

Program and Budget Committee

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REPORT ON THE IMPLEMENTATION OF COST EFFICIENCY MEASURES

prepared by the Secretariat

1. An overview of progress on the implementation of the cost efficiency measures put in place in the first six months of 2012 was presented to the Program and Budget Committee (PBC) at its 19th Session in September 2012.
2. This document provides an update on the implementation of the cost efficiency measures put in place by the Organization up to the end of the first quarter of 2013. A full report on the implementation of cost efficiency measures in the 2012/13 biennium will be included in the Program Performance Report (PPR) for 2012/13.
3. *The Program and Budget Committee is invited to recommend to the Assemblies of the Member States of WIPO to take note of the contents of the present document.*

[Report on the Implementation of Cost Efficiency Measures follows]

OVERVIEW OF THE IMPLEMENTATION OF COST EFFICIENCY MEASURES

1. It is recalled that the Assemblies of the Member States of the World Intellectual Property Organization (WIPO) approved the 2012/13 Program and Budget, subject to “efforts by the Secretariat to reduce expenditure through cost efficiency measures by 10.2 million Swiss francs, from 647.4 million Swiss francs to 637.2 million Swiss francs, through, *inter alia*, travel policies for staff and third parties, premises management, policies for payments of Special Service Agreements (SSAs) and honoraria for experts and lecturers, internship programs, receptions and rental of premises and equipment during conferences and a reduction of personnel costs through improved organizational design.”
2. It is also recalled that the Secretariat provided a progress report on the implementation of cost efficiency measures in document WO/PBC/19/9 submitted to the 19th session of the PBC in September 2012. The current report provides an updated overview of the cost efficiency measures put in place by the Secretariat since the preparation of the 2012/13 Program and Budget.
3. Cost efficiency measures implemented by the Secretariat have targeted a wide range of areas, reflecting the Secretariat’s commitment to vigorously pursue all possible measures, including those beyond the ones endorsed by Member States in approving the 2012/13 Program and Budget. These measures have made the achievement of positive financial results possible for the first year of the biennium, reinforcing the financial health of the Organization, with no adverse effect on Program delivery, results and targets.
4. Furthermore, the baselining of the cost efficiencies achieved to date and the continued focus on seeking further efficiencies without affecting program delivery has ensured that the proposed Program and Budget for 2014/15 has also been able to absorb the upward pressure on non-personnel expenditures within an overall reduction of 4.8 percent in the non-personnel envelope proposed for 2014/15.
5. The document presents an update on efficiency measures in the same structure as that presented to the 19th Session of the PBC in order to retain consistency and facilitate comparison. Accordingly, cost efficiencies pursued are presented in the areas of premises management, travel of staff and third parties, organization of meetings and events, other measures in the area of personnel as well as non-personnel resources.
6. It should be noted that exact measurement and quantification of the reduction in real or planned expenditure from the implementation of cost efficiency measures remains a challenge, not only in WIPO but also in other similar organizations. The Secretariat has made an attempt in the next sections to provide an indication of the magnitude of savings and cost efficiencies generated to date in the biennium, where this was possible. Based on the figures available to date, it can be concluded however, that the reduction in expenditure mandated by Member States for 2012/13 in the amount of 10.2 million Swiss francs will be achieved and likely surpassed.

PREMISES MANAGEMENT

7. The Secretariat continued to further rationalize its premises management policies. As indicated already in document WO/PBC/19/9, the new office space allocation policy, issued in December 2010, was expected to – and did – result in added flexibility in managing office space. By the end of 2012, the policy was fully implemented across all WIPO buildings. This has resulted in the creation, in 2012, of 26 supplementary work spaces, enabling more flexible office space management, without having to resort to rental of additional office space.

8. As part of the rationalization of off-site storage space, and as reported previously, WIPO discontinued in 2012 some of its rented storage areas located in Meyrin and Collex. The savings as compared with the 2012/13 budget were about 38 thousand Swiss francs. As a matter of comparison for a complete biennium, however, it is noted that the termination of these two rentals represents a total saving on a biennium in the order of 230 thousand Swiss francs. This level of biennial savings has been reflected in the proposed 2014/15 Program and Budget. The Secretariat will continue to regularly review the adequacy of the other off-site rented spaces so that they correspond to the business needs of the Organization and will report in the future if and when rental of storage areas can be discontinued.

9. In addition to the above, the Secretariat has continued its efforts to identify new cost efficiency measures aimed at reducing electricity consumption. These measures started in the GBI Building in 2012, with the replacement of original installations and equipment by new technological solutions, and are also expected to result in an improvement of the Organization's carbon footprint. Other measures, which are an integral part of a charter signed at the beginning of 2013 with the local energy provider, include both electricity and water consumption reductions over several years, while the local provider offers technical training for the technical staff concerned, as well as assistance in verifying compliance with recently enacted stricter local regulations on building consumption efficiency. The Organization aims at 4 per cent reduction in electricity consumption and 10 per cent reduction in water consumption by the end of 2015. It is only at the end of 2015 that the Secretariat will be able to obtain data showing whether the targets were met and what would be the cost savings as the latter will depend on the price of energy applicable in the Canton of Geneva as from 2016.

