | -                  | 15           | -            | -           | 15           |
| Supplies and Materials               | -                  | 15           | -            | -           | 15           |
| <b>GRAND TOTAL</b>                   | <b>821</b>         | <b>3,802</b> | <b>1,390</b> | <b>592</b>  | <b>6,605</b> |

41. As already outlined in Section A, the proposed Program and Budget for the 2008-2009 Biennium is split into four sub-programs: Overall policy on plant variety protection; Improved services to members of the Union / Ensuring an effective system of plant variety protection; Extending the coverage of protection of new varieties of plants; and External relations. Personnel resources have been allocated by sub-program as a proportion of the staff time, which is anticipated to be spent on each sub-program. Non-personnel expenditures have been distributed by sub-program in anticipation of their respective activities. It should be noted that common expenditures with WIPO for administrative services rendered to UPOV appear under sub-program UV.2.

42. In addition, Table 6 provides budget variation by sub-program between the budget 2006-2007 and the proposed budget 2008-2009.

**Table 6: Budget Variation by Sub-program**  
(in thousands of Swiss francs)

| <i>Sub-program</i> | <i>2006-2007</i> | <i>Variation</i>    |                  | <i>2008-2009</i>          |
|--------------------|------------------|---------------------|------------------|---------------------------|
|                    | <i>A</i>         | <i>Amount<br/>B</i> | <i>%<br/>B/A</i> | <i>Proposed<br/>C=A+B</i> |
| UV.1               | 797              | 24                  | 3.0              | 821                       |
| UV.2               | 3,830            | (28)                | (0.7)            | 3,802                     |
| UV.3               | 1,351            | 39                  | 2.9              | 1,390                     |
| UV.4               | 572              | 20                  | 3.5              | 592                       |
| <b>TOTAL</b>       | <b>6,550</b>     | <b>55</b>           | <b>0.8</b>       | <b>6,605</b>              |



## C. Program Description

### Sub-program UV.1

### Overall Policy on Plant Variety Protection

**Objectives:**

- ◆ Policy direction and executive management.
- ◆ Planning, implementation and evaluation of program and budget.

#### **Background**

43. The UPOV system is the only effective and internationally harmonized *sui generis* system of plant variety protection. This sub-program provides the framework for policy making, management and coordination of all the activities of UPOV's overall program to be carried out under the guidance of the Governing Bodies (Council and Consultative Committee).

#### **Activities**

- Four sessions of the Council and four sessions of the Consultative Committee. Depending on decisions to streamline the work of the Council and the Consultative Committee, a substantive reduction of the number of sessions may materialize in the course of the 2008-2009 biennium.
- Coordination, monitoring and performance assessment of the Program and Budget for the 2008-2009 Biennium.
- Preparation and adoption of the Program and Budget for the 2010-2011 Biennium.

## Sub-program UV.2

### Improved Services to Members of the Union / Ensuring an Effective System of Plant Variety Protection

#### **Objectives:**

- ◆ To maintain and improve the quality of protection provided by the UPOV system.
- ◆ To provide and develop the legal and technical basis for international cooperation in a harmonized approach to plant variety protection according to the 1991 Act of the Convention.

#### **Background**

44. The UPOV Convention, which has evolved over forty-five years of application, has proved to be a suitable tool to enhance plant breeding for the benefit of society. Technological progress, the expansion of the principles of plant variety protection to almost all regions of the world and States with different situations of economic development require UPOV members to apply the Convention under constantly changing conditions. It is essential to secure a common understanding and to develop clear guidance.

45. A particular feature of the Union is the strong emphasis placed on cooperation and international exchange in the technical field of plant variety protection. Protection is only granted if a variety is distinct, uniform and stable (DUS) and meets the other conditions in the UPOV Convention. The decision as to whether the DUS conditions of protection are fulfilled is normally based on tests which require the growing of the variety. In order to reach results that are comparable throughout the whole Union, harmonized approaches to variety testing need to be developed and to be updated according to experience gained. This harmonized approach allows for cooperation, specialization and exchange of results amongst authorities responsible for plant variety protection. It is one of the most important factors in implementing an effective system at a reasonable cost.

