

WIPO



WO/PBC/10/4

ORIGINAL: English

DATE: July 4, 2006

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

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PROGRAM AND BUDGET COMMITTEE

Tenth Session
Geneva, July 11 to 13, 2006

PROGRESS REPORT ON THE NEW CONSTRUCTION PROJECT

Memorandum by the Secretariat

1. At the ninth session of the Program and Budget Committee (hereinafter referred to as “the Committee”), from January 11 to 13, 2006, the Secretariat presented an oral progress report on the new construction project and an informal document entitled “Charter for the WIPO New Construction Project”, whose purpose was to specify the mandates and terms of reference of each of the participants in the management of the project. The Secretariat also indicated that the first meeting of the Selection Board was scheduled to take place on January 16, 2006, and would deal with the first preselection process falling under its mandate (the preselection for the external management firm). Following discussions, the Committee requested the Secretariat to submit the informal document to the Audit Committee for its advice before convening the first meeting of the Selection Board (see document WO/PBC/9/5, report, paragraphs 192 to 209).
2. The present document constitutes a progress report on the project since the ninth session of the Committee.
3. The Audit Committee held its first meeting from April 10 to 12, 2006, and made a number of recommendations in relation to the project. These are contained in paragraphs 7 to 15 of the report of that meeting (document WO/AC/1/2, dated May 5, 2006, communicated by the Secretariat to all States members or observers of the Program and Budget Committee through Note Verbale No. CN2648 of May 19, 2006).

Cost audit of the project

4. The Audit Committee recommended a cost audit of the estimated budget of the project that had been agreed by the Member States in 2005 and suggested that such task could be assigned to an independent party, possibly FIPOI (*Fondation des immeubles pour les organisations internationales*) or the External Management Firm itself.

5. In view of the time that has elapsed since the cost estimate of the project was made the Secretariat is also of the view that a cost audit is needed in order to update the estimated cost. The Secretariat considered that such audit should not be requested from the External Management Firm because this may lead to a potential conflict of interest. It has therefore asked FIPOI (by a letter dated May 16, 2006) whether it would be prepared to carry out the audit, but FIPOI declined due to lack of sufficient personnel (by a letter dated June 6, 2006). The Secretariat has since asked the External Auditor who, at the date of issuance of the present document, had not yet replied, but a preliminary discussion seems to indicate that he would be prepared to accept. In this context, it is recalled that, in 2002, a comprehensive evaluation of the project had been undertaken, at the request of the Member States, and completed, with appropriate expertise by the External Auditor, communicated to, and approved by, the Member States. It is also recalled that the External Auditor has since carried out two interim audits on the project. In the event that the External Auditor, however, would reply negatively, the Secretariat is prepared to launch a limited tender for the selection of an independent firm which would be charged with the audit.

6. The Secretariat will inform the Committee of the outcome of this audit.

Charter for the New Construction Project

7. The Secretariat has prepared a revised Charter which has been presented to the Audit Committee for its second meeting, to be held from July 5 to 7, 2006. Below is an outline of the main characteristics of that new version.

8. The Charter complies, to the best of the Secretariat's knowledge, with United Nations general best practices and international standards, and is pursuant to the new WIPO Procurement and Purchase General Principles, Framework and Procedures and the WIPO Guidelines on the Management of Major Projects. It describes the respective functions of the various bodies, committees and other entities involved in the project, through terms of reference, rules and other relevant excerpts of the mandate of those bodies and committees.

9. For the purposes of information of this Committee, a new "Flow Diagram", a new "Indicative Timetable" and a diagram showing the various selection processes are set out, respectively, in Annexes I, II and III of this document.

10. The role of the External Management Firm (which is now referred to as the "Pilot" of the project) has been emphasized in terms of responsibility for the overall external management and execution of the project on behalf of WIPO: it will represent WIPO throughout the project and ensure compliance with the stipulated budgetary, cost, quality and deadline requirements; it will organize, supervise and coordinate all actions to be taken to implement the project and it will oversee and monitor technical and accounting documentation.