10. In 2012 the Property Survey Board approved the recycling of three old official cars, thereby reducing the size of the Organization's vehicle fleet. The latter is also in line with WIPO's strategy to progressively reduce its vehicle fleet and to replace existing vehicles with environmentally friendly alternatives. In addition, functions related to transport of staff and delegates/visitors have been reviewed, and the resulting reduction in resource requirements has enabled the redeployment of resources.

TRAVEL OF STAFF AND THIRD PARTIES

11. It is recalled that the following travel-related costs efficiency measures were described in document WO/PBC/19/9:

- (a) Making economy class travel obligatory for travel of up to nine hours including stop-overs;
- (b) Making the most direct and economical routing compulsory;
- (c) Purchasing tickets at least ten working days, minimum, before the date of departure; and
- (d) Establishing daily subsistence allowance (DSA) payments at 50% for overnight travel by air.

12. Savings from (i) the implementation of the nine hour economy travel, (ii) reduction of DSA payments for overnight flights and (iii) more advance ticket booking have been estimated at 600 thousand Swiss francs in 2012. Additional internal efficiency gains were achieved in such areas as the reduction in processing time of third party visas and event and travel requests.

13. The Organization continues to participate in the Joint Airline Negotiations in cooperation with other UN agencies, within the framework of the UN Common Procurement Activities

Group (CPAG), to achieve better prices and conditions from airline companies. Savings achieved in this area by WIPO were estimated at around 880 thousand Swiss francs for 2012 (CPAG Annual Report for 2012).

14. As also indicated in the proposed Program and Budget for 2014/15, the Organization continues its efforts to achieve further cost efficiencies in travel and has recently launched an initiative to introduce an Online Booking Tool (OBT) which aims at modifying current business processes for the purchase of airline tickets in order to obtain substantially better ticket prices due to earlier booking. The expected benefits, which have been baselined into the proposed Program and Budget for 2014/15, are estimated to be around 8-10 per cent of travel costs, and are made up of the following:

- (a) Savings on air fares, i.e. access to cheaper booking class fares as a consequence of the reduction in time between flight selection/booking and purchase of tickets;
- (b) Savings on the travel agency transaction fees; and
- (c) Simplification of various internal processes, which will yield further efficiencies.

ORGANIZATION OF MEETINGS AND EVENTS

15. The Organization also continued to focus on improving efficiency and achieving cost savings in the area of the organization of meetings and events. The measures put in place as described in document WO/PBC/19/9 included the limitation on the number of staff attending a given event, guidance for use of less expensive hotels, limitation on receptions in Geneva, as well as limitation on the maximum contribution of WIPO towards events taking place abroad, reduction in the honoraria paid to speakers and lecturers, wider use of video-conferencing and webcasting for events, meetings and recruitment activities (interviews), as well as better and more focused use of WIPO's external offices to represent the Organization in meetings in a cost effective manner.

16. While the Secretariat continued to make efforts to limit the size of documents through rationalization and control measures, the implementation of the WIPO Language Policy, adopted by Member States at the 2011 Assemblies, has resulted in increased costs which were only somewhat mitigated by the cost efficiency measures put in place. The increasing workload was handled mainly by adopting a business model placing a higher reliance on outsourcing of translation services. A progress report on the implementation of WIPO's language policy (document WO/PBC/21/15) provides further details for information and consideration by Member States.

OTHER MEASURES

Personnel Costs

17. Most of the cost containment measures undertaken in the course of the current biennium have targeted non-personnel expenditures. The scope for cost containment measures in respect of personnel costs is limited. However, it is foreseen that some savings will result from the rationalization of the internship program, and the organizational design exercise undertaken in the current biennium. The outcome of the latter exercise aimed at achieving optimal use of personnel resources and the results have also been incorporated into the proposed Program and Budget for 2014/15. The Human Resources progress report includes a paragraph on this organization-wide initiative (ref. doc WO/CC/6/71).

Special Service Agreements

18. The 2012/13 Program and Budget included an overall provision of around 24 million Swiss francs for the services provided under SSAs. As was noted in the 2012 progress report on cost efficiency measures, a sizeable share of the SSA budget is related to translation costs, in particular in the areas of PCT and Madrid systems. The Organization continues to strengthen the use of various automated productivity tools to assist in the translation work leading to lower expenditure in this area as well.