46. The furtherance of the legal and technical development of this system is mainly achieved through sessions of the Administrative and Legal Committee, the Technical Committee, the Technical Working Parties and their subgroups. The Office of the Union is responsible for the organization of those sessions and the preparation of the relevant documents.

| <u>Expected Results</u>   | <u>Performance Indicators</u>  |
|---|--|
| 1. Increased international harmonization of the implementation of the UPOV Convention.  | 1. Explanatory information on the UPOV Convention drafted or agreed.   |
| 2. Increased international harmonization of technical specificities for the examination of distinctness, uniformity and stability (DUS) of new varieties. | 2. TGP documents or Test Guidelines on the examination of distinctness, uniformity and stability (DUS) of new varieties proposed to, or adopted by, the Council of UPOV or its Committees.   |
| 3. Clarification of the role of publication of variety descriptions.  | 3. Policy on publication of variety descriptions proposed to or adopted by the UPOV Council.   |
| 4. Improved accessibility of information relevant for examination of applications.  | <p>4.1 Enhancement of the Plant Variety Database (UPOV-ROM): (a) introduction of the UPOV code; (b) improving the ease of contributing data to the UPOV-ROM through the development of a data submission table allowing data to be provided without the use of TAG format; (c) providing training in the use of the UPOV-ROM; (d) development of web-based version of plant variety databases.</p> <p>4.2 Publication of the GENIE database on the UPOV website.</p> |

### Activities

- Four sessions of the Administrative and Legal Committee, two sessions of the Technical Committee, 11 sessions of Technical Working Parties and their respective preparatory workshops, sessions of *Ad hoc* working groups. Depending on decisions to streamline the work of the Administrative and Legal Committee, a substantial reduction of the number of its sessions may materialize in the course of the 2008-2009 biennium.
- Development and updating of technical guidance and legal advice.
- Development of Test Guidelines in accordance with the expansion of UPOV and ongoing developments in plant breeding.
- Elaboration of Test Guidelines' Procedures (TGP) documents according to the program adopted by the Technical Committee and approved by the Council.
- Assessment of new methods for Distinctness, Uniformity and Stability (DUS) examination.
- Consideration of the possible use of molecular markers in DUS testing and variety identification.

- Drafting of explanatory information concerning the UPOV Convention.
- Improvements to the Plant Variety Database (UPOV-ROM) and operation of UPOV's GENIE database. The latter is expected to be widely used by UPOV members and breeders, and will be made available to the public in the course of the 2008-2009 biennium. The development of a web-based version of UPOV's Plant Variety Database is expected to be completed in the 2008-2009 biennium.
- Development and adoption of information and position papers by the Council.

## Sub-program UV.3

# Extending the Coverage of Protection of New Varieties of Plants

### Objectives:

- ◆ To assist States and certain organizations, particularly governments of developing countries and countries in transition to a market economy, in the preparation and enactment of legislation conforming with the 1991 Act of the UPOV Convention.
- ◆ To assist States and certain organizations in the accession to the 1991 Act of the UPOV Convention.
- ◆ To assist States and certain organizations in implementing an effective plant variety rights system in line with the 1991 Act of the UPOV Convention.

### **Background**

47. The UPOV Report on the Impact of Plant Variety Protection, which was published in 2006, has demonstrated that both implementation of the UPOV system of plant variety protection and membership of UPOV are essential for States/organizations to enjoy the full benefits and economic incentives which plant variety protection is able to generate. There is a demand-driven need to assist members of the Union, that have recently acceded to the Union, in the implementation of their UPOV-based system of plant variety protection. One of the most striking advantages for new members of the Union is that they immediately benefit from the experience gained by the Union during decades of operation. That should allow them to set up an effective system in a relatively short time span.

48. More than 50 States which are not members of the Union have shown a clear interest in implementing a plant variety protection system based on the principles developed by the Union. Many of those have initiated an extensive exchange of views with the Office of the Union on this matter. UPOV, as the leading institution in all matters of plant variety protection, has the obligation to provide assistance and advice. This requires a systematic approach in accordance with the level of information needed in each particular case. The methods range from initial visits to States and certain organizations with a view to providing general information on plant variety protection, seminars with the aim of raising awareness of circles concerned with plant variety protection (officials, breeders and farmers), participation in the UPOV distance learning program, workshops to highlight specific elements of plant variety protection and training courses for technical examiners and administrators. The extension of the UPOV system in terms of additional members and in terms of its application to additional genera and species will add to its overall effectiveness and is beneficial to the economies of present and future members of the Union.

49. The resources within the regular budget of UPOV to finance the activities required under this sub-program are extremely limited. The Council has instructed the Office of the Union to focus its services on members of the Union, new members and those States /

intergovernmental organizations with a clear commitment to become a member of UPOV in the foreseeable future. That policy corresponds to one of the important findings of the UPOV Report on the Impact of Plant Variety Protection, according to which only those States which operate the UPOV system of plant variety protection and which are members of UPOV will enjoy the full benefits which plant variety protection is able to generate. Technical support for plant variety protection systems which are not in line with the UPOV Convention is not covered by the mandate of the Council. Technical support for such cases will only be provided as an exception and with a view to revising a non-compliant system, in most cases based on the implementation of a Council decision. UPOV's priorities are, therefore, to assist States/organizations in the establishment of an appropriate legal and organizational structure and in becoming a member of UPOV and then to provide technical assistance for the implementation of the UPOV system. Technical assistance may also be appropriate in parallel with the legal assistance in the introduction of the UPOV system.

