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Program and Budget Committee

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WIPO POLICY ON VOLUNTARY CONTRIBUTIONS (FUNDS-IN-TRUST)

prepared by the Secretariat

1. WIPO Management has recently undertaken an analysis of the current approach with respect to the management of voluntary contributions (Funds-in-Trust) received by WIPO, including an assessment of the administrative costs incurred by the Organization for their administration.
2. The present document provides Member States with a summary of the analysis, including key principles, which will be reflected in WIPO's revised internal Policy on Funds-in-Trust.

3. *The Program and Budget Committee (PBC) is invited to take note of the Analysis on the Management of WIPO's Funds-in-Trust (document WO/PBC/31/11), including the key principles, which will be reflected in WIPO's revised internal Policy on Funds-in-Trust.*

[Analysis on the Management of WIPO's Funds-in-Trust follows]

ANALYSIS ON THE MANAGEMENT OF WIPO'S FUNDS-IN-TRUST

Introduction

1. WIPO distinguishes two types of contributions:
 - (i) Assessed contributions to the Organization under the unitary contribution system; and
 - (ii) Voluntary contributions outside of its regular budget for the purposes specified by the donor.
2. Voluntary contributions, or Funds-in-Trust (FITs), are administered by the Organization on behalf of donors for the implementation of specific activities which must be consistent with the aims and policies of the Organization.
3. The Program Support Cost¹ (PSC) charge (an administrative fee), is set to cover the indirect costs pertaining to the management and administration of the FITs. As per the internal policy in place, the PSC charge should be equivalent to 13 per cent of the actual expenditure of each FIT.
4. The FITs managed by WIPO are of different nature and sizes, and some differences can be observed between the PSC charges retained for the management of these voluntary contributions. The analysis has aimed at:
 - Presenting a comprehensive overview of the FITs at WIPO;
 - Reviewing the complementarity of the FITs to WIPO's work under the regular budget within the results framework of the Organization (alignment to the Results Based Management (RBM) framework);
 - Clarifying the WIPO services provided and workload generated related to the management and administration of the FITs, in comparison to the PSC actually charged; and
 - Identifying key principles that will inform the revision of the WIPO's internal Policy on Funds-in-Trust.

Overview of FITs at WIPO

5. In 2019, there were 23 FITs representing contributions amounting to a total of 12.3 million Swiss francs. The largest contributor was the Government of Japan with 8.3 million Swiss francs followed by the Government of the Republic of Korea, with a contribution of 2.2 million Swiss francs.
6. The specific implementation and financial modalities for each FIT are subject to an agreement between WIPO and the donor, generally in the form of a Memorandum of Understanding (MoU). For the purposes of this analysis, the FITs have been categorized depending on the type of contributions received for the implementation of the agreed workplan: Personnel FITs, Non-Personnel FITs, or Combined FITs (including both a Personnel and a Non-Personnel component). The breakdown by type of FIT is illustrated in Table 1 below.

¹ Support costs are the indirect costs incurred by the Organization in respect of the management and administration of FITs. The UN Secretariat defines indirect support costs as costs that cannot be traced unequivocally to specific activities, projects, or programmes. Indirect costs include costs incurred by services providing administrative and other support functions to a range of operations, programmes and projects financed by a range of voluntary contributions.
https://cerf.un.org/sites/default/files/resources/AG_Paper_direct_and_indirect_costs_final.pdf

Table 1: Funds-in-Trust – breakdown by type
(as at Dec 31, 2019)

Fund-in-Trust Donor	Type of FIT			Personnel (as at Dec 31, 2019)
	Personnel (P)	Non-Personnel (NP)	Combined (P + NP)	
Accredited indigenous and local communities		✓		
Australia		✓		
China		✓		
	✓			3
France	Industrial Property	✓		
Ibero-American Program	Industrial Property	✓		
Italy		✓		
Japan	Copyright		✓	2
	Global Fund		✓	9
	Junior Professional Officers	✓		*
Mexico	Mexico	✓		
Republic of Korea	Building Respect for Copyright and Related Rights	✓		
	Copyright		✓	1
	Copyright/Professional Officers	✓		1
	Industrial Property		✓	1
	IP Education	✓		
	Professional Officers	✓		2
	Alternative Dispute Resolutions	✓		
	Ministry of Justice	✓		1
Spain		✓		
Trusted Intermediary Global Accessible Resources Pilot Project		✓		
The United Arab Emirates		✓		
Uruguay		✓		
TOTAL				20
				23 FITs

* There was no incumbent on the Japan - Junior Professional Officer position in 2019

Alignment of FITs to the Results Based Management (RBM) framework

7. All activities implemented by WIPO, irrespective of the source of funding, should be contributing to achieving the Expected Results of the Organization. The activities managed under the FITs are hence complementary to those implemented under the WIPO Regular Budget. FITs therefore need to be fully integrated within WIPO's RBM framework to ensure that activities are aligned to the Expected Results of the Organization and that they are an integral part of the Organization's planning cycle and associated processes.

