

# **M I N U T E S**

of the  
71st meeting of the

## **BUDGET AND FINANCE COMMITTEE**

(Munich, 2 to 4 May 2000)

-----

A summary of the conclusions of this meeting has been distributed as CA/39/00.

-----

**A. OPENING ITEMS**

The Budget and Finance Committee held its 71st meeting in Munich, from 2 to 4 May 2000, under the chairmanship of Mr Daniel Hangard. The list of participants is contained in Annex I.

**I. ADOPTION OF THE PROVISIONAL AGENDA (CA/F 2/00)**

1. The provisional agenda was adopted, subject to the inclusion under item VIa of a revised version of the guidelines for the implementation of CA/170/97 (CA/46/00 Rev. 1), to replace CA/46/00.

**II. REPORT OF THE GROUP OF EXPERTS ON THE OFFICE'S FORECASTING METHODS AND THE PRESIDENT'S COMMENTS (ITEM EXAMINED TOGETHER WITH THE WORKING PARTY ON STATISTICS (CA/57/00 + CA/58/00)**

2. The Chairman introduced the three experts and thanked them for their excellent work.
3. The three experts presented CA/57/00 and illustrated their explanations with a slide show. Overall, they found that the forecasting methods used by the Office were adequate, particularly the so-called "panel" method for making short-term forecasts. However, they recommended a number of improvements, and the introduction of new methods to complement the existing ones.
4. The President then commented on CA/58/00, which contained the Office's reactions to the experts' conclusions. The Office had started to study the possibility of implementing some of the recommended measures, and the Committee would be informed of the results at the latest at its spring 2001 meeting.
5. The Chairman of the Working Party on Statistics welcomed this study, which had been drafted in response to a request made on a number of occasions by the Working Party. He reminded the meeting that the mandate issued to the group of experts had been exclusively to assess the forecasting methods used by the Office, and he was pleased that the outcome had been so positive, even though a number of improvements had been suggested. He nevertheless pointed out that the panel method, deemed promising by the experts, could give distorted results in so far as it was aimed mainly at users who had already filed patent applications and were therefore familiar with the system. The panel should therefore be expanded to include other potential applicants, in particular SMEs. The experts should also have looked more deeply into regression methods based, as in the

172. The committee noted this information.

**XXIV. REVISION OF THE EPC: ARTICLES 37, 38, 42 AND 50 (CA/F 3/00)**

173. The Office tabled CA/F 3/00.

174. The Swiss delegation said it supported the Office's proposals. It was also glad to see there was no express reference to the IAS, as these were currently being revised. It might be helpful if Article 50 specified that "The Financial Regulations shall in particular establish ... (g) the generally accepted accounting principles on which the budget and the annual financial statements shall be based".

175. The French and German delegations commended the Office for its response to the auditors' recommendations, but wondered how revision of the FinRegs would fit in with that of the EPC; the German delegation thought it best to submit the proposed amendments to both texts together. It could not agree to proposed new Article 37(e) since its government was fundamentally opposed to any international organisation borrowing to finance itself. Also, the wording "general accepted accounting principles" (for Article 50(g)) was too vague; and what was meant by "financed ... (f) ... by third-party funding for specific projects" (Article 37(f))?

176. Replying, the Vice-President DG 4 said the Office had decided against any express reference to the IAS (which the Swiss delegation had appreciated) so that it could react flexibly without having to revise the EPC again. Borrowing was ruled out for financing the Office's normal operating budget, but was useful as an option for capital expenditure (eg building projects like the PschorrHöfe). The "specific projects" referred in Article 37(f) were co-financed, for example by the EU. Lastly, the EPC and FinRegs revisions were major undertakings and could not be done together. Clearly, adopting generally accepted accounting principles meant revising the Convention - a process already under way. The FinRegs

would therefore be revised after the Diplomatic Conference revising the Convention.

177. The Office said it would amend Article 50(g) as requested by the Swiss delegation.
178. The chairman suggested that to overcome the German delegation's objections Article 37 should read as follows: "The budget of the Organisation shall be financed .... (e) where appropriate, and for capital transactions only, by third-party borrowings secured on land or buildings;"
179. In conclusion, the committee gave a favourable opinion on the amendments proposed in CA/F 3/00 (delegations present: 18; for: 17; against: DE). The German delegation said it was only against the Organisation being able to finance itself through borrowing; its government opposed that on principle for all international organisations.

**XXV. BUDGET OF THE EUROPEAN SCHOOL MUNICH FOR 2001 (CA/15/00 + Add. 1 f)**

180. The President tabled the two documents, welcoming the headmaster of the European School, Tom Høyem, and thanking him for all he had done over the last six years to ensure the smooth running of the school, which was of great importance for the EPO. Mr Høyem was leaving Munich at the end of the school year to become headmaster of the European School in Karlsruhe.
181. The United Kingdom delegation asked its usual question: why non-entitled pupils (who made up 34% of the total) contributed only 10% of the ESM's total costs.
182. The French delegation said CA/21/00 showed that the Office's contribution to the ESM in 1999 (DEM 18.68m) had been 20% under budget (DEM 20.64m). It therefore wondered whether the figure in the draft 2001 budget (DEM 26.06m, 14.1% up on 1999) was realistic.
183. Replying, the headmaster said the ESM was obliged to accept non-entitled children for educational reasons; some classes would otherwise be too small. Indeed, without these "private" pupils some language sections could not exist.