50. National or regional seminars will, as far as possible, be linked to sessions of UPOV Technical Working Parties in order to minimize travel costs and to benefit from the presence of experienced DUS experts. Such seminars will also be supplemented by participation in the distance learning courses, the first of a series of which has become operational under the 2004-2005 program and budget, and which has attracted some 700 students in the 2006-2007 biennium. With the encouragement of the Office, a number of members of the Union have included the UPOV distance learning course as an element in their international training courses.

51. A major function of this sub-program is to provide a framework within which the Office of the Union seeks to supplement its resources with extra-budgetary resources and support in kind made available by members of the Union and other bodies. In general, the support can be categorized as follows:

(a) *Extra-budgetary financial resources*

Examples of relevant extra-budgetary financial resources include:

- The Funds-in-Trust provided by the Japanese Government;
- Financial support (and support in kind) from the French Government for seminars in West Africa and training of experts of the African Intellectual Property Organization (OAPI);
- Financial support (and support in kind) from the Spanish Government to seminars organized in Latin America or in Spain;
- Financial support (and support in kind) from the Swedish Government to seminars organized in Central Asia;
- Financial support (and support in kind) from the Government of the United States of America to seminars organized in Africa;
- Financial support from third-party donors.

*(b) Support in kind*

An essential resource for the work of UPOV is the support in kind provided by many members of the Union in the form of DUS experts acting as lecturers in UPOV activities or by providing technical support (e.g. DUST package (United Kingdom), GAIA (France)). As explained above, coordination of seminars in conjunction with UPOV TWP meetings seeks to maximize the use of this valuable resource at minimum cost to members of the Union.

*(c) Support of training activities organized by members of the Union*

An increasing number of members of the Union are offering international training courses in plant variety protection or related areas (Japan, the Netherlands, Republic of Korea, Sweden and the United States of America). The Office of the Union seeks to support those activities by providing lecturers, facilitating participation in the UPOV distance learning courses and providing other support in kind.

| <u>Expected Results</u>  | <u>Performance Indicators</u>  |
|--|--|
| 1. Introduction of a legal basis of plant variety protection in line with the 1991 Act of the UPOV Convention by a growing number of States and intergovernmental organizations. | 1.1 Number of comments on laws and regulations.<br>1.2. Comments provided on laws and regulations which have been taken into account by States and intergovernmental organizations.                    |
| 2. Implementation of plant variety protection.   | 2 Number of training activities initiated/ implemented.  |
| 3. Participation in UPOV distance learning courses   | 3.1 Number of participants in the UPOV distance learning courses<br>3.2 Teaching material created / distance learning course on the examination of applications for plant breeders' rights operational |
| 4. Geographical expansion of the UPOV system.  | 4. Additional number of members of the Union.  |
| 5. Number of genera and species for which protection is offered.   | 5.1 Number of genera/species protected by members of the Union.<br>5.2 Number of genera/species for which varieties have been protected.   |
| 6. Strengthening of international cooperation and specialization in plant variety protection.  | 6.1 Number of bilateral and regional arrangements on plant variety protection.<br>6.2 Access to information on available experience and cooperation in DUS testing contained in the GENIE database.    |

| <u>Expected Results</u>   | <u>Performance Indicators</u>                                   |
|---|---|
| 7. Incentives for the development of agriculture and the overall economy of the States and intergovernmental organizations concerned. | 7.1 Number of titles granted.<br>7.2 Number of titles in force. |

### **Activities**

- Advice to States and certain organizations, organization of eight seminars/technical meetings (one each for Latin America, Africa, Arab countries and countries in transition, and four for the Asian and Pacific region).
- Operation of a distance learning program in all UPOV languages; expansion to provide a course on the examination of applications for plant breeders' rights.
- Development and operation of a database on assistance in the implementation of plant variety protection.



## Sub-program UV.4

### External Relations

#### Objectives:

- ◆ To increase public awareness of UPOV and strengthen its impact.
- ◆ To increase the understanding of UPOV's role and activities.
- ◆ To develop UPOV's corporate image.
- ◆ To maintain the attractiveness of the UPOV system.

#### **Background**

52. Public awareness of UPOV has substantially increased during recent years. This is partly due to the fact that intellectual property protection, in general, has attracted more attention. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of 1994 obliges members of the World Trade Organization (WTO) to implement an effective system of plant variety protection. As plant varieties constitute an important plant genetic resource, they are affected by the provisions of the Convention on Biological Diversity (CBD) and the implementation of the International Treaty on Plant Genetic Resources for Food and Agriculture of the Food and Agriculture Organization of the United Nations. The importance of mutual supportiveness in the implementation of these international treaties and of the UPOV Convention has become increasingly evident.

