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## **WIPO GENERAL ASSEMBLY**

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#### **DESK-TO-DESK ASSESSMENT FINAL REPORT SECRETARIAT'S COMMENTS**

*prepared by the Secretariat*

## **I. INTRODUCTION**

1. This document has been prepared by the Secretariat to submit to the General Assembly in September 2007 its comments on the Final Report of the Desk-to-Desk Assessment of the Human and Financial Resources of the World Intellectual Property Organization (WIPO). The document is structured as follows:

Section II: provides the background and process of the Desk-to-Desk Assessment project

Section III: provides the high-level comments of the Secretariat on the report as a whole

Annex: provides the Secretariat's comments on the specific recommended actions contained within Annex I of the Desk-to-Desk Assessment Final Report.

## **II. BACKGROUND AND PROCESS**

2. The Joint Inspection Unit (JIU) conducted a "Review of Management and Administration in WIPO" in February 2004. One of the recommendations was that the

Director General of WIPO hire independent external expertise to perform a comprehensive desk-to-desk assessment of human and financial resources needs of the organization. WIPO welcomed this recommendation and saw it as a significant opportunity to strengthen the strategic plan of the Organization. Member States, in the 2005 Assemblies, supported the recommendation.

3. The Secretariat, guided by the WIPO Audit Committee, developed the Terms of Reference for the project. All comments and suggestions made by the Audit Committee in the reports of their first and second sessions (WO/AC/1/2 and WO/AC/2/2) were incorporated in the Terms of Reference. The Director General appointed an Internal Project Steering Committee (IPSC) to select the contractor and oversee the project internally. An external contractor, PricewaterhouseCoopers (PwC), was selected as the result of the evaluation of responses to the Request for Proposal published in July 2006, under an Open International Tender procedure. A contract was signed on December 6, 2006, for an amount of 889,639 Swiss francs and work commenced soon after.

4. The principal role of the IPSC has been to ensure that the conduct of the project was facilitated and that the terms of reference were addressed. Care was taken to ensure that the project remained an independent, objective and external assessment by the selected contractor. The IPSC was responsible for reporting to the Member States and the WIPO Audit Committee on the progress of the project. The IPSC was also responsible for communications with staff throughout the project. The Secretariat through the IPSC made every effort to ensure that all resources, data and information relevant to the project were made available to the contractor in an expeditious manner. Staff were kept fully informed of the progress and were encouraged to provide their views directly to PwC. The IPSC also held several meetings with members of the Staff Council that provided them with opportunities to express their views on the process. The Staff Council also had independent interactions with PwC on the substance of the project.

5. The WIPO Audit Committee was kept informed of developments and progress related to the assessment. Project documents including the draft Final Report were transmitted to the Committee.

6. One of the interim deliverables of the Desk-to-Desk Assessment project was a draft HR Plan to be delivered by March 31, 2006, which was expected to be taken into account by the Secretariat in the preparation of the proposed Program and Budget for the 2008/09 biennium. PwC delivered a management presentation to the IPSC and to the Audit Committee at that stage. The Secretariat was, however, not in a position to take the interim deliverable from PwC into account in the preparation of the proposed Program and Budget 2008/09, since the headcount data provided therein was not adequately substantiated.

7. In accordance with the Terms of Reference, PwC delivered a draft Final Report to the IPSC in May 2007. The IPSC communicated to PwC a number of points and observations arising out of a comparison of the deliverables within the Terms of Reference and the draft Final Report. No comments were made on the substance of the report. PwC delivered their Final Report on June 27, 2007, by the contractual deadline of June 30, 2007. The Final Report was published on the WIPO Public Web site on July 2, 2007, and immediately transmitted to all members of the Audit Committee. The report was transmitted to all Member States via Note Verbale CN 2800 dated July 6, 2007.

### III. HIGH-LEVEL COMMENTS ON THE FINAL REPORT

8. WIPO is unique among UN specialized agencies in that nearly 92 per cent of its income is generated out of revenues from services provided to the private sector through the registration systems. The Organization has over the past 20 years witnessed rapid and sustained growth in the demand for its services provided to the private sector. Member States have been placing new demands on the Organization with respect to programs, content and service. Additionally, the reliance on demand for services from the private sector necessitates a minimum degree of managerial flexibility to respond to changes in the level and composition of demand.

