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General risk management

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Report by the Director General

The present document provides an update on UNIDO's general risk management strategy, previously reported to the forty-eighth session of the Industrial Development Board (IDB.48/13).

I. Background

1. The present document provides information on progress made following the report IDB.48/13 dated 16 September 2020, which announced the establishment, in the Office of the Director General, of a position of Special Advisor on Operations Coordination and Risk Management. The new Office of the Special Advisor was a key feature of the restructuring of the Secretariat undertaken in June 2020. It contributes to the governance of enterprise risk management at UNIDO in two ways: first, it is a full-time position at D2 level; second, it facilitates the integration of risk management in strategic decision-making processes as the Special Advisor is a member of the UNIDO Executive Board.
2. This document provides an overview of initiatives undertaken in the last quarter of 2020 and the first quarter of 2021.

II. New developments

3. UNIDO's efforts to strengthen risk management in its operations are inspired by similar action across the United Nations system. Key references in this respect are the 2020 report of the Joint Inspection Unit "Enterprise risk management: approaches and uses in United Nations system organizations" (JIU/REP/2020/5 and A/75/718); the comments of the United Nations Secretary-General and the Chief Executives Board for Coordination on the JIU report, as submitted to the General Assembly (A/75/718/Add.1); and the Reference Maturity Model for Risk Management

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presented by the High-Level Committee on Management to the Chief Executives Board for Coordination (CEB