53. The UPOV system is an effective and well balanced *sui generis* system of intellectual property protection and UPOV needs to explain and to clarify its role and the answers which it provides to questions raised in relevant policy fields.

54. The Council sees the need for UPOV to actively participate in the relevant work of: WTO and, in particular, its Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS); the Conference of the Parties to the Convention on Biological Diversity (CBD) and, in particular, its various committees and working groups on access to genetic resources and benefit-sharing; and the Food and Agriculture Organization of the United Nations (FAO) and, in particular, the Governing Body of the International Treaty on Plant Genetic Resources for Food and Agriculture and the Commission on Plant Genetic Resources for Food and Agriculture. The aim of UPOV's participation is to explain the UPOV system of plant variety protection and to secure supportive operational effects.

55. Reference is made in this context to UPOV's reply to the Secretariat of the CBD concerning Access to Genetic Resources and Benefit-sharing (Annex III of document C/37/21) and the cooperation with FAO (see document C/40/19, paragraph 50).

56. The findings of the UPOV Report on the Impact of Plant Variety Protection, according to which the implementation of the UPOV system of plant variety protection and membership of UPOV can be a key to economic development in the rural sector in particular, are increasingly noticed by decision-makers.

57. Of particular relevance in external relations are UPOV's contacts with the Organisation for Economic Co-operation and Development (OECD) in respect of the OECD's seed trade scheme and with the International Seed Testing Association (ISTA).

58. There is a growing interest on behalf of some centers of the Consultative Group on International Agricultural Research (CGIAR) to cooperate with UPOV. This concerns, in particular, the International Rice Research Institute (IRRI), the International Center for Agriculture in the Dry Areas (ICARDA) and Bioversity International (the former International Plant Genetic Resources Institute (IPGRI)).

59. In respect of cooperation with non-governmental organizations, UPOV focuses on global associations of breeders, such as the International Community of Breeders of Asexually Reproduced Ornamental and Fruit-Tree Varieties (CIOPORA) and the International Seed Federation (ISF), and regional associations of breeders, including the African Seed Trade Association (AFSTA), the Asia and Pacific Seed Association (APSA), the European Seed Association (ESA), the *Federación Latinoamericana de Asociaciones de Semillistas* (FELAS) and the Seed Association of the Americas (SAA).

60. UPOV's website has become a major means of communication with members and the public. Posting of documents on the website has replaced most of the Office's mailing of paper copies. UPOV's views on key issues are made known to the public through the website. UPOV's databases will be available on the website in the course of the 2008-2009 biennium. Other products of the Office, such as the UPOV Gazette and Newsletter "Plant Variety Protection" and the Plant Variety Database UPOV-ROM, will continue to be produced and distributed. General information material about UPOV will be further improved and important results of UPOV's work, such as the "UPOV Report on the Impact of Plant Variety Protection", are made available on the UPOV website and in book format.

61. The success achieved in raising UPOV's public profile requires maintenance of the current level of activities and resources under this sub-program.

| <u>Expected Results</u>  | <u>Performance Indicators</u>   |
|--|---|
| 1. Recognition of the importance of the UPOV system by relevant organizations. | 1.1 Number of occasions UPOV is invited to participate in or to make presentations at meetings of intergovernmental and non-governmental organizations.<br>1.2 Incorporation of provisions which reflect UPOV's principles in international treaties. |
| 2. Better understanding of the basic principles of the UPOV Convention.        | 2.1 Number of requests for information received.<br>2.2 Number of references in the media to the UPOV system.<br>2.3 Number of visits to the UPOV Website.  |

### **Activities**

- Further optimization and updating of UPOV's information material and information methods (printed material and website).
- Publication of the "UPOV Report on the Impact of Plant Variety Protection" in all UPOV languages in book format and on the UPOV website.
- Participation in meetings with intergovernmental and non-governmental organizations.
- Possibility of further meetings or symposia.

## D. Income for the 2008-2009 Biennium

62. The resource plan included in Section B, highlighting the proposed draft Program and Budget for the 2008-2009 Biennium (see Table 2), includes two different types of resources: (i) regular budget, and (ii) Funds-in-Trust. It should be noted that non-monetary contributions (contributions in kind), particularly of technical assistance and training activities by members of the Union, are not recorded in UPOV's budget.

63. Total income under the regular budget in the 2008-2009 biennium is expected to be Sfr6,754,000. This income figure is Sfr53,000 or 0.8 percent higher than the income for the 2006-2007 biennium of Sfr6,701,000. The changes are essentially due to increased income from interest. In particular, this projection assumes 60.60 contribution units in 2008 and 61.20 contribution units in 2009 and no changes in the value of the contribution unit, which is proposed to remain at Sfr53,641 during the next two years. Annex II to this document lists contributions of members of the Union as of July 31, 2007.