9. The Organization has grown from a 300-employee operation in 1986 to one that employs 1,260 persons today. In this period, the biennial budget of the Organization has grown from approximately 99 million Swiss francs to 531 million Swiss francs. Biennial income during the same period has grown from 107 million Swiss francs in 1984-1985 to 522.7 million Swiss francs. This growth has given rise to the need to forecast demand for services more accurately, to continuously improve productivity and to ensure that appropriate technical and language skills and profiles are available to its programs. The said growth has also been accompanied by a challenging transition from a highly centralized to a more decentralized style of management and from a highly manual and paper-based Organization to a relatively modern IT based Organization. This transition has, in some cases, been met with resistance to change. In view of such a rapid and important change, it was not always possible, for the Secretariat, to adjust its internal administrative and managerial processes to the increasing size and complexity of the Organization. However, in the last years, the Secretariat has endeavored to speed up this process of managerial adjustment. This is further illustrated below.

10. In preparing its comments on the Final Report on the Desk-to-Desk Assessment, the Secretariat believes that it would not be productive to express views on or discuss the detailed findings in the Final Report. The Secretariat welcomes the Final Report as an opportunity for introducing change and has set out below its comments on, and preliminary analysis of, the recommendations of the Final Report.

11. The Secretariat is, firstly, pleased to note that a number of recommendations contained in the report of PwC endorse or confirm the initiatives that the Organization has commenced or is in the process of planning. The most important of these initiatives are set out below.

(a) The Secretariat developed and submitted a preliminary HR strategy to Member States in the September 2006 Assemblies (document A/42/10 Annex V). Several of the key and enabling elements of this strategy, which was preliminary subject to inputs from the Desk-to-Desk Assessment, have been endorsed by the Final Report. These elements include the need for improved performance management, targeted staff and career development, alignment of staff with WIPO strategic goals, flexible contractual arrangements and the establishment of streamlined, integrated and automated processes.

(b) A comprehensive proposal on revised Financial Regulations and Rules has been submitted to the 11<sup>th</sup> session of the Program and Budget Committee. It incorporates feedback of the WIPO Audit Committee and informal comments from the Internal and External Auditor (See document WO/PBC/11/8). The revised Financial Regulations and Rules, which could enter into force on January 1, 2008, subject to Member States approval, crystallize a

new vision for financial and administrative management of the Organization. They incorporate the new mechanism for the preparation and follow up of the Program and Budget, the notion of results based budgeting, an enhanced role of the Member States in the financial management of the Organization and the principle of accountability of all employees of the Organization. The implementation of the new Financial Regulations and Rules, subject to Member States approval, will imply the re-engineering of all WIPO financial and administrative processes. Such re-engineering will address several recommended actions of the Desk-to-Desk Assessment.

(c) The Secretariat has proposed, to the 11<sup>th</sup> session of the Program and Budget Committee, the implementation of an ERP System which will support the re-engineering of major administrative processes by establishing integrated and automated systems (WO/PBC/11/12). Such a system will enable the effective implementation of the new Financial Regulations and Rules. The initiative to implement an ERP system has also been identified as a crucial element for the successful implementation of the HR strategy, as well as several other recommendations contained in the Final Report. (Paragraph 256 of the Final Report.)

(d) The Secretariat has explored outsourcing of several activities. Learning from this experience, the Secretariat believes that outsourcing is complex and its success depends on a variety of management and market factors. It enables the Organization to be more flexible and to cope with workload fluctuations without adding to the stable headcount. It may not, in the short-term, lead to cost reduction. It creates a demand for new skills to manage outsourced contracts and quality assurance of outsourced work. Outsourcing decisions therefore, in the opinion of the Secretariat, need to be the subject of a comprehensive analysis of the long-term costs, benefits and constraints. Translation services within the PCT have been successfully outsourced since 2004 as a means to cope with increased workload without hiring additional translation staff. The Secretariat has also outsourced certain activities in the Madrid sector (scanning, data entry and electronic notification). Certain IT activities such as ERP application hosting (to the UNICC) have been outsourced to absorb workload fluctuations. Additionally, the Secretariat has used the outsourcing option to seek external expertise for the development of highly specialized IT applications. Translation of WIPO Official publications is being outsourced following the identification of external contractors based on an open international tender for translation services in the six official languages.