19. In the course of an audit performed by the Organization's External Auditor in early 2013, information was provided to the Auditors in relation to cost efficiency measures put in place in respect of SSAs. Following the audit, the External Auditor recommended that WIPO should "draw up and implement an effective cost efficient [sic] strategy in relation to expenditure on SSAs", noting that key elements of such a strategy could be the competitive sourcing of SSAs and a certification by the Program Manager that the work assignment does not include functions assigned or intended to be assigned to regular staff in the recent past/future. WIPO Management accepted the recommendations, noting that significant amount of work has been done to review and revise the procedures related to the procurement of services provided under such individual contractual services, as well as to reinforce the appropriate checks and balances and controls, while streamlining the related processes.

Procurement Contracts

20. As part of the Common Procurement Activities Group (CPAG), WIPO continues to benefit from the CPAG common tenders in such areas as the supply of electricity, reduced fares from airline companies, purchase of IT equipment such as desktop and laptop computers, rental of multifunctional network machines, purchase of travel agent services, etc. Cost savings for services procured by WIPO are estimated at around 1.1 million Swiss francs for 2012, as per the estimated Cost Avoidances published by CPAG. This amount is in addition to the travel-related cost avoidance savings estimated by CPAG, which was mentioned earlier in the document (880 thousand Swiss francs).

21. WIPO continues its focus on the re-negotiation and re-tendering of various procurement contracts for goods and services in order to achieve better prices and conditions from the suppliers. These contracts cover a wide range of areas, including premises, IT, translation services, security services, etc. A number of major contracts were re-tendered in 2012, including the provision of translation services for the Patent Cooperation Treaty (PCT system); provision of software licenses for the Enterprise Resource Planning (ERP) project and the provision of security services for WIPO installations and infrastructure. While the re-tendering has been beneficial and cost effective in most cases, it is noted that this is not necessarily the outcome of all such processes. The contract for the provision of security services is such an example, where unit cost increases have exercised significant upward pressure on the overall cost of the contract. Efforts by the Organization to review its needs in relation to the changing infrastructure of WIPO (e.g. reduced number of access points to be secured) have contributed to containing such increases within reasonable levels.

22. The Organization also continues to enhance its procurement processes in order to achieve better efficiency. In this regard, procedures have been simplified for low-value purchases allowing the elimination of unnecessary administration steps and reducing costs. These new procedures were implemented in early 2013.

Information and Communication Technology (ICT)

23. Significant progress was made in the provision of ICT infrastructure with operations strategically outsourced to ensure high levels of service and cost effectiveness.

24. In respect of service contracts, the use of fixed pricing, coupled with clearly defined, targeted performance indicators and performance framework, has become more widely applied, with resulting cost efficiencies.
25. Service delivery has improved significantly with the outsourcing of services to the International Computing Center (ICC), which has taken over a number of maintenance contracts as well. Annual costs have remained relatively stable, with significant increases in delivered services.
26. In response to the need for enhanced ICT service availability and resilience, a radical shift has been implemented towards the use of server virtualization technology with around 100 new virtual servers deployed per year since the beginning of the current biennium. The increased manageability and flexibility of this approach resulted in estimated cost savings of around 150,000 Swiss francs per year due to cost avoidance.
27. Off-shoring is being looked upon and utilized as an increasingly standard model for all large IT development project contracts, which results in more efficient use of available resources.
28. WIPO expects significant savings from the re-negotiation of the mobile service contract. The overall yearly expenditure of around 550,000 Swiss francs is expected to be decreased by up to 200,000 Swiss francs.
29. Contracts on the network printing services were re-negotiated. A new agreement resulting in significant cost savings was concluded with the supplier. The annual cost of approximately 300,000 Swiss francs was decreased to around 200,000 Swiss francs.
30. There are approximately 3,000 mailboxes operating at WIPO. Cost efficiencies have resulted in reducing operational cost with an approximate saving of 100,000 Swiss francs per year.
31. The Organization implemented a "laptop as a desktop" policy, under which users can opt to have either laptop or desktop computer. The annual savings are expected to be 50,000 Swiss francs.

Mail Expedition Service

32. Guided by WIPO's drive for improved efficiency measures, the Mail Expedition Unit continued to negotiate tariffs with external partners in order to reduce prices for mail services. The Mail Unit delivered 1.8 million items at a total cost of 2.2 million Swiss francs in 2012 compared with 1.7 million items at a total cost of 2.5 million Swiss francs the previous year.

Business Processes and Spending Culture

33. The Organization initiated and completed in 2012 a portfolio of reform initiatives under its Strategic Realignment Program (SRP). The program has brought a new focus to the Organization's culture and values with greater weight and emphasis on improving efficiency in business processes, structures and resource utilization. As of 2013, the Organization has moved into a phase of "continuous improvement" in order to sustain and build upon the SRP achievements.
34. 2012 and 2013 annual workplan exercises, supported by a first generation workplanning tool delivered by the ERP Enterprise Performance Management (EPM) project, have focused on reducing overlaps across programs and enhancing cost efficiencies.

