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STRENGTHENING BUDGETARY, CONTROL AND MANAGERIAL PROCESSES

prepared by the Secretariat

1. The purpose of this document is to provide Member States with an overview of the main initiatives taken by the Director General of WIPO since the 2005 session of the Assemblies to strengthen the budgetary, control and managerial processes of the Organization. The document should be read in conjunction with documents A/42/8 (“Report on Internal Oversight”), A/42/9 (“Report on, and Recommendations Adopted by, the Ninth and Tenth Sessions of the Program and Budget Committee”), A/42/10 (“Progress Report on the Follow Up of the Joint Inspection Unit’s Recommendations as Contained in Its Report ‘Review of Management and Administration in WIPO: Budget, Oversight and Related Issues’ (JIU/REP/2005/1)”), A/42/12 (“Avian Flu Preparedness Plan”) and A/42/13 (“Progress Report on the New Construction Project”).

I. BUDGETARY AND CONTROL POLICIES AND PROCEDURES

Comprehensive Revision of WIPO Financial Rules and Regulations

2. Following the decision adopted by the Program and Budget Committee (PBC) at its ninth session in January 2006, the Secretariat has started to work on a comprehensive review of the Organization’s Financial Rules and Regulations, which have been in force since 1992. Information on best practices in other UN system organizations has been collected and analyzed. The first draft revised text will be submitted to the first session of the PBC in 2007. The draft will incorporate the new procurement rules and procedures adopted by the Organization in March 2006 and referred to in Part III below.

Improved Management of Income Projections

3. Fees paid by applicants under the PCT, Madrid and Hague systems represented over 89 per cent of the actual income of the Organization in the 2004/05 biennium. Reliable forecasts on the evolution of income from these fees are an essential element in the development of the financial and budgetary policy of the Organization in the short and medium term. In the period under review the Secretariat has developed a system for monitoring, on a monthly basis, projected demand for the services provided by the Organization under the PCT, Madrid and Hague systems, respectively. These forecasts form the basis for the preparation of the draft Program and Budget of the Organization.

Management of Liabilities Related to Separation from Service and Medical Benefits after Separation from Service

4. The Organization has contractual obligations to provide staff members with certain benefits at the time of their separation from service (such as repatriation grant and payment of travel and removal expenses). The Organization also has a contractual obligation to provide retired staff members with post-service medical benefits (these consist in the payment, by the Organization, of a share of the premiums for the medical and accident insurances of retired staff members). These contractual obligations have long-term financial implications and therefore represent a financial liability for the Organization.

5. Currently, the organizations of the United Nations system, including WIPO, are not obliged to enter these liabilities in their accounts; they only disclose them in the notes attached to the financial management reports. However, with the adoption, by the United Nations system of organizations, by 2010 at the latest, of the International Public Sector Accounting Standards (IPSAS), UN organizations, including WIPO, shall be required to record them in the accounts.

6. In order to prepare for these new financial and budgetary requirements, the Secretariat commissioned, in 2005, a study by a specialized external consultant, to begin evaluating the amount of these liabilities. The study, which was made available to the Secretariat in early 2006, concluded that the amount of these liabilities is 16.2 million Swiss francs for separation from service and 54.7 million Swiss francs for post-service medical benefits, respectively. Based on the results of this study, the Secretariat is elaborating a medium-term plan to cover these liabilities through specific budgetary provisions to be calculated on the basis of a fixed percentage of biennial staff costs. Proposals on this issue will be made to the first session of the PBC in 2007.

Development of a New Methodology for Budgeting Personnel and Non-Personnel Costs

7. Reliable costing methods are essential for budget preparation. To improve the quality of budgeting, the Secretariat has developed a new methodology for costing personnel costs. The methodology innovates on previous methods in that it goes beyond standard costs and provides greater accuracy. This new methodology will be presented at the meeting of the Finance and Budget Network of the Chief Executives Board (CEB) of the United Nations that is scheduled to take place in Vienna from August 29 to 31, 2006. The methodology is currently being tested and will be used in the elaboration of the draft Program and Budget for 2008/09.