(e) Recognizing the key role of an agile and modern IT Program in the achievement of the strategic objectives of the Organization, the Secretariat commissioned an independent external Core IT Program Assessment to obtain input for the development of an IT Strategy. The Core IT Program Assessment report has identified several areas within IT as potential candidates for outsourcing and these will be considered by Senior Management on the basis of business needs, cost-effectiveness, quality and timeliness of services.

12. Secondly, the Secretariat believes that in addition to the recommended actions and initiatives that are in progress or planned, there are others in the report which it considers to be constructive, based on best practice and that may be considered for implementation. Such consideration would need to be within the context of the UN Common System and the Staff Regulations and Staff Rules of the Organization. Specific comments with respect to such recommendations have been provided in the Annex to this document. The Secretariat takes note of some of PwC's observations, in particular those related to tenure, absenteeism and motivation. A number of measures are under review to adapt the contractual arrangements

offered by the Organization to its needs, to manage absenteeism, to stimulate healthy turnover and to improve staff motivation.

13. Thirdly, with respect to the analysis and estimation of headcount savings of 200 posts in paragraph 44 of the Final Report, the Secretariat wishes to draw attention to the following:

(a) The level of redundancy identified within the Desk-to-Desk Final Report is based on PwC's analysis of demand and their assessment of the potential outcome of the recommended actions.

(b) In view of the complex, technically specialized and varied nature of the activities of the Organization, the Secretariat believes that PwC's analyses of individual Programs (Annex 2 Demand Analysis by Program) within the report contains inaccuracies and inconsistencies. Program Managers who had been invited to identify major inaccuracies and omissions with respect to the Programs under their responsibility, have now provided their comments. These comments will be collated and transmitted for the consideration of the WIPO Audit Committee. The substance of the Program Managers' comments will be duly considered in the Secretariat's implementation of the recommendations. The comments from Program Managers fall into a few broad categories. Some of these include the omission of certain core activities being performed within a program, statements which clearly reflect only a partial understanding of the workload indicators of a program, erroneous reporting of the baseline headcount, limited understanding of the technical nature of work (e.g. the differing nature of translation work across the sectors) and an inconsistent framework for the consideration of the various programs. Comments and observations received from employees would also be treated in a similar manner.

(c) The Secretariat believes that the principles and best practices enshrined in the recommendations contained in the Final Report are not dependent on the analyses by Program. However, it wishes to emphasize that any quantified headcount savings (and therefore estimates of redundancy) that use the program-by-program analyses as the basis and those which appear, in the report, without sufficient basis, will need to be examined very critically and carefully by WIPO Management prior to being validated.

(d) As an example, the estimated headcount savings (of up to 55 posts) linked to the ERP implementation are seen by the Secretariat as very optimistic and not based on an in-depth analysis of process improvements or changes in the areas that would be impacted. The experience of several other Organizations within the UN family has been that while an ERP system brings in major improvements in processes and the quality of information available to management, it also places additional demands of data discipline and higher focus on analytical tasks than are needed in manual or legacy IT systems.

(e) Finally, it may be noted that the headcount of the Organization has, in fact, declined from 1417 in June 2003 to 1249 in December 2006, by some 11 per cent and around ten per cent of staff members are due to retire before the end of 2011 and 26 per cent before the end of 2016. Also, the projected headcount at the end of 2009 will have grown by 34.4 % (since 1998) while, in the same period, workload in the PCT and Madrid will have registered a growth of 161.7% and 131.3% respectively. Limiting the headcount growth has been made possible by efficiency gains driven by re-engineering of processes and procedures and the impact of IT investments in the PCT and Madrid sectors and restraint in recruiting.