35. The ERP implementation will continue to enable the Organization to standardize processes, uncover untapped efficiencies, reduce costs and provide visibility to managers to inform decision making. The PeopleSoft HR module, expected to go live in October 2013, will automate many of the HR related administrative tasks and will help cut HR administrative costs and boost workforce productivity.

Efficiency Gains under the International Registration Systems (PCT, Madrid and Hague)

36. Despite a considerable growth in the levels of activities under its international registration systems, the Organization has successfully managed to deliver quality services to its users while improving productivity and cost efficiency. Various ICT initiatives leading to increased automation have played an important role in productivity and cost efficiency improvements.

Patent Cooperation Treaty (PCT) System

37. The PCT Operations processed 8.9 per cent more PCT published applications in 2012 than in 2011, while overall costs decreased, in particular indirect costs. This led to a reduction in the average cost of processing a published PCT application to 680 Swiss francs, or 9 per cent decrease as compared to 2011. The productivity of formality examination in 2012 has increased by 10 per cent compared to 2011, mainly due to automation which has permitted the processing of much larger workloads with the same level of staff. The productivity of formality examination is defined as the ratio between the number of PCT publications and the number of staff.

38. The share of fully electronic filings continued to increase in 2012 representing over 90 per cent of total filings. The International Bureau (IB) continues to promote the electronic exchange of documents and data between the IB and Offices with 92 per cent of documents received in 2012 by IB from Offices in an electronic form. Increases in electronic communications with applicants *via* Electronic Data Interchange (EDI), ePCT and email have led to reductions in mailing costs, costs of supplies and materials and communication costs.

39. The re-negotiation of the contract with an external agent for the physical archiving and transportation of PCT files to storage spaces have resulted in bringing down the cost significantly from 217,000 to 37,500 Swiss francs per year. This was achieved by considerably reducing the number of interventions by the contractor and reorganizing internal storage spaces. Future savings are also expected as a result of current plans to undertake the scanning of old files of PCT applications.

Madrid System

40. In the past year, the Madrid Operations Service put greater focus on increasing its overall efficiency and effectiveness and enhancing its capacity to process increasing numbers of registrations and to provide quality services to its users.

41. The main gain in the Madrid Operations has been from the automation of various processes, most importantly in the area of translation services. Between 2011 and 2012, the decrease in the overall production cost was 7 per cent and the decrease in unit cost per application was 9.4 per cent, despite an overall increase in workload.

42. With increased use of electronic communications, and changes in the postage policy and publication system, the Madrid Operations have become more efficient and have been able to lower costs in these areas. In 2012, 46 per cent of international applications were received electronically and 65 per cent of all documentation was received electronically. The Organization is striving to increase this rate and therefore further facilitate increases in the levels of automated electronic processing.

43. In view of the significant share of promotion and outreach activities in the overall budget of the Madrid system, specific measures have been taken to reduce travel costs and the overall cost of non-local events by focusing on low-cost travel, limiting participation in events and making use of external consultants. Furthermore, synergies between the Madrid and Hague system activities have been enhanced so that on certain missions colleagues from the Hague Registry have also made presentations on the Madrid system and *vice versa*.

44. In the next biennium, priority will be given to increased use of IT tools, electronic communications and further automation of processes in the Operations area. These are the areas where the biggest gains can be expected in terms of increased productivity and cost-efficiency.

Hague System

45. Efforts have been put into increasing efficiency of promotion and outreach activities and achieving savings under the Hague system. These included the use of synergies between the Madrid and Hague system activities as indicated earlier. In addition, a consultancy has been offered to an external consultant in the Association of Southeast Asian Nations (ASEAN) region, who will prepare and develop a program of activities addressing accessions to Madrid and Hague systems. The Organization has made a wider use of video conferencing tools, whenever possible, specifically in the area of accession matters. Another cost-efficiency measure in respect of missions and seminars has been the reduction of paper documentation and the use of various electronic devices and supplies such as USB sticks.

46. The new E-Filing tool, launched in June 2013, includes dynamic safeguards enabling applicants to avoid formal mistakes and thus encouraging more application filing electronically. As of June 2013, electronic applications represented 92 per cent of the total number of applications, compared to 85 per cent in 2012. In addition, the planned Hague Portfolio Manager will introduce further electronic interfaces. It is foreseen that all the communications between the applicant/holder/representative and the IB will take place through the Hague Portfolio Manager. These initiatives are resulting in a constant reduction in the number of paper applications and generating savings in mailing costs.

47. Ongoing efforts in process redesign are expected to identify opportunities for increased automation processes. Together with the PCT system, the Brands and Designs Sector has migrated the printing and dispatch of paper-based communications emitted from the Madrid and Hague systems to the WIPO centralized printing facility.

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