11. The responsibilities, accountability and reporting lines for all bodies and committees involved are illustrated in the Flow Diagram (Annex I), which constitutes an updated representation of the respective roles of the Pilot and of the Audit Committee.
12. The responsibility of the Selection Board in respect of the preselection and selection processes for the Pilot, the General Contractor and the financing entity is illustrated in the Diagram on Selection Processes (Annex III).
13. The oversight functions in the implementation of the project have also been represented in the Flow Diagram (Annex I) in respect of, not only the Internal Auditor and the External Auditor, but also the Audit Committee (which will receive reports from the Secretariat, the Pilot, the External Auditor and the Internal Auditor throughout the duration of the project).
14. A future version of the Charter will include a detailed chapter on the management of changes and a detailed risk register, both of which have to be completed by the Pilot as soon as it has taken up its functions.
15. Since the approval given by the Assemblies of the Member States in October 2005, a number of new steps have been included in the overall process, in particular, the postponement of the first session of the Selection Board (from January to June 2006), the carrying out of an audit (see paragraphs 4 and 5, above), the successive (instead of concurrent) preselection and selection processes by the Selection Board of the Pilot, the General Contractor and the financing entity, and the involvement of the Pilot in the preselection of the General Contractor. As a consequence, the new "Indicative Timetable" (Annex II) shows that construction would start in February 2008 (instead of the previous estimate of April 2007) and would be completed in April 2010 (instead of the previous estimate of June 2009).
16. The attention of the Committee is drawn to the fact that, as a consequence of this new timetable, the cost incurred in respect of the project in the current biennium will be only marginal. On the one hand, this will be reflected in the revised budget of Program 31 (New Construction) for 2006/07 which will be submitted to the Committee in the spring of 2007. On the other hand, the interest rates on the basis of which the cost of the loan was estimated under Program 31 may need to be adjusted. This would be done, as needed, under the draft Program and Budget for 2008/09. It is also noted that, due to the delayed start of construction work, the budget will have to continue to bear the cost of rental of non-WIPO-owned premises beyond the originally estimated date. This will also be reflected as needed in the draft Program and Budgets for 2008/09 and 2010/11.

First session of the Selection Board

17. At its first meeting from April 10 to 12, 2006, the Audit Committee had advised the Secretariat to convene the Selection Board as envisaged, provided a modification be made to the Selection Board Rules.

18. The Secretariat has modified the Selection Board Rules as requested by the Audit Committee: the architect is neither a member nor a non-voting member of the Board but is available for advice upon request from the Board. The Secretariat then convened the first session of the Board on June 14, 2006. The Board dealt with the preselection of the candidates for the selection of the Pilot (previously referred to as the external management firm) and, out of those which had expressed an interest, it selected the companies and firms to which the request for proposal will be sent.

Briefing on the second meeting of the Audit Committee (July 5 to 7, 2006)

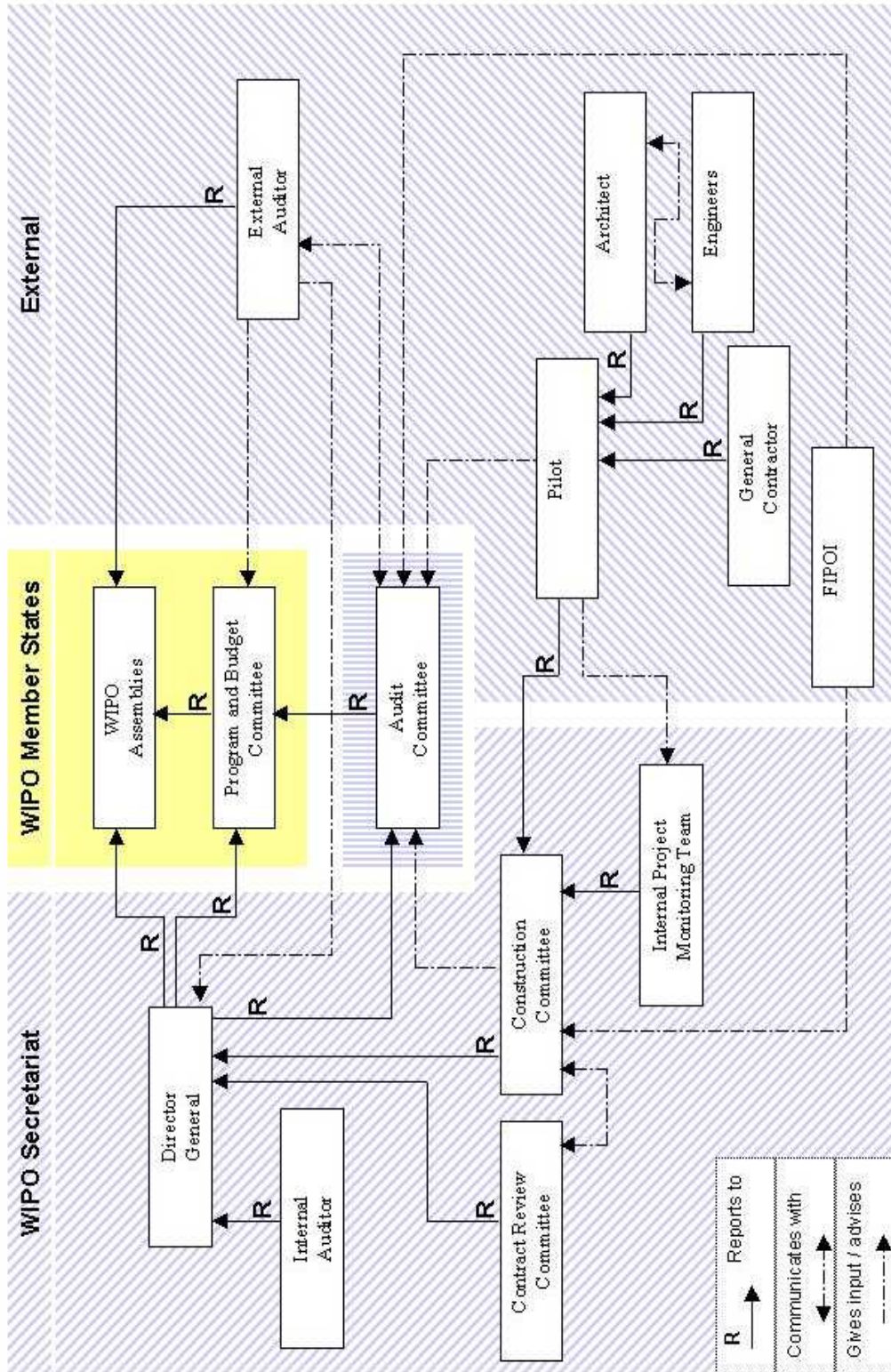
19. The Secretariat intends to give this Committee an oral briefing on any recommendation that the Audit Committee would have taken during its second meeting, insofar as they may relate to the new construction project.