64. In addition to contributions from members of the Union, UPOV generates income from sales of publications estimated at Sfr70,000, interest earned by bank deposits from the reserves and working capital funds, estimated at Sfr70,000 in line with the anticipated increase in reserves, and other miscellaneous income of Sfr80,000 including administrative support costs under Funds in Trust and an estimated income of Sfr20,000 from participants' fees in the UPOV distance learning program. Excluding contributions, all these sources combined are anticipated to generate three percent of UPOV's regular income in the 2008-2009 biennium. Table 7 details income, by source, in both biennia.

**Table 7: Income 2006-2007 and 2008-2009: Variation by Source**  
(in thousands of Swiss francs)

| <i>Source</i> | <i>2004-2005</i> | <i>2006-2007</i> | <i>Variation</i> |               | <i>2008-2009</i> |
|---------------|------------------|------------------|------------------|---------------|------------------|
|               | <i>Actual</i>    | <i>Adopted</i>   | <i>C</i>         | <i>C/B(%)</i> | <i>Proposed</i>  |
|               | <i>A</i>         | <i>B</i>         |                  |               | <i>D=B+C</i>     |
| Contributions | 5,852            | 6,517            | 17               | 0.3           | 6,534            |
| Publications  | 73               | 70               | 0                | 0.0           | 70               |
| Interest      | 62               | 40               | 30               | 75.0          | 70               |
| Other         | 56               | 74               | 6                | 8.0           | 80               |
| <b>Total</b>  | <b>6,043</b>     | <b>6,701</b>     | <b>53</b>        | <b>0.8</b>    | <b>6,754</b>     |

## E. Financial Indicators 2002-2011

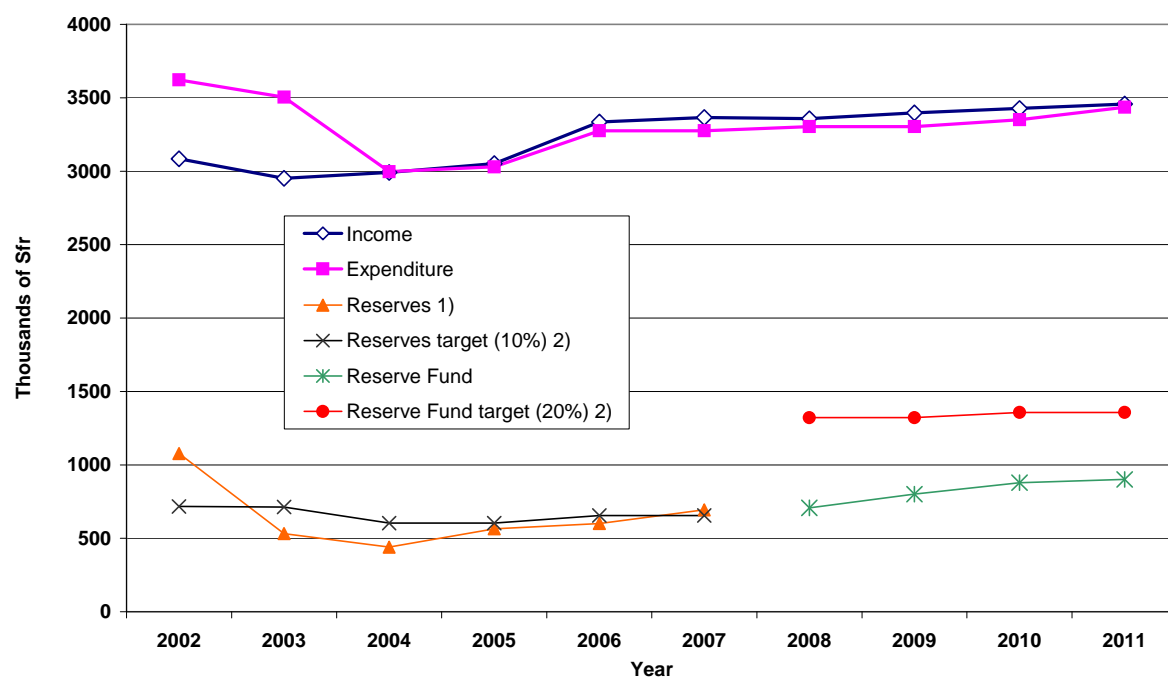
65. The proposed draft Program and Budget for the 2008-2009 Biennium includes a presentation of financial indicators covering a 10-year period, including two years beyond the new biennium and information from the recent past. The presentation of the financial indicators is intended to put the proposed budget for the 2008-2009 biennium into context: indicating trends and assessing future financial sustainability. This information is provided to facilitate members' review and decision on the proposed Program and Budget, and it should not be construed as constituting any specific financial commitment or approval beyond 2009. Table 8 and the graph below show the evolution of the regular budget as far as income, expenditures and reserve and working capital funds levels are concerned.