14. Fourthly, PwC has recommended an integrated program for Organizational Improvement, which they expect will be of approximately 3 to 5 years duration. The Secretariat is in agreement that the changes and recommended actions need to be well planned, structured and managed in an integrated manner with senior management commitment. It will, therefore, propose to its Member States a mechanism and the organizational arrangements that would be necessary to achieve this.

15. Fifthly, the Secretariat is of the opinion that the timelines proposed in the action plan are, in certain cases, ambitious. It believes that the development of a timeline must consider the logical sequence of actions required, the level of financial and human resources that can be allocated and the ability of the Organization to absorb and assimilate change.

16. Sixthly, with respect to resource implications of the recommended actions, the Desk-to-Desk Report has estimated only headline costs for the recommended actions. The report does not include a cost estimate for the implementation of an ERP System which has bearing on several of the recommended actions. The headline costs estimated by PwC are seen by the Secretariat as indicative for those initiatives which it wishes to further consider and plan. Based on a first reading, the estimated costs appear to be lower than required. It is recalled that the Secretariat has already submitted to Member States cost estimates for the implementation of the ERP systems and the HR initiatives included within the proposed Program and Budget 2008/09 under program 25 (e.g. Corporate Management Training Program).

17. Lastly, the Secretariat draws attention to the fact that the Desk-to-Desk Assessment Final Report will have no immediate impact on the proposed Program and Budget for 2008/09, since several of the recommended actions will need to be planned to a further level of detail to determine realistic timelines and to estimate the financial and human resources that will need to be allocated. Any of the recommendations that the Secretariat proposes to implement, having carried out such planning and estimation, are only expected to have an impact on the Revised Budget 2008/09.

*18. The WIPO General Assembly is invited*

*(i) to note the contents of this document,*

*(ii) to express its views on the contents of the document, and*

*(iii) to specify how it wishes to receive further reports on the consideration or implementation of the recommended actions of the Desk-to-Desk Report by the Secretariat.*

[Annex follows]

ANNEX

COMMENTS ON THE RECOMMENDED ACTIONS CONTAINED IN ANNEX I OF THE  
FINAL REPORT ON THE DESK-TO-DESK ASSESSMENT

1. The Desk-to-Desk Assessment Final Report contains recommended actions related to three broad thrust areas (see page 58 of PwC final Report), namely, Leadership and Management, which would include aligning authority with responsibility and accountability, Human Resource Management, which will imply promoting effective and objective performance management and facilitation of appropriate resourcing, and Organization, Processes and Systems which will involve streamlining the organizational structure, automation and simplification of organizational processes and the integration of key administration and management processes into a WIPO ERP system.

2. The following paragraphs contain specific responses to the recommended actions contained in Annex I of the Final Report. The Secretariat wishes to draw attention to the fact that the structure of this document is guided by the structure of the action plan provided by PwC in their Final Report. Several of the recommended actions in PwC's report refer to multiple initiatives and are interlinked. Thus, some notions and concepts included in the responses in this Annex have been repeated to ensure completeness of the comments for each recommendation.

Leadership and Management (Recommended Action 1)

3. The key recommendations related to Leadership and Management pertain to Management Assessment and Management Development (Recommendations 1.1 and 1.2). There is a need for increased focus on Management Development and the targeted training of Management staff has already been identified as a key need in the preliminary Human Resource strategy (paragraph 20 A/42/10 Annex V).

4. An initial framework for core and managerial competencies has been developed by the Human Resources Management Department and has been used as the basis for the performance management and development system (PMDS) currently being piloted. This initial competency framework will now be reviewed by the Senior Management Team in preparation for adoption on an Organization-wide basis. WIPO has also included in its proposal for the Program and Budget 2008/09 a Corporate Management Training Program and comprehensive Terms of Reference for such a program are currently under preparation. The program will integrate management assessment that will typically be conducted at the start, mid-course and at the end of a training cycle. The Secretariat plans to use external assistance that will be selected and hired through an Open International Tender to execute the program.