Monitoring Efficiency-Gain Targets for the 2006/07 Biennium

8. The Program and Budget document for 2006/07 contains the following efficiency-gain targets as compared to the 2004/05 benchmarks:

- a five per cent increase in the productivity rate of the PCT sector
- a 10 per cent reduction in the average cost of translation per page
- a 25 per cent reduction in the average cost of air travel
- an 18 per cent reduction in the average cost of telephone calls
- a nine per cent reduction in the number of mail items
- a nine per cent reduction in the average weight per mail item.

9. The Secretariat has set up a system for monitoring the achievement of these targets. Information on progress made in the attainment of these targets will be provided to the PBC at its first session in 2007. Additional targets and benchmarks (including on the productivity of the Madrid and Hague operations) will be included in the draft Program and Budget for 2008/09.

Enhanced Information to Member States on Managerial, Budgetary and Financial and Issues

10. In the period under review the Secretariat worked towards providing enhanced managerial, financial and budgetary information to the Member States. An organigram of the Organization was published on the WIPO website in September 2005 and is regularly updated.

11. In the period under review two formal sessions (in January and July 2006) and two informal sessions (in April and June 2006) of the PBC were organized. Briefings of Group Coordinators and requesting geographical groups preceded the formal sessions.

Posting of the Main Financial Parameters of the Organization on WIPO Website

12. In order to enhance the transparency of its financial and budgetary management, the Secretariat has undertaken to publish a selected number of indicators on the Organization's website. These include actual and projected data on income, expenditure, reserves, level of applications under the PCT, Madrid and Hague systems, and levels of employment. The Secretariat will update this new information tool on a regular basis.

Strengthening Tools for Internal Control of Expenditure

13. The Controller is responsible to approve all financial commitments of the Organization (Financial Rule 2(a)). To further tighten this expenditure control function, the Office of the Controller prepared new office instructions in respect of expenditure incurred by the Organization in relation to:

- Official Hospitality (O.I. No. 31/2005 dated December 21, 2005)
- Payment of Honoraria to Speakers (O.I. No. 26/2006 dated April 25, 2006).

New instructions were also issued on payments made through the offices of the United Nations Development Programme (UNDP) (O.I. Nos. 32/2005 dated December 22, 2005, and 15/2006 dated March 31, 2006). Revised office instructions on staff travel and third party travel will be published shortly.

Other Ongoing and Planned Initiatives in the Area of Budget and Control

14. Other ongoing and planned initiatives in relation to Budget and Control include:
- revised policy on official use of mobile phones
 - revised policy on inventory procedures
 - preparation of a financial management manual for Program Managers.

II. HUMAN RESOURCES MANAGEMENT POLICIES AND PROCEDURES

Formulation of a Comprehensive Human Resource Strategy

15. During the period under review, the Secretariat worked on the formulation of a comprehensive human resources strategy for the Organization. A preliminary draft of this strategy is annexed to document A/42/10. The strategy will be finalized on the basis of a number of inputs, including the desk-to-desk assessment project.

Freeze on Recruitment

16. In February 2005, WIPO implemented a freeze on recruitment. Today, staffing levels (all categories) are below those in February 2005. The total headcount of WIPO employees has decreased, from 1,417 on June 30, 2003, to 1,256 on June 30, 2006. Exceptions to the freeze were made only for stringent operational reasons in a limited number of areas. The freeze will be maintained until the completion of the planned desk-to-desk assessment of the human and financial resources of the Organization (please see below).

Internal Preparations for the Desk-to-Desk Assessment of the Human and Financial Resources of the Organization

17. In the course of the reporting period the Secretariat initiated preparations for the project. These included the drafting of specifications, establishment of the internal management structure for the management of the project, preparation of the tender, preparation of personnel and other relevant data to be provided to the selected external firm, and interaction with the Audit Committee on the project's specifications. A detailed progress report on the project may be found in document A/42/10 ("Progress Report on the Follow Up of the Joint Inspection Unit's Recommendations as Contained in Its Report 'Review of Management and Administration in WIPO: Budget, Oversight and Related Issues' (JIU/REP/2005/1), Since the 2005 Session of the Assemblies of WIPO Member States").

Revision of Human Resources Management Policies

18. In the period under review the Secretariat has started an overall revision of the human resource management policies of the Organization with a view to further aligning them with best practices in the UN common system. Office instructions were already issued on:

- guidelines on the promotion of staff (O.I. No. 8/2006 dated February 10, 2006)
- establishment and composition of Promotion Advisory Boards (O.I. Nos. 23/2006 dated February 14, 2006, and 29/2005 dated December 9, 2005)
- extension of contracts beyond due retirement date (O.I. No. 8/2006 dated February 10, 2006).

