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Administrative, financial and institutional matters

Continuing review of the functions and operations of the secretariat

Dynamic efficiency gains achieved by the end of 2012

Note by the Executive Secretary

Summary

This document summarizes the measures taken by the secretariat in 2012 with a view to achieving sustainable efficiency gains. It outlines the delivery of relevant outputs and provides detailed examples of specific efficiency gains, including cost savings and costs avoided.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by decision 18/CP.17, agreed that the programme budget for 2012–2013 shall reflect an extraordinary 3 per cent efficiency dividend of EUR 1,322,652 on programme expenditures.
2. By the same decision, the COP requested the Executive Secretary to report on dynamic efficiency gains achieved by the end of 2012 and to monitor and report on efficiency gains made during the biennium 2012–2013.

B. Possible action by the Subsidiary Body for Implementation

3. The Subsidiary Body for Implementation may wish to take note of the information presented.

II. Measures taken

A. Commitment and needs assessment

4. As part of her aspiration that the secretariat become a top-performing organization, the Executive Secretary decided to intensify efforts to achieve efficiency gains across all secretariat programmes. All heads of programmes are committed to supporting the Executive Secretary in her drive for innovation and efficiency.
5. Efficiency and cost-saving considerations have been, and continue to be, important factors in the daily decision-making of the various levels of the secretariat's management. Examples of measures taken to enhance the efficiency and effectiveness of the secretariat and the delivery of services to Parties and observers are contained in document FCCC/SBI/2011/INF.15.
6. In response to the relevant mandates given by the COP and pursuant to the Executive Secretary's commitment to the secretariat becoming a top-performing organization, the secretariat enhanced its efforts in 2012. More specifically, the secretariat has undertaken the following activities:
 - (a) Started collecting, analysing and validating relevant data on efficiency initiatives in a systematic, reliable and sustainable fashion;
 - (b) Developed, adopted and initiated the implementation of a plan for continuous improvement;
 - (c) Continued reducing and avoiding costs and increased efficiency across all secretariat programmes.

B. Proof of concept and launching of an efficiency programme

7. In June 2012, the Management Team considered best practices in the private and public sectors as well as a proposal for the development of a secretariat-wide efficiency and effectiveness programme. It decided to conduct two pilot projects as proof of concept with

a view to determining whether and how to adopt industry-proven methods and practices in the secretariat. The selected initiatives were the following:

- (a) Enhancing the secretariat recruitment process;
- (b) Streamlining the processing of clean development mechanism (CDM) registration and issuance fees.

8. Both projects were conducted successfully and key improvements to both processes have been implemented. Consequently, the Executive Secretary decided to proceed with the proposed approach and approved a number of activities, including the following:

- (a) Conducting further improvement initiatives in line with the secretariat's strategy and goals;
- (b) Training, mentoring and coaching of selected staff with a view to building sufficient in-house capacity to undertake and facilitate complex improvement projects;
- (c) Enhancing communication and awareness among staff on opportunities, methods and tools for enhancing efficiency, cost reductions and effectiveness;
- (d) Soliciting, collecting and reviewing data and information on past and ongoing measures as well as proposals for new initiatives to increase efficiency and effectiveness.

C. Adopting the best method for enhancing the efficiency and effectiveness of secretariat operations

9. The secretariat adopted the six sigma DMAIIC (define, measure, analyse, improve, implement and control) process improvement framework and utilizes so-called 'workouts' as the main driver to execute initiatives to enhance the efficiency and effectiveness of selected operations. The 'workouts' bring together the people involved in doing a day-to-day job, who, through a facilitation process, discuss and generate solutions aimed at producing significant and sustainable improvements and efficiency gains. The method brings together three recognized disciplines to deliver rapid benefits:

- (a) LEAN,¹ to simplify and streamline processes by eliminating non-value added activities while delivering greater business value;
- (b) Six sigma,² to reduce variability and identify root causes and remove constraints;
- (c) Project management, to ensure a structured governance of the programme and delivery of the individual improvement initiatives.

10. Experience gained to date with the method in the secretariat has been positive. Initial resistance by some staff members confronted with the need for change was overcome as they went through the 'workout' process and realized that it presents an excellent opportunity to communicate effectively with relevant colleagues across programme boundaries and that their own views, ideas, concerns and suggestions are taken into consideration.

11. During the five 'workout' events held to date, root causes were identified by the teams and applicable solutions were approved by the respective decision-making panels.

¹ LEAN is a collection of principles, methods and tools that improve the speed and efficiency of any process by eliminating waste.

² Six sigma is a set of tools and strategies for process improvement.

Afterwards, the team members developed a project implementation plan for use by a project manager designated by the sponsor of the initiative.

12. The secretariat has shared information on the positive results achieved by applying the ‘workout’ approach with the United Nations Office at Geneva, which has started applying the method successfully.