5. With respect to Absence Management, the Secretariat is examining carefully the statistical basis for PwC's conclusions including any distortions that may have been caused by extreme cases. It is of the opinion that reduced absenteeism will be a result of several factors including management training, improved performance management and higher staff motivation. In an effort to harmonize the rules across regular and short-term employees and to align WIPO's practice with the UN Common system WIPO management has in June 2007 reduced the number of uncertified sick leave (including family related leave) for regular staff from 15 to 7 days. It notes, in this regard, that the majority of staff members, more than 66%,

have taken seven or less uncertified sick leave days. About 25% of the staff members in this category have taken no uncertified sick leave days. WIPO Management is reviewing the policy on certified sick leave days with a view to aligning this with the best practices of the UN Common System.

#### Human Resource Management (Recommended Action 2)

##### Performance Management (Recommended Action 2.1)

6. In respect of Recommendation 2.1, Integrated Performance Management has been identified as a key element of the preliminary Human Resource strategy (paragraph 21 of A/42/10 Annex V). The Secretariat plans three streams of work in this context, namely, the continuation of the pilot PMDS project, improvement of the current paper-based personnel appraisal system and eventually the establishment of a full and more comprehensive performance management system to be implemented within the scope of the proposed ERP project.

##### Career and Staff Development (Recommended Action 2.2)

7. In response to recommended action on Career and Staff Development, the Secretariat wishes to draw attention to paragraph 20 of the Human Resource Strategy of A/42/10 Annex V which identifies such a need. The Secretariat will develop an enhanced competency framework (using as the basis the framework being used in the pilot referred to in paragraph 4 of this Annex). The Secretariat considers that staff motivation reflects several dimensions of human resource management. It believes that, while addressing staff motivation could not be a specific task in the action plan, the implementation of various elements of the action plan would contribute to addressing the issue of staff motivation.

8. With respect to recommended action 2.2.2, the Secretariat endorses the need for new and enhanced processes for other HR areas such as recruitment, career development, training and succession planning. The effective implementation of such processes will, however, depend on the implementation of integrated and automated systems within the ERP project.

9. With respect to redeployment and promotions (Recommended action 2.2.3), the Secretariat plans to review the guidelines for promotion of regular staff published in 2006 in the light of the experience gained in the application of those guidelines. The Secretariat also plans to publish promotion guidelines for short-term general service employees in 2008. With respect to the policy of transfers with posts, a new policy will be developed and this is expected to be in effect from January 1, 2008. A set of post management principles will be defined and reviewed by the Senior Management Team and this will form the basis for post management under the ERP system.

10. The Secretariat recognizes the need for enhanced training programs and has a number of actions planned in respect of training (Recommended action 2.2.4). Management training will be addressed as part of the Human Resource Strategy Implementation and a Corporate Management Training Program. The Secretariat recognizes that the IT program has certain skill gaps. These and other issues have been identified through the IT Assessment commissioned by the Secretariat. The findings in the report will be integrated with the Human Resource Strategy and the IT strategy (which is currently under development). A new policy on training is being drafted to ensure greater alignment with job needs. The report



briefly mentions the need for building IP specialization skills which the Secretariat believes will need to be addressed through the provision of training programs.

HR process redesign (Recommended action 2.3)

11. With respect to HR process redesign, the Secretariat will subject all major HRM processes to a comprehensive re-engineering exercise which will precede the ERP system implementation and will include within its scope streamlining of existing approval processes and compression of cycle-times and lead-times.

HRMD Restructuring (Recommended Action 2.4)

12. The Desk-to-Desk Final Report recommends the early adoption and implementation of HR Strategy which it endorses and the restructuring of the Human Resource Management Department (HRMD). The Secretariat plans to submit an updated Human Resources Strategy, which will include a high-level implementation plan, to Member States in September 2007. A restructuring of the Human Resources Management Department, with a view to improving the focus on the implementation of the strategy, has taken effect from August 1, 2007 following the approval of the Director General.