19. Other initiatives include a pilot project for a revised system to appraise staff performance. The revised system aims to further systematic and proactive staff development and career management, and enhance dialogue and feedback on performance between managers and staff. New and simplified tools have also been developed to manage staff working hours and absences. Revised policies were developed in respect of internal redeployment (particularly in view of the ongoing freeze on recruitment). Finally, policies on post classification are being revised in view of the guidelines of the International Civil Service Commission (ICSC).

Abolition of Direct Recruitment

20. In early 2005, the Secretariat had suspended the practice of direct recruitment. As reported to the 2005 Assemblies (document A/41/12, paragraph 13), no direct recruitment was made as of the date of reception of the JIU report. Through document WO/CC/55/1, the Secretariat is now submitting to the current session of the Coordination Committee the proposal to amend the current text of Staff Regulation 4.8(b) to the effect of eliminating the possibility of direct recruitment. On the other hand, the Secretariat has collected information on best practices in other United Nations organizations to respond to urgent requirements to recruit personnel. On this issue, please also see document A/42/10.

Reform of the System for the Internal Administration of Justice

21. The system of internal administration of justice was strengthened to further facilitate resolution of personnel conflicts through informal internal mediation processes and thereby limit the number of cases likely to be brought before the WIPO Appeal Board and the Administrative Tribunal of the International Labour Organisation (ILOAT). New entities and procedures were established through office instructions on:

- establishment and composition of the Joint Grievance Panel, and guidelines on informal and formal dispute resolution process (O.I. Nos. 16/2006 (Corr.) dated May 1, 2006, and 30/2006 dated May 1, 2006);
- harassment at work (O.I. No. 17/2006 dated March 29, 2006);
- terms of reference and designation of the Ombudsman (O.I. Nos. 18/2006 dated March 29, 2006, and 37/2006 dated June 2, 2006);
- procedures for the rebuttal of performance appraisal for short-term General Service employees (O.I. No. 19/2006 dated March 29, 2006).

WIPO as a Non-Smoking Environment

22. Since January 1, 2006, WIPO has been a completely non-smoking work environment, in line with the practice of other UN organizations in Geneva. The ban includes the cafeterias and

all interior premises, whether owned or rented by WIPO (Information Circular No. 52/2005 dated December 7, 2005).

Re-alignment of the Internal Organizational Structure with the Program and Budget 2006/07

23. Following the adoption, by the 2005 session of the Assemblies of WIPO Member States, of the Program and Budget for 2006/07, the Secretariat underwent an internal reorganization to better align its internal structure and reporting lines with the 2006/07 Program and Budget. The process has been guided by the Strategic Framework appearing on page 30 of the 2006/07 Program and Budget publication (No. 360E/PB0607), which illustrates how the five strategic goals of the Organization cascade into priority areas and programs. This re-aligned structure will provide the basis for the desk-to-desk exercise. It will also facilitate better monitoring of the attainment of the objectives, on a program-by-program basis, of the Program and Budget for 2006/07.

III. PROCUREMENT RULES AND PROCEDURES

Comprehensive Revision of Procurement Rules and Procedures

24. In the period under review, the Secretariat conducted a comprehensive review of the procurement rules and procedures of the Organization in order to bring them in line with best practices in the United Nations system, other relevant international organizations, and public sector practices. A comprehensive office instruction entitled "Procurement and Purchase General Principles, Framework and Procedures" (O.I. No. 21/2006) was issued on March 30, 2006. The main features of the new rules include: principles of fairness, integrity and transparency; lower financial thresholds under which direct purchase is possible and above which contracts and contract renewals require the approval of the Contracts Review Committee (CRC); strict limitation of cases for which sole sourcing is allowed; determination of objective and transparent pre-established criteria for the evaluation of tenders; establishment of a special *ad hoc* Committee when special guarantees or external expertise are required; and, standards of conduct, exclusion of conflict of interest, and of any improper influence or benefit.

Preparation of a Revised WIPO Procurement Manual

25. In order to ensure that all staff comply with the new rules and procedures, the Secretariat prepared a comprehensive WIPO Procurement Manual. The preparation of a manual of this kind also responds to the recommendations made by the Audit Committee in its May 5, 2006 report (document WO/AC/1/2). The text of the Manual will be communicated officially to all staff after being reviewed by the CRC.

