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Item 8 of the provisional agenda

General Risk Management

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Report by the Director General

The present provides an update on UNIDO's general risk management strategy since the report of the Director General presented at the forty-ninth session of the Industrial Development Board (IDB.49/9).

I. Background: Phase I of the risk management strategy

1. This document updates the report PBC.37/9–IDB.49/9, providing an overview of initiatives carried out in the second third and fourth quarters of 2021 and the first quarter of 2022.
2. The previous report by the Director General introduced the Reference Maturity Model for Risk Management as a specific framework of the United Nations to measure the progress made by UNIDO in its risk management strategy.
3. First presented in September 2019 by the High-Level Committee on Management to the Chief Executives Board for Coordination, the Reference Maturity Model builds on a survey of risk management practices in United Nations entities, distinguishing six areas (policy framework, organizational structure, action plan, monitoring tools, skills development and culture change) where progress is measured on a scale of five maturity levels: “initial”, “developing”, “established”, “advanced” and “leading”. A realistic goal for UNIDO is to reach the advanced level, in all six areas of risk management. The strategy underway since the creation of the Office of the Special Advisor to the Director General on Operations Coordination and Risk Management in June 2020 is to systematically migrate all six sub-categories of risk management towards the advanced level.
4. The first phase of the strategy from mid-2020 to mid-2021 focused on the policy environment (Director's General Bulletin DGB/2021/01 “UNIDO Enterprise Risk Management (ERM) Policy” of January 2021), and a concrete **action plan** (Administrative Instruction AI/2021/01 “The Director General's Risk Management Priorities for 2021” of March 2021), which completed the **governance** reforms

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underpinning the establishment of the Office of the Special Advisor in June 2020 (DGB 2020/04 “UNIDO Secretariat Structure 2020”).

II. Progress since mid-2021: Phase II

5. Information Circular IC/2021/16 “Membership of the Results and Risk Focal Points Network” (RRFPnet) officially established at the end of April 2021 a gender balanced team of 32 experienced professionals and managers representing a cross-section of organizational units at UNIDO.

6. RRFPnet was jointly led by the Director of the Office of Strategic Planning Coordination and Quality Monitoring, and the Special Advisor in the Office of the Director General, thereby signalling the inter-dependency between risk and results: as the Organization is increasingly specific in the results it is targeting, it must also become more accurate and effective in its management of the underlying risks.

7. From May 2021 until December 2021, the Office of the Special Advisor designed and delivered the first training course on ERM for the benefit of RRFPnet members. The training course comprised five sessions, three assignments, and several workshops in breakout groups.

8. The course blended fundamental concepts of risk management with concrete applications to the work of UNIDO. By the end of 2021 it received formal accreditation by the Institute of Risk Management (IRM), a premier training institution in this field. A total of 22 certificates jointly released by UNIDO and IRM were awarded to the successful graduates of this first cohort.

9. During the first quarter of 2022, the course was converted into an e-learning curriculum for wider outreach. The aim is to make it accessible to all staff and project personnel, and turn it into a mandatory element of career development.

10. RRFPnet is poised to take on a pro-active role in the implementation of UNIDO’s ERM strategy. In the language of the Reference Maturity Model (see paragraph 3), the network contributes to the aspects of organizational structure (by permeating every Directorate and Department), action plan (by facilitating the implementation of containment measures), monitoring tools (when collecting and tracking data on risk within the domain of work of RRFPnet members), skills development (through peer learning effect) and ultimately, culture change.

11. While UNIDO invested considerable time in 2021 towards the training of RRFPnet members, it also tapped into their rich expertise and diverse exposure to produce in October 2021 an updated corporate risk register to identify risks, assess their severity and design containment measures in the form of strengthened controls, or mitigation action. The aim is to conduct a risk assessment survey on a yearly basis to regularly update the risk register and gauge the effectiveness of containment measures.

III. Action required of the Committee

12. The Committee may wish to take note of the information contained in the present document.

13. The Committee may also wish to take note of the recommendations by the Joint Inspection Unit (JIU) of the United Nations system in its report JIU/REP/2020/5 on “Enterprise risk management: approaches and uses in United Nations system organizations” and in particular, those aimed at the legislative and governing bodies of United Nations entities calling for regular reporting on ERM matters at Committee and Board meetings (Recommendation 1), and a comprehensive review of the Organization’s implementation of ERM against JIU benchmarks (Recommendation 4).