Organization, Processes and Systems (Recommended Action 3)

Process Improvement, ERP and Other Technology (Recommended actions 3.1 and 3.2)

13. A proposal to implement a full ERP system in WIPO has been submitted to the 11<sup>th</sup> session of the Program and Budget Committee ((Document WO/PBC/11/12). Supplementary information has been requested by Member States which will be submitted to the 12<sup>th</sup> session of the Program and Budget Committee in September 2007 for the recommendation to the General Assembly. This proposal addresses recommended action 3.2. With respect to recommended action 3.1, the Secretariat plans to review, re-engineer, integrate and automate several major administrative and management processes through the ERP system implementation. An ERP Project Board will have the responsibility to review delegation, accountability and simplification within the context of the proposed Financial Regulations and Rules.

Organization Design (Recommend Action 3.3)

14. In response to the recommended actions relating to Organization Design to review the high level structure and, in particular, the direct reports to the Director General, the Secretariat wishes to state the number of direct reports is essentially determined by three factors. First, there is the number of the Deputy Directors General and Assistant Directors General, which is decided upon by the Member States. The persons occupying these posts, by virtue of their senior positions and overarching responsibilities, report directly to the Director General. Secondly, there are certain staff members who, because of the nature of their functions, need to report directly to the Director General. These include the Controller, Legal Counsel, Director of Cabinet, Internal Auditor and the Ombudsman. Finally, in any given period the Director General needs to have direct access to a few officials who may be responsible for certain strategic areas or projects. Bearing in mind these factors, the Director General keeps under review the number of officials reporting directly to him.

15. In response to the recommended action to consider opportunities to link/cluster Programs, especially “back-office” services (Finance, Controller, Human Resources and Procurement), the Secretariat recalls that the most urgent of these opportunities relates to the need for unified financial management structure (Audit committee report WO/AC/4/2, paragraph 25), which has already been incorporated in the draft Financial Regulations and Rules that were submitted to the Program and Budget Committee at its meeting in June 2007 (document PBC/11/8).

16. As regards the review of Program Structure, it may be noted that a review of the Program structure takes place every two years within the context of the Program and Budget cycle. In approving a given biennium’s Program and Budget, Member States consider, and approve not only the Budget, but also the Program structure of the Organization. Hence, the review of the Program structure is a continuing exercise in which the Member States are directly involved. The latest proposal on the Program Structure has been submitted for a first reading to the Program and Budget Committee through the proposed Program and Budget 2008/09 in June 2007.

17. For the Secretariat’s comments on Recommended Action 3.3.4 related to outsourcing see paragraph 11 (d) of the main document.

#### Job Description/Classification (Recommended Action 3.4)

18. In response to recommended actions related to job description and classification, the Secretariat proposes to introduce a structured system of job families. Standard job descriptions and competency profiles will be developed for each job family. This will result in a rationalization of existing job descriptions and a simplification of the classification process.

#### Redundancy/Severance (Recommended Action 3.5)

19. See paragraph 12 in the main document. The Secretariat will examine the need for a special facility to address redundancy/severance issues based on its analysis of the staffing situation of the Organization and will make a proposal to Member States if appropriate.

20. In response to recommended action 3.5.2, the Secretariat firstly agrees with PwC’s observations on WIPO short-term contracts contained in Paragraphs 125 and 126 of the Final Report. In respect of short-term general service employees, the Secretariat, in the proposed Program and Budget 2008/09 has recommended, as a first step the appointment of 10% of the short-term employees (30 posts) to regular posts. This proposal is in accordance with PwC’s observation that there is a strong case for many existing short-term contract positions to be included within the regular establishment. The Secretariat agrees that such inclusion must not result in the appointment of existing short-term general service employees to posts without consideration of their performance and skills. This issue will continue to be examined by Senior Management in the framework of its general appraisal of the headcount of the Organization.

21. Secondly, the Secretariat, in recognition of the fact that more than 70% of general service short-term employees have been in service for more than five years and are performing functions of a core and long-term nature, has recently established new and

modified provisions for general service short-term employees with a view to harmonizing their working conditions with those of regular staff. These modifications relate to language allowance, increases within grade, training costs, duration of short-term contracts and non-certified sick leave.

[End of Annex and of document]