20. *The Program and Budget Committee is invited to take note of this Progress Report.*

[Annexes follow]

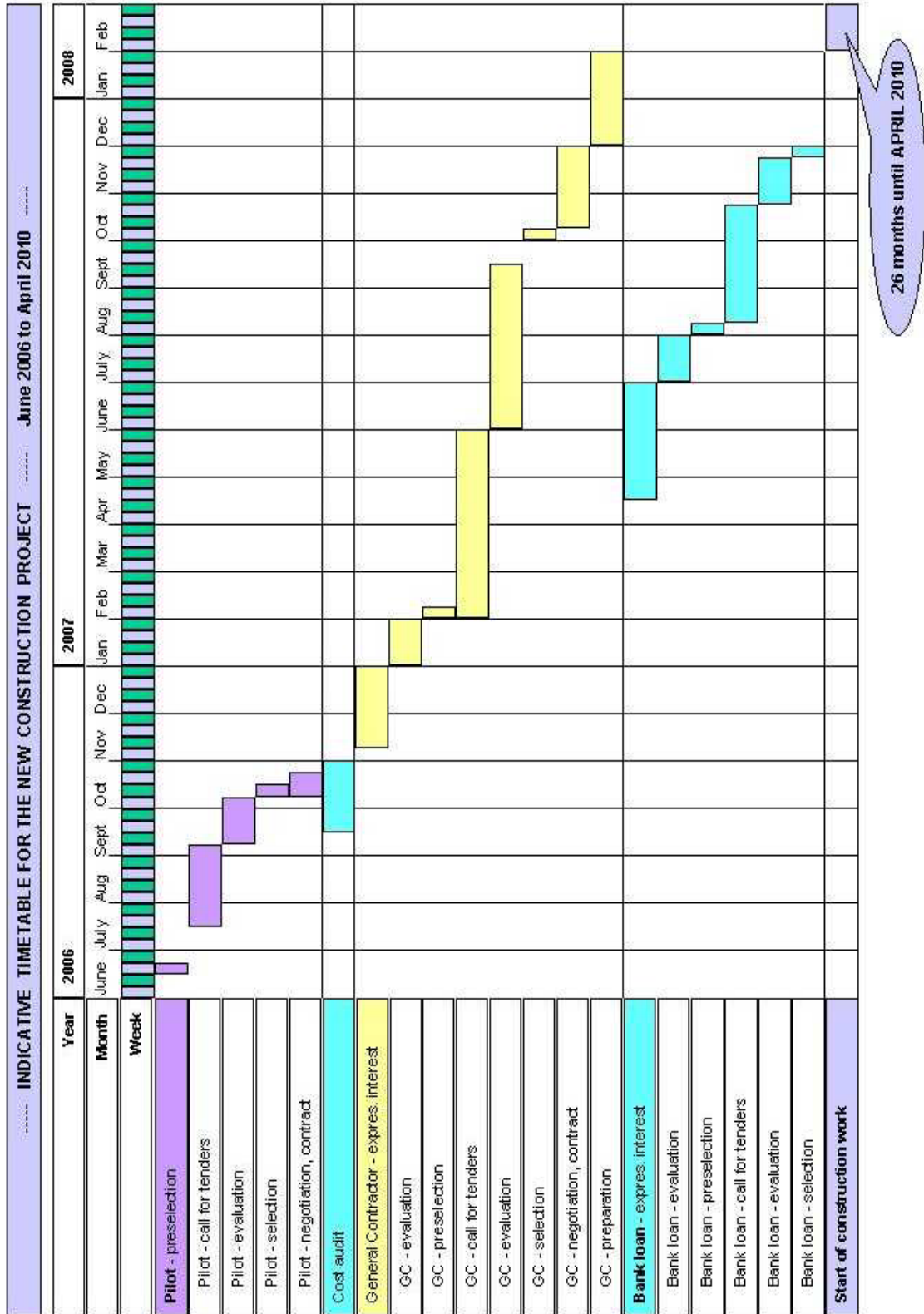
ANNEX I

..... FLOW DIAGRAM FOR THE NEW CONSTRUCTION PROJECT



[Annex II follows]

ANNEX II



[Annex III follows]