Revision of the Mandate and Activities of the WIPO Contracts Review Committee (CRC)

26. The WIPO Contracts Review Committee (CRC) plays a key role in the implementation of these new procedures. The Deputy Director General in charge of procurement chairs the CRC and members of the CRC include the Controller and the Legal Counsel. The Annex to O.I. No. 21/2006 defines the CRC's mandate under the new procurement rules.

27. The CRC held eight sessions in 2004 to examine 26 procurement cases, nine sessions in 2005 to examine 29 procurement cases, and six sessions in the first six months of 2006 to

examine 18 procurement cases. Tight review by this Committee has enabled savings in the procurement of certain goods and services.

Reinforcement of the Procurement and Contracts Division

28. Following the entering into force of the new procurement rules and procedures, the procurement services of the Organization were reinforced and streamlined, to ensure a smooth implementation of these new rules and procedures as they are more labor-intensive. A project was also started to reinforce IT-based monitoring of procurement processes and contracts. This will assist in ensuring that new tendering processes are initiated on a regular basis in respect of contracts (whether to purchase goods, or acquire services) having a potentially significant impact on the budget of the Organization.

29. In the reporting period, the Organization also increased its participation in the procurement activities led by the United Nations Office in Geneva and by the other UN system organizations within the framework of the Common Procurement Activities Group (CPAG), established by the Geneva-based organizations of the United Nations system and other international organizations located in Geneva. Through this increased participation, the Organization would expect to benefit from more favorable procurement conditions. It will also be able to pool resources with other agencies for common procurement actions, thus saving administrative costs.

IV. STRENGTHENING THE INTERNAL OVERSIGHT FUNCTION

30. During the period under review, the Secretariat adopted a number of measures to reinforce the internal oversight function of the Organization. Also, the 2006/07 operational budget of the oversight function was increased by over 33 per cent over the 2004/05 revised budget. On this topic, please refer also to document A/42/8 entitled "Report on Internal Oversight" (agenda item 4).

V. ESTABLISHMENT AND SERVICING OF THE WIPO AUDIT COMMITTEE

31. Following the decision taken during the 2005 Assemblies of WIPO Member States to establish a WIPO Audit Committee, the Secretariat launched the process for the nomination and election of the members to that Committee: seven members were elected by the ninth session of the Program and Budget Committee in January 2006 (document WO/PBC/9/5, paragraph 219) and two other members were co-opted by the first seven members in a preparatory meeting held in February 2006.

32. In the course of the reporting period the Secretariat convened and provided support to two meetings of the Audit Committee, one from April 10 to 12, 2006, and one from July 5 to 7, 2006, respectively. The reports of the Audit Committee were communicated by the Secretariat to all States members or observers of the Program and Budget Committee on May 19, 2006 (circular N 2648) and on July 14, 2006 (circular N 2676). A third session of the Audit Committee is planned to be held in October-November 2006.

VI. ETHICS

Activities and Interests Outside the Organization

33. In 2005, the Secretariat had submitted a draft revision of Regulation 1.6 of the WIPO Staff Rules to all Member States (Note verbale C. 2566 of August 12, 2005 refers). This regulation deals with activities and interests of staff members outside the International Bureau. Following informal consultations with the Member States, a final revised text has been submitted to the current session of the Coordination Committee for approval (see document WO/CC/55/1). The Secretariat is also preparing procedures for requests for authorization under the revised text of Regulation 1.6, and for the filing of declarations (“disclosures”) under this regulation.

Revision of Policies on Acceptance of Gifts

34. The policy for acceptance of gifts by WIPO staff members was revised through O.I. No. 18/2004 dated September 23, 2004. Under that instruction, staff members shall not accept any gift, favor, remuneration, benefit or other compensation of a financial value in excess of a value of 80 Swiss francs. Restrictions are also laid down in respect of acceptance of honors, honoraria for speaking engagements, and any hospitality offered by a source exterior to WIPO.