13. ‘Workouts’ are designed to enhance the efficiency of secretariat operations and mostly result in net cost savings. An online application to track and calculate the benefits was designed. It tracks the benefits against the baseline data, goal and investment in order to assess the quality of the solutions implemented, with a view to collecting and consolidating information on all initiatives undertaken.

14. Key criteria for selecting and prioritizing improvement projects in the secretariat and measures for their success include the following:

- (a) Net financial benefits;
- (b) Positive impacts on the accomplishment of secretariat goals;
- (c) Reduced risk and higher compliance with rules and regulations;
- (d) Higher levels of client satisfaction;
- (e) Reduced lead time.

15. The above criteria and measures are linked. For example, measures to reduce costs should not result in lower client satisfaction or a higher lead time. In this sense, the concept of efficiency applied in the secretariat includes, but is not limited to, reducing costs.

D. Initial outputs

16. The development of the efficiency programme is ongoing and progress has been made in the following areas:

- (a) Training and certification of 17 ‘workout’ facilitators on efficiency and effectiveness has been provided and tailored training materials have been made available;
- (b) Ongoing coaching of seven lead facilitators on efficiency and effectiveness has been provided;
- (c) Training on statistical analysis and data mining has been provided to seven staff members working in the areas of finance and programme and project management;
- (d) An online collaboration platform based on SharePoint for the efficiency programme has been developed and made available with, inter alia, information on initiatives proposed or implemented, background and learning material, user-friendly online submission templates for new proposals and reporting purposes, a draft wiki of lead facilitators, useful links and references to relevant mandates provided by Parties;
- (e) A benefits realization tracking system has been established;
- (f) Online training material on LEAN and six sigma has been made available on the secretariat’s Learning Management System;
- (g) An innovative prioritization and selection process has been established and successfully implemented to funnel and channel ideas and proposals efficiently and effectively. A total of 14 proposals for enhancing the efficiency and effectiveness of specific secretariat operations were reviewed and prioritized in March 2013;

(h) Meetings with staff and management as well as internal newsletter articles were used as a means to raise awareness and seek feedback on the efficiency programme;³

(i) Close coordination with other secretariat improvement initiatives, including collaboration with the innovation task force and input to the development and launching of staff awards, which has ensured synergy.

III. Specific efficiency gains

A. Projects initiated in 2012

17. The Management Team identified enhancing the effectiveness and efficiency of the recruitment process as a top area for improvement in 2012. It was noted that the process of recruitment was too long (in excess of three months), which resulted in a number of negative implications, including the following:

(a) Vacancies that needed to be filled were not, which increased pressure on staff;

(b) Services that should have been delivered were not delivered and the quality of services was decreasing, resulting in less customer satisfaction;

(c) Good external candidates may have been lost as a result of the long lead time and competing opportunities in the job market.

18. The challenge for the ‘workout’ team was to identify opportunities to improve the recruitment process and to recommend applicable solutions to reduce the average recruitment lead time by at least 10 per cent. In July 2012, seven solutions were identified by the team and approved by a decision-making panel. Key improvements are expected to result in net savings of USD 130,000 per year and a reduction in lead time from about 90 days to 70 days.

19. Another priority for improvement in 2012 was streamlining the processing of CDM fees and invoices. In July, a ‘workout’ team was tasked to identify opportunities to streamline the process and to develop applicable solutions to enhance the efficiency, transparency, consistency and timeliness of the process. It was agreed that rules and guidance given by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the CDM Executive Board were not in the scope of the ‘workout’. Eight solutions were identified by the team, of which six were approved by a decision-making panel. The anticipated net savings resulting from the key improvements were estimated to amount to USD 43,300, while actual net savings of USD 44,800 were realized.

20. In October 2012, a ‘workout’ team reviewed workflows and processes related to the secretariat’s travel plan, which provides secretariat-wide coordination of responses to meeting invitations and thereby ensures consistency in communication to external event organizers. The travel plan serves multiple purposes, including reducing the cost of mission travel for the secretariat by limiting multiple attendance. The processing of invitations to external events was considered to be slow, cumbersome and not fully effective. The

³ Meetings included one all-staff meeting on the strategy of the secretariat as a top-performing organization, two meetings of the Management Team, six bilateral meetings of the efficiency consultant with programme heads and the Executive Secretary and numerous meetings with subprogramme managers. Relevant articles were contained in five issues of the UNFCCC internal newsletter and one relevant article was contained in the UNFCCC *Learning Exchange* newsletter. Approximately 50 staff learned about the effectiveness of the ‘workout’ approach as active participants in ‘workout’ events.