8. Although progress has been made over the past biennia, more focus is needed to align the FITs to WIPO's RBM framework. In 2019, alignment of FIT activities to the Organizations' Expected Results was observed for 48 per cent of the FITs, and only 22 per cent had defined Performance Indicators. Whereas 65 per cent had established workplans, only 39 per cent of the FIT workplans were built considering a budget by result and/or deliverable.

WIPO services related to the management and administration of the FITs and their associated workload, in comparison to the PSC

9. Services provided by WIPO for the management and administration of the FITs can be categorized as either "specific" or "shared" depending on their nature². For specific services, the assessment of their costs was based on actual time-spent in 2019. As regards shared services, they were excluded for cost estimation purposes, as the cost of such services would remain unchanged for WIPO should they not be rendered to the FITs. The indirect cost incurred for specific services varies depending on the type of FIT, summarized in Table 2 below. The detailed breakdown by type of service is illustrated in the charts that follow.

² Examples of **specific** services include services rendered by the Finance and Program Performance and Budget Divisions and the Human Resources Management Department in ensuring the financial management and administration of the FIT, the performance and budget management of the FIT and personnel administration of FIT staff where relevant. Examples of **shared** services include: Enterprise Solutions Support (AIMS), IT and Premises and Infrastructure.

10. In order to be able to compare the estimated costs of specific management and administrative services against the FIT contribution, average FITs were defined³. In the case of Personnel FITs and Combined FITs, the estimated costs amounted to respectively 14 and 18 per cent of the average FIT, whereas the estimated costs reached 21 per cent in the case of Non-Personnel FITs.

11. It should be noted that specific services include both a fixed and variable elements. As an example, whereas the cost associated with the administration of travel would vary from one FIT to another depending on the type of activities implemented, the establishment of the MoU and the preparation of financial reports to the donor are fixed elements as they are mandatory irrespective of the type of activities implemented by a particular FIT. This points to the desirability of ensuring that FITs have a minimum contribution threshold.

Table 2: Funds-in-Trust – Estimated indirect cost per average FIT, by type

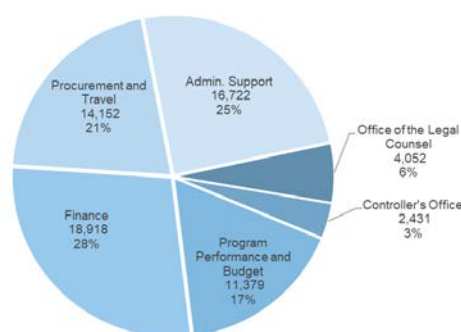
Type of FIT	Average FIT Size	Number of FITs	Service Cost 2019 Specific Services	
	<i>in CHF</i>		<i>in CHF</i>	%
Non-Personnel	320,000	14	67,655	21%
Personnel	562,500	5	76,470	14%
Combined Personnel + Non-Personnel	420,000	4	76,470	18%

Detailed Breakdown: Case of Non-Personnel FIT

Estimated FIT related indirect cost, split by type of service rendered
(in Swiss francs and in percentage split⁴)

Program	Service Cost
Shared Services	
22 Enterprise Solutions Division	14,019
28 Security and Information Assurance	-
24 Premises & Infrastructure	-
25 Information & Communication Technology	-
	14,019
Specific Services	
21 Office of the Legal Counsel	4,052
22 Controller's Office	2,431
22 Program Performance and Budget	11,379
22 Finance	18,918
23 Human Resources Management	-
24 Procurement and Travel	14,152
-- Admin. Support	16,722
	67,655

Zoom-in on the split of specific services



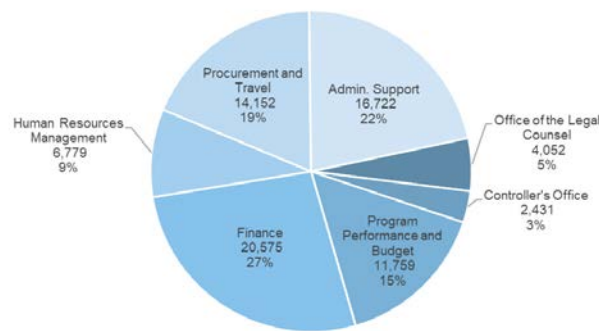
³ Average FITs were calculated based on voluntary contributions received in 2019 and the average cost of FIT Personnel.

⁴ Reference is made to Paragraph 9 with regards to the distinction made between shared and specific services.