**Table 8: Income, Expenditure and Reserves for 2002-2011**  
(in thousands of Swiss francs)

|                                   | <i>Actual</i> |       |       |       | <i>Budget</i> |       | <i>Proposed</i> |       | <i>Estimated</i> |       |
|-----------------------------------|---------------|-------|-------|-------|---------------|-------|-----------------|-------|------------------|-------|
|                                   | 2002          | 2003  | 2004  | 2005  | 2006          | 2007  | 2008            | 2009  | 2010             | 2011  |
| Income                            | 3,084         | 2,951 | 2,991 | 3,052 | 3,335         | 3,366 | 3,357           | 3,397 | 3,427            | 3,457 |
| Expenditure                       | 3,621         | 3,504 | 2,996 | 3,030 | 3,275         | 3,275 | 3,303           | 3,303 | 3,350            | 3,435 |
| Reserves <sup>1)</sup>            | 1,077         | 532   | 440   | 565   | 600           | 694   | 1,229           | 1,323 | 1,410            | 1,437 |
| Reserve Fund                      |               |       |       | 100   | 143           | 186   | 707             | 800   | 878              | 900   |
| Reserve Fund Target <sup>2)</sup> | 717           | 713   | 603   | 603   | 655           | 655   | 1,321           | 1,321 | 1,357            | 1,357 |

<sup>1)</sup> Reserve Fund and Working Capital Fund.

<sup>2)</sup> Until 2007: reserves (Reserve Fund and Working Capital Fund) target 10% of budgeted expenditure per biennium. From 2008 onwards: Reserve Fund target 20 percent of budgeted expenditure per biennium.



66. The temporary excess of expenditures in 2002 and 2003 over income had a direct impact on the reserves, with their balance being reduced accordingly. As this level of expenditure, financed by accumulated reserves, could not be sustained, from 2004 onwards, expenditures were drawn close to anticipated income. An exceptional increase in income due to accessions to the Union in 2005 led to a temporary surplus in 2006 and 2007. It is expected that, due to one-time steps taken in 2006, essentially in cooperation with WIPO in respect of operating expenses, and due to savings the actual expenditure will be lower than the budgeted expenditure, which will allow for the building up of the Reserve Fund in line with a recommendation of the Auditor, who considers the previously adopted target level of 10 percent of the budget to be insufficient. However, the increased level of the Reserve Fund would still not meet a target level of 20 percent of the budget, which might be considered appropriate. In 2008, 2009 and 2010, expenditures are expected to be slightly below income level. However, without an increase in the amount corresponding to a contribution unit, income is expected to increase less than expenditure, and by 2011 expenditure will equal income and could exceed it after 2011. In building financial indicators for future years, the following assumptions are made:

- Income: Contributions from members of the Union are anticipated to remain as the main source of income. The total number of units is expected to increase by half a unit per year as new members accede to the Union. Existing members are expected to retain their current level, and the value of the contribution unit is expected to remain unchanged in nominal terms through the period to 2011. Income sources other than contributions are expected to remain at similar values as for the 2008-2009 biennium.
- Expenditures: Expenditure levels beyond 2009 are expected to remain at their value for the next biennium, with adjustments on staff costs in anticipation of updates to the United Nations common system of salaries and benefits. Figures are purely tentative and no approval is sought from members about that expenditure level.
- Extra-budgetary resources: Amounts over the medium term are anticipated at similar levels as in previous biennia.

[Annexes follow]

## **ANNEX I**

### **BUDGET METHODOLOGY**

1. The description of the regular budget methodology provides for the codification and clarification of budget practice as well as the role of the different sections within this proposed program and budget. The budget formulation process starts with the adopted budget for 2006-2007, and concludes with the proposed budget for the 2008-2009 biennium by incorporating the resource variation between the budget for 2006-2007 and the proposed budget for the 2008-2009 biennium. The resource variation between the two biennia is explained either as a program variation or as a cost variation. Table 3 summarizes the main indicators discussed in this Annex I.
2. Budget 2006-2007: The starting point for the budget is presented in document C/39/4. Results from the Interim Financial Statement for 2006 (document C/41/11) and most recent information on the cash flow are taken into account.
3. Proposed budget 2008-2009: The proposed budget is the result of adding the resource variation to the 2006-2007 budget. Resource variation include program variations, which are changes reflecting decisions to be taken, and cost variations, which are changes reflecting exogenous factors to be assumed by the Office of the Union.
4. A 10-year resource plan is presented in Table 8 of this document in order to provide an integrated financial overview, including budget estimates, resource availability and reserve movements. This resource plan is seen to help assessing the financial sustainability of the Office of the Union over the medium term.

