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ASSEMBLIES OF THE MEMBER STATES OF WIPO

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MANAGEMENT OF THE NEW CONSTRUCTION PROJECT

Memorandum of the Secretariat

I. INTRODUCTION

1. At its eighth session, held from April 27 to 29, 2005, the Program and Budget Committee recommended to re-launch the new construction project as per the Proposed Program and Budget for 2006-07 (see Publication 360E/PB0607, Chapters I, II, III, V, VII and VIII) and document WO/PBC/8/INF/1.

2. On April 15, 2005, the Secretariat received from the External Auditor the final version of the report entitled "Interim Audit of the New Administrative Building and Conference Room Construction Project - Follow-up on the 2003 Audit" (A/41/14). On April 20, 2005, the Secretariat also received from the External Auditor the final version of the report entitled "Audit Report Detailing the Costs of Construction relating to the Renovation, Modernization and Extension of the Former World Meteorological Organization (WMO) Building" (A/41/13). These documents were made available to all WIPO Member States by Note C. N 2522 of April 25, 2005, as well as at the eighth session of the Program and Budget Committee, which took place from April 27 to 29, 2005. On August 5, 2005, the Secretariat received the final version of a report entitled "Interim Audit of the New Administrative Building and Conference Room Construction Project - Follow Up on the 2004 Audit" (hereinafter referred to as "the third Interim Audit") (A/41/15).

3. The Secretariat informs the Member States that in the light of the three reports, and in order to complete the new construction project in strict compliance with the established deadlines, costs and quality requirements, it intends to engage the services of an external management entity.

4. The present document elaborates on such external management. It is an updated version of the note which was distributed at the eighth session of the Program and Budget Committee (entitled “Informal Note of the International Bureau on the Management of the New Construction Project in the Light of the Reports by the External Auditor, Received by the International Bureau on April 15 and April 20, 2005”) which is also referred to in the third Interim Audit. In the period since April 2005, the Secretariat has held various further consultations with the External Auditor and the *Fondation des immeubles pour les organisations internationales* (FIPOI) on this subject. This document also reflects the outcome of these consultations.

II. TERMS OF REFERENCE OF THE EXTERNAL MANAGEMENT

5. As stated in paragraph 14 of the third interim audit (A/41/15), in 2005 the Secretariat has developed, in consultation with the External Auditor and FIPOI, the terms of reference of the external management entity which it intends to select in relation to the new construction project.

6. Based on these terms of reference, the external management would be responsible for directing the implementation of the project on WIPO’s behalf, which WIPO would entrust to it by means of a contract. External management would be responsible for project documentation, project accounts, and any change in the project. WIPO would nevertheless retain decision-making power for the approval of the options presented by the external management, and for fixing requirements in terms of costs, deadlines and conformity with technical specifications. The external management entity selected would represent WIPO’s interests in relation to all those participating in the project. It would make decisions, with the prior approval of WIPO. It would coordinate all those participating in the project, draw up meeting schedules, and keep the project accounts. It would report regularly to the WIPO Project Manager and, periodically, to the WIPO Construction Committee (CC). This scheme would provide authority and credibility for the external management so that it can establish its authority over technical engineers and the general contractor. The external management entity would be responsible to WIPO.

III. PROCESS FOR SELECTION OF THE EXTERNAL MANAGEMENT

7. WIPO has taken due note of the recommendations made by the External Auditor in his third Interim Audit on the selection process for an external management entity. In 2005, the Secretariat had started a comprehensive review of its procurement rules and procedures to ensure that, in future, the following principles are given due consideration when exercising the procurement functions of WIPO: best value for money; fairness, integrity and transparency; effective and broad competitions; and WIPO interest. This review will address the concerns expressed by the External Auditor concerning the procurement procedures followed in the selection, in 2002, of an external consultancy firm. It will in particular address the recommendation to establish clear evaluation criteria before launching any tender.

8. The external management will be selected on the basis the following process. The tender specifications would be established with the assistance of the External Auditor (paragraph 28 of the third Interim Audit).
9. The companies responding to the invitation to tender would be required to provide detailed cost quotations for all services involved at a flat rate (not affected by variations in the project's costs). Alternatively, they could be invited to quote prices at an hourly rate, up to a specified maximum amount. This maximum amount would not be exceeded, except in relation to additional services (not included in the original specifications), to be, however, requested and duly accepted by WIPO, on the basis of detailed cost justification.
10. The cost of external management would be absorbed by the budget of Program 31 (New Construction), as detailed in the Proposed Program and Budget for 2006-07 (Publication No. 360E/PB0607). Based on the above specifications, this cost is estimated to be between one and a half and two per cent of the cost of construction.
11. The external management entity would be selected by an independent jury, comprising representatives of the Member States, which should be established from the beginning of the selection process. The jury would benefit from analysis by experts, including FIPOI.
12. The invitation to tender for external management would be issued before the invitation to tender for a general contractor, so that the external management entity selected could take part in the evaluation of the offers of the general contractor and assist in checking the compliance of the draft contract of the general contractor with the tender specifications. This is also in line with the recommendation of the third Interim Audit.