‘workout’ team was tasked to identify opportunities to improve the process and to recommend applicable solutions:

- (a) To reduce the lead time for providing a response to external invitations;
- (b) To reduce the average number of person-hours for processing travel-related correspondence per invitation;
- (c) To increase the proportion of timely responses to invitations;
- (d) To increase the proportion of timely input by programmes in accordance with the deadlines set by the travel plan team;
- (e) To increase the proportion of mission reports submitted on time.

21. A total of 13 solutions were identified and approved and a number of key improvements made that are expected to result in net savings of between USD 95,000 and USD 140,000. Improvements are expected to result in the following:

- (a) A shorter lead time, owing to process streamlining;
- (b) Less overtime and a more effective use of available human resources;
- (c) Less repeating of processes, owing to higher quality input from the start;
- (d) Better process controls, owing to an enhanced use of information technology;
- (e) Clear roles and responsibilities, owing to the development and deployment of standard operating procedures.

B. Ongoing and planned projects

22. The secretariat is building on the solid foundation laid during 2012 in terms of identifying opportunities for cost reductions, making efficiency gains and realizing benefits on a daily basis. As awareness in the secretariat of established systems, methods and tools continues to grow, the number of improvement projects increases, along with the resulting benefits. Having conducted three ‘workouts’ in 2012, the secretariat plans to conduct 10–15 complex improvement projects in 2013 and in the following years and it is expected that the benefits of the projects will be on average at least 25 per cent higher than the investment. All future ‘workouts’ will be facilitated by staff certified as lead facilitators.

23. In the beginning of 2013, the momentum of the efficiency programme continued growing. In March, a team identified opportunities for:

- (a) Streamlining and standardizing the process of issuing air tickets to staff;
- (b) Cost savings by reducing ticket costs.

24. Solutions approved by the relevant decision-making panel are expected to result, *inter alia*, in cost savings of USD 600,000.

25. In early April 2013, a team identified opportunities to streamline and further enhance the effectiveness of the process of the submission and consideration of CDM methodologies, with a view to:

- (a) Reducing the start to end process lead time;
- (b) Creating more value for stakeholders with the same or less resources;
- (c) Making the process more adaptive to cope efficiently with different cases (not always using a one size fits all approach).

26. Applicable solutions were approved by a decision-making panel and a plan is under development for swift implementation.
27. Further improvement projects are either ongoing or planned for 2013, including improvements relating to the following:
- (a) The process of reporting to donors;
 - (b) Arrangements for meetings of the Compliance Committee of the Kyoto Protocol;
 - (c) The Sustainable Development Mechanisms programme regulatory development process in support of regulatory bodies;
 - (d) Side events and exhibits;
 - (e) Workshop planning;
 - (f) Observer admission to the intergovernmental process;
 - (g) Tracking of payments to CDM experts;
 - (h) The election process of members to the bureaux of the constituted bodies of the Convention and its Kyoto Protocol;
 - (i) Correspondence management;
 - (j) Printing and copying.
28. New proposals for enhancing the efficiency and effectiveness of specific secretariat operations continue to be submitted by staff and management and continuous improvement is becoming an ever stronger feature of the secretariat's culture.

IV. Other activities enhancing efficiency and cost-effectiveness

29. In addition to adopting and implementing the approach shown above for improving operations through a facilitative process, many other activities undertaken by the secretariat contributed to enhancing efficiency in 2012 as efficiency was taken into account in daily decision-making and action.
30. This document does not attempt to provide a complete account of all activities or a quantification of related benefits for a number of reasons, including the following:
- (a) Mechanisms and systems to report on efficiency gains across the secretariat have only been developed recently; they are expected to be used more widely in 2013 and beyond when staff become more familiar with them;
 - (b) Data collection, analysis and reporting are sometimes resource intensive and prohibitively costly;
 - (c) Quantification of benefits from internal capacity-building and strengthened skills development is a challenge.
31. The details provided in paragraphs 32 and 33 below illustrate the efforts made by the secretariat in 2012 and the magnitude of the benefits achieved.
32. In the context of a wider effort to reduce costs and reduce the environmental impact relating to mission travel, the secretariat adopted a special policy for staff travel to COP 18, held in Doha, Qatar. In accordance with that policy, all travel to Doha was made in economy class, regardless of the duration of the flight or of the entire journey. That measure was a special arrangement for group travel, as provided for under the UNFCCC

travel policy. The implementation of that policy resulted in a reduced carbon footprint of approximately 50 per cent per flight. In addition, a total of USD 700,000 in travel costs was avoided.

33. The secretariat will be implementing International Public Sector Accounting Standards as of 1 January 2014. As part of the lead up, the secretariat is required to prepare new accounting policies and procedures. This effort was originally budgeted at EUR 200,000 per year for 2012 and 2013 and included the hiring of an additional P-4 manager and consulting costs. The Finance Unit of the secretariat instead has implemented preparations through the use of a consultant only, with additional preparation work being carried out by existing staff. The savings amount to EUR 150,000 per year for 2012 and 2013.