[Annex II follows]

## ANNEX II

## CONTRIBUTIONS OF MEMBERS

AS OF JULY 31, 2007

(in Swiss francs)

| 2006<br>Actual | 2007<br>Actual | Members            | Number<br>of Units | Payable in<br>January 2008 | Payable in<br>January 2009 |
|----------------|----------------|--------------------|--------------------|----------------------------|----------------------------|
| 10,728         | 10,728         | Albania            | 0.20               | 10,728                     | 10,728                     |
| 26,820         | 26,820         | Argentina          | 0.50               | 26,820                     | 26,820                     |
| 53,641         | 53,641         | Australia          | 1.00               | 53,641                     | 53,641                     |
| 80,462         | 80,462         | Austria            | 0.75               | 40,231                     | 40,231                     |
| 10,728         | 10,728         | Azerbaijan         | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Belarus            | 0.20               | 10,728                     | 10,728                     |
| 80,462         | 80,462         | Belgium            | 1.50               | 80,462                     | 80,462                     |
| 10,728         | 10,728         | Bolivia            | 0.20               | 10,728                     | 10,728                     |
| 13,410         | 13,410         | Brazil             | 0.25               | 13,410                     | 13,410                     |
| 10,728         | 10,728         | Bulgaria           | 0.20               | 10,728                     | 10,728                     |
| 53,641         | 53,641         | Canada             | 1.00               | 53,641                     | 53,641                     |
| 10,728         | 10,728         | Chile              | 0.20               | 10,728                     | 10,728                     |
| 26,820         | 26,820         | China              | 0.50               | 26,820                     | 26,820                     |
| 10,728         | 10,728         | Colombia           | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Croatia            | 0.20               | 10,728                     | 10,728                     |
| 26,820         | 26,820         | Czech Republic     | 0.50               | 26,820                     | 26,820                     |
| 80,462         | 80,462         | Denmark            | 1.50               | 80,462                     | 80,462                     |
| 0              | 0              | Dominican Republic | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Ecuador            | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Estonia            | 0.20               | 10,728                     | 10,728                     |
| 268,205        | 268,205        | European Community | 5.00               | 268,205                    | 268,205                    |
| 53,641         | 53,641         | Finland            | 1.00               | 53,641                     | 53,641                     |
| 268,205        | 268,205        | France             | 5.00               | 268,205                    | 268,205                    |
| 268,205        | 268,205        | Germany            | 5.00               | 268,205                    | 268,205                    |
| 26,820         | 26,820         | Hungary            | 0.50               | 26,820                     | 26,820                     |
| 0              | 10,728         | Iceland            | 0.20               | 10,728                     | 10,728                     |
| 53,641         | 53,641         | Ireland            | 1.00               | 53,641                     | 53,641                     |
| 26,820         | 26,820         | Israel             | 0.50               | 26,820                     | 26,820                     |
| 107,282        | 107,282        | Italy              | 2.00               | 107,282                    | 107,282                    |
| 268,205        | 268,205        | Japan              | 5.00               | 268,205                    | 268,205                    |
| 10,728         | 10,728         | Jordan             | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Kenya              | 0.20               | 10,728                     | 10,728                     |
| 10,728         | 10,728         | Kyrgyzstan         | 0.20               | 10,728                     | 10,728                     |