Detailed Breakdown: Case of Personnel FIT or Combined FIT
Estimated FIT related indirect cost split by type of service rendered
(in Swiss francs and in percentage split⁵)

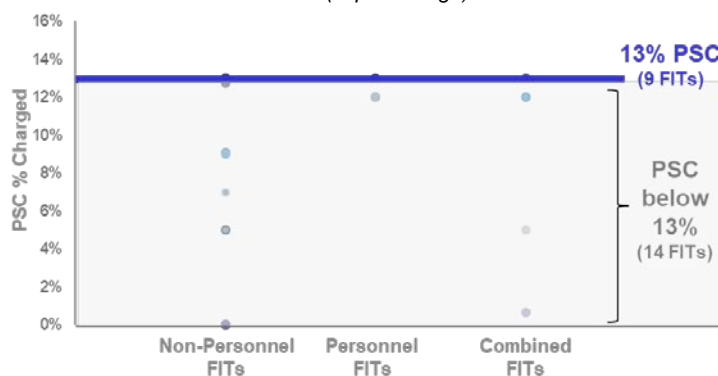
Program	Service Cost
Shared Services	
22 Enterprise Solutions Division	14,019
28 Security and Information Assurance	21,086
24 Premises & Infrastructure	20,356
25 Information & Communication Technology	35,222
	<hr/>
	90,682
Specific Services	
21 Office of the Legal Counsel	4,052
22 Controller's Office	2,431
22 Program Performance and Budget	11,759
22 Finance	20,575
23 Human Resources Management	6,779
24 Procurement and Travel	14,152
-- Admin. Support	16,722
	<hr/>
	76,470

Zoom-in on the split of specific services



12. The current PSCs charged for WIPO FITs in 2019, have been mapped in Chart 1 below against the targeted PSC charge of 13 per cent, as per WIPO's internal policy. In 2019, 9 FITs had a PSC charge of 13 per cent. The remaining 14 FITs, as per the agreements in place, had PSC percentages that were lower than the 13 per cent guideline, ranging between zero and 12 per cent.

Chart 1: 2019 Program support cost (PSC) by type of FIT
(in percentage)



13. The analysis of services rendered for the management and administration of the FITs also brought to light the direct cost incurred for the substantive management of FIT-related activities in the case of Non-Personnel FITs, including the planning and implementation of FIT activities as well as management of the related budget to achieve the expected results as per the MoU and/or workplan. Although this service is provided by WIPO staff and its impact on workload is substantial, the related costs are not

⁵ Reference is made to Paragraph 9 with regards to the distinction between shared and specific services.

defined as a component of the PSC. In the case of some FITs, this has been addressed by adding a Personnel element to the FIT. In the case of other FITs, this has been addressed by recruitment of non-staff resources. For the remaining FITs, the service is rendered by existing WIPO staff members.

14. Lastly, the analysis also led to the identification of FITs where there had been no substantive activity over the course of 2019, and in some cases for even longer. It should in this context be noted that such “dormant” FITs, despite the lack of activity, still require some management and administrative related tasks to be performed, for example the preparation of statutory financial reports to the donor.

Conclusion

15. FITs represent valuable and unique opportunities of engagement with Member States in the pursuit of WIPO’s mandate. Their contribution in achieving the expected results of the Organization constitute an important value-add which is reported annually in the WIPO Performance Reports.

16. In order to further strengthen the FIT partnerships between the Secretariat and the Member States, and based on the findings of the Analysis on the Management of WIPO’s Funds-in-Trust, the following key principles have been identified which will be reflected in WIPO’s revised internal Policy on Funds-in-Trust:

- (i) Aligning the FITs to WIPO’s work under the regular budget within the results framework of the Organization;
- (ii) Securing an appropriate balance in the MoU between the PSC charge and the cost of services rendered by WIPO related to the management and administration of the FITs;
- (iii) Setting a minimum contribution threshold for new FITs; and
- (iv) Making explicit in the MoU the need to close FITs that have remained inactive for 12 months or more.

17. Regarding (i) above, strengthened focus is needed to align the FITs to WIPO’s RBM framework. This is key to ensure that activities implemented under the FITs are: (a) contributing to the Expected Results of the Organization; and (b) that they are an integral part of the Organization’s planning cycle and associated processes. In particular, enhanced emphasis would need to be given to ensure that the MoU agreed between WIPO and the donor and/or the associated work plan is established in accordance with the following elements of WIPO’s RBM framework: (a) specific alignment of the FIT to one or more of WIPO’s organizational Expected Results; (b) defined Performance Indicators to measure the effectiveness of the FIT; and (c) budget defined by result and/or deliverable.

18. Concerning (ii) above, in order to ensure cost recovery for WIPO for indirect management and administrative costs incurred by the Organization, the standard PSC charge for each FIT should be established at 13 per cent in the MoU in line with WIPO’s internal policy . Furthermore, for Non-Personnel FITs, the Secretariat will engage with donors to explore the possibility of adding a personnel element to the FIT to cover the costs associated with the substantive implementation of FIT-related activities.

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