Ethical Issues in Relation to Procurement

35. Paragraph 27 of the new Procurement Rules and Procedures (please see above) provides that bidders declare in their tender documents that: no official of WIPO has received or will be offered any direct or indirect benefit arising from the contract or the award thereof; no third party has received or will be offered any improper benefit arising from the contract or the award thereof; the bidder has not engaged the services of a third party to obtain improper influence during the tender process; and the bidder is aware that the non-respect of these declarations would be considered a fundamental violation of the contract giving WIPO the right to declare the contract void and take any other appropriate legal action.

36. In addition, the said Rules and Procedures provide that WIPO staff and employees involved in a procurement action shall disclose, in advance, any possible conflict of interest that may arise in the course of carrying out their duties. Failure to do so may result in appropriate disciplinary action or other appropriate civil and/or criminal action. All WIPO staff members and employees involved in a procurement action must observe the terms of the Staff Regulations and Staff Rules and the Standards of Conduct Applicable to International Civil Servants, in particular the WIPO staff regulation and rule on confidentiality, without prejudice to staff members’ and employees’ obligation to report waste, fraud or abuse.

VII. GUIDELINES ON MANAGEMENT OF SPECIAL PROJECTS

37. In December 2005, comprehensive guidelines were established for the management of special projects, in particular when involving a large capital investment or with a high risk factor. The main purpose of these guidelines is to improve administrative procedures and practices of the Organization for project management, taking into account the recommendations of the external auditors and lessons learnt from the evaluation of the procedures followed in the renovation of the ex-WMO building.

Management of the New Construction Project

38. In the period under review, the main special project carried out by the Organization was the project for the construction of a new administrative building. In line with the new guidelines at the start of this project, the Secretariat established a specific Project Charter, specifying the mandate and terms of reference of the administrative entities and individuals in charge of the management of the project. Detailed information on this Charter is provided in document A/42/13 (“Progress Report on the New Construction Project”).

39. Also, the Secretariat established a specific Selection Board, composed of Member States representatives, to act in the three procurement actions to be carried out under the project. These are: the selection of the financial institution that will grant the loan to finance the project; the selection of the external firm that will manage the construction project; and, the selection of the General Contractor that will be charged with the construction of the new building.

VIII. MANAGEMENT OF WIPO PREMISES

Consolidation and Reorganization of WIPO Premises

40. At the end of 2004, WIPO premises comprised 11 different locations, of which four were WIPO-owned and seven rented premises. At present, WIPO employees work in seven locations, four of which are WIPO-owned, and three rented. Notice of termination of the lease of one of these rented locations was given in June 2006 and these premises will be vacated in mid-2007. This consolidation of existing premises has enabled savings in rental, communications, maintenance and security costs.

Monitoring Office, Parking and Storage Space Requirements

41. Regular monitoring has been established in order to plan with sufficient advance renewal or denunciation of leases. At present the Secretariat estimates that, pending the completion of the new construction project, it will be able to locate all its headquarters-based employees in its own premises and the two remaining rented premises (the Procter and Gamble and *Centre administratif des Morillons* (CAM) buildings). Upon completion of the new construction, all employees will be relocated, as planned, in WIPO-owned premises.

IX. UPGRADING SECURITY

42. In the period under review the Secretariat conducted an overall assessment of the security requirements of the Organization in order to bring it in line with the requirements of UN minimum operating security standards (MOSS) and other relevant standards. The assessment was completed in 2006. It was based on the UN security risk assessment model and covered current risks to WIPO personnel, information, assets and buildings, and recommendations for mitigation to reduce such exposure. A work plan for a three-year project to upgrade the physical and IT information security of the Organization was adopted. The plan includes measures to raise security awareness activities, adoption of revised internal policies and procedures and improved access control, some of which is subject to the

agreement of the host country. The financial impact of these upgrading measures is being estimated and adjustments, if any, would be submitted to the Member States in the context of the review of the revised budget for the 2006/07 biennium.

X. AVIAN FLU PREPAREDNESS PLAN

43. In the period under review the Secretariat elaborated the Organization's preparedness plan and conducted a desktop exercise to enhance the Secretariat's capability to implement the plan. The Secretariat also assisted other Geneva-based UN organizations in their efforts to elaborate the preparedness plan and establish effective inter-agency collaboration through WHO coordinator. More details are given in document A/42/12 ("Avian Flu Preparedness Plan").

44. The Assemblies of WIPO Member States and of the Unions administered by it are invited to take note of the information contained in the present document.

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