| <b>2006<br/>Actual</b> | <b>2007<br/>Actual</b> | <b>Members</b>           | <b>Number<br/>of Units</b> | <b>Payable in<br/>January 2008</b> | <b>Payable in<br/>January 2009</b> |
|------------------------|------------------------|--------------------------|----------------------------|------------------------------------|------------------------------------|
| 10,728                 | 10,728                 | Latvia                   | 0.20                       | 10,728                             | 10,728                             |
| 10,728                 | 10,728                 | Lithuania                | 0.20                       | 10,728                             | 10,728                             |
| 40,231                 | 40,231                 | Mexico                   | 0.75                       | 40,231                             | 40,231                             |
| 10,728                 | 10,728                 | Moldova                  | 0.20                       | 10,728                             | 10,728                             |
| 0                      | 10,728                 | Morocco                  | 0.20                       | 10,728                             | 10,728                             |
| 160,923                | 160,923                | Netherlands              | 3.00                       | 160,923                            | 160,923                            |
| 53,641                 | 53,641                 | New Zealand              | 1.00                       | 53,641                             | 53,641                             |
| 10,728                 | 10,728                 | Nicaragua                | 0.20                       | 10,728                             | 10,728                             |
| 53,641                 | 53,641                 | Norway                   | 1.00                       | 53,641                             | 53,641                             |
| 10,728                 | 10,728                 | Panama                   | 0.20                       | 10,728                             | 10,728                             |
| 10,728                 | 10,728                 | Paraguay                 | 0.20                       | 10,728                             | 10,728                             |
| 26,820                 | 26,820                 | Poland                   | 0.50                       | 26,820                             | 26,820                             |
| 26,820                 | 26,820                 | Portugal                 | 0.50                       | 26,820                             | 26,820                             |
| 40,231                 | 40,231                 | Republic of Korea        | 0.75                       | 40,231                             | 40,231                             |
| 10,728                 | 10,728                 | Romania                  | 0.20                       | 10,728                             | 10,728                             |
| 26,820                 | 26,820                 | Russian Federation       | 0.50                       | 26,820                             | 26,820                             |
| 10,728                 | 10,728                 | Singapore                | 0.20                       | 10,728                             | 10,728                             |
| 26,820                 | 26,820                 | Slovakia                 | 0.50                       | 26,820                             | 26,820                             |
| 10,728                 | 10,728                 | Slovenia                 | 0.20                       | 10,728                             | 10,728                             |
| 53,641                 | 53,641                 | South Africa             | 1.00                       | 53,641                             | 53,641                             |
| 107,282                | 107,282                | Spain                    | 2.00                       | 107,282                            | 107,282                            |
| 80,462                 | 80,462                 | Sweden                   | 1.50                       | 80,462                             | 80,462                             |
| 80,462                 | 80,462                 | Switzerland              | 1.50                       | 80,462                             | 80,462                             |
| 10,728                 | 10,728                 | Trinidad and Tobago      | 0.20                       | 10,728                             | 10,728                             |
| 10,728                 | 10,728                 | Tunisia                  | 0.20                       | 10,728                             | 10,728                             |
| 10,728                 | 10,728                 | Ukraine                  | 0.20                       | 10,728                             | 10,728                             |
| 107,282                | 107,282                | United Kingdom           | 2.00                       | 107,282                            | 107,282                            |
| 268,205                | 268,205                | United States of America | 5.00                       | 268,205                            | 268,205                            |
| 10,728                 | 10,728                 | Uruguay                  | 0.20                       | 10,728                             | 10,728                             |
| 10,728                 | 10,728                 | Uzbekistan               | 0.20                       | 10,728                             | 10,728                             |
| 0                      | 10,728                 | Viet Nam                 | 0.20                       | 10,728                             | 10,728                             |
| <b>3,226,499</b>       | <b>3,258,683</b>       |                          | <b>60.20</b>               | <b>3,229,180</b>                   | <b>3,229,180</b>                   |

[Annex III follows]

## **ANNEX III**

### **DEFINITIONS OF BUDGET HEADINGS**

#### **Sources of Income**

##### **Contributions**

Contributions of members of the Union under the UPOV Convention (Article 29 of the 1991 Act and Article 26 of the 1978 Act).

##### **Publications Income**

Revenue from the sale of publications and products by the Office of the Union.

##### **Interest Income**

Revenues from interest on capital deposits.

##### **Other Income**

All other income not described above, including accounting adjustments (credits) in respect of prior years, currency adjustments (credits) and income to cover “support costs” in respect of extra-budgetary activities executed by UPOV and financed by trust funds; UPOV’s share in WIPO’s common income.

#### **Objects of Expenditure**

##### **Personnel Resources**

###### **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 Office of the Union.

###### **Short-Term Expenses**

Remuneration and allowances paid to staff on short term appointments.

## **Non-Personnel Resources**

### **Travel and Fellowships**

#### **Staff Missions**

Travel expenses and daily subsistence allowances for staff and headquarters-based consultants of the Office of the Union on official travel.

#### **Third Party Travel**

Travel expenses and daily subsistence allowances for government officials, participants and lecturers attending UPOV-sponsored meetings.

#### **Fellowships**

Travel expenses, daily subsistence allowances and training and other fees in connection with trainees attending courses, seminars, and long-term fellowships.

### **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.

#### **Experts**

All expenses connected with the employment of consultants, in particular: 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; costs of staff training; recruitment costs; and other external contractual services.

### **Operating Expenses**

All expenses arising from the acquisition, rental, improvement and maintenance of office space and rental or maintenance of equipment and furniture. 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. Also, all common expenses which are either related to joint activities with WIPO or services actually rendered by WIPO.

## Equipment and Supplies

### **Furniture and Equipment**

Purchase of furniture and equipment, in particular: office furniture and office machines; text processing and data processing equipment; conference servicing equipment; reproduction equipment; transportation equipment.

### **Supplies and Materials**

All supplies and materials, in particular: 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.

## Programs

**Main Program:** UPOV consists of a single Main Program which has been designed according to the need to realize priorities as defined by its membership. Its over-reaching goals are grouped by type at the sub-program level.

**Sub-programs:** The UPOV Main Program is divided into four Sub-programs (UV.1-UV.4). Each sub-program is derived from work plans which are costed and progress is monitored against pre-determined objectives. This process supports the efficient and cost-effective utilization of resources and the maintenance of a system of accountability for program implementation.

[End of Annex III and of document]