IV. COORDINATION BETWEEN INTERNAL AND EXTERNAL MANAGEMENT

13. As emphasized by the External Auditor, the effectiveness of the management of the project involves close cooperation and coordination between the external management entity and the Secretariat, in particular, the Buildings Division of WIPO. The diagram in the Annex to this document illustrates the way in which the Secretariat intends to organize the supervision and management of the project.
14. The external supervision of the project would be ensured by Member States through the General Assembly, the Program and Budget Committee and, if approved by the September 2005 General Assembly, the WIPO Audit Committee. This is shown in the top part of the diagram annexed to this document.
15. The internal supervision of the project would be the responsibility of the Secretariat. This is shown in the shaded part of the diagram. The policy supervision of the project would be the responsibility of the WIPO Construction Committee (CC). This Committee is chaired by a Deputy Director General and is composed of the Controller, the Legal Counsel, two Executive Directors, one Senior Director and the Director of the Buildings Division. The technical supervision of the project will be the responsibility of the Project Manager (the Director of the Buildings Division) who will coordinate its work regularly with a group (Internal Project Management) composed of representatives of the Office of the Controller, the Legal Counsel, the Finance Department and the Procurement and Contracts Service (PCS).

16. All tenders and procurement related to the project will be submitted to the WIPO Contracts Review Committee (CRC). The CRC is chaired by a Deputy Director General and composed of the Controller, the Legal Counsel, two Executive Directors and one Senior Director. PCS is represented in the CRC in an observer capacity.
17. The WIPO Project Manager (with the inputs of the Internal Project Management) and the external management entity would submit on a regular basis to the Construction Committee reports on the advancement of the project. The Committee would take a position on each substantive decision relating, *inter alia*, to the characteristics of the project, costs and deadlines.
18. Prior to the launch of the project, the Secretariat would elaborate an organizational chart describing the internal management structure of the project. Individual roles and responsibilities would also be identified.
19. The external management structure of the project is illustrated in the bottom part of the diagram. The external management entity selected would be supervising, on behalf of WIPO, the general contractor, the architect and the technical engineers. It would work in close coordination with the Internal Project Management. It would report regularly to the WIPO Construction Committee.
20. In the past months the Secretariat has had several meetings with the Director of FIPOI to explore the possibility of benefiting from FIPOI's assistance in the monitoring of the progress of the project. This is also illustrated in the diagram.

V. SELECTION OF THE GENERAL CONTRACTOR

21. Once the external management entity has been selected, the Secretariat would launch the tender process for the general contractor. An invitation to express interest would be widely distributed, including by means of the Permanent Missions of the Member States in Geneva. A pre-selection of companies expressing an interest would be made by an independent jury composed of representatives of the Member States. The jury would receive two separate technical assessments (one from the external management entity and one from the WIPO Project Manager), and possibly also the advice of FIPOI. The pre-selected companies would then be invited to submit an offer.
22. The draft contract to be entered by the winning general contractor would be examined in advance by the Construction Committee.
23. The cost to be quoted in the offers should be a flat rate and could, as necessary, be the subject of negotiation with those making the lowest offers, according to the practice of FIPOI.
24. A technical evaluation of the general contractors' offers would be conducted by, on the one hand, the WIPO Project Manager and, on the other hand, the external management entity.
25. The offers made by potential general contractors would be selected by the independent jury referred to above.

VI. REVISION AND IMPROVEMENT OF WIPO'S ADMINISTRATIVE PROCEDURES

26. Taking into account the recommendations made by the External Auditor in the reports referred to above, the Secretariat has also launched a process of revision of its administrative procedures. The implementation of this revision process is expected to ensure that the requirements highlighted in the External Auditor's reports in terms of coordination, documentation, reliability, quality of information, and contracting are fully met.

VII. INFORMATION FOR MEMBER STATES

27. In addition to sessions of the Program and Budget Committee, Member States will be kept regularly informed of the progress of the project. Group Coordinators and/or, where the Member States so desire, an *ad hoc* working group, will be kept informed by the Secretariat of the progress of the project.

VIII. CONCLUSION

28. The Secretariat considers that external management of the kind described in this document, working in close liaison with internal project management, under the policy supervision of the Construction Committee (CC), close cooperation among the different operational units in the Secretariat according to a pre-established organizational chart, strict compliance with the Financial Rules as ensured by the Contracts Review Committee (CRC) and revised procurement procedures, should guarantee transparent and effective management of the implementation of the revised project for the new construction.

29. The Assemblies of the Member States of WIPO and the Unions administered by WIPO are invited to note the contents of this document.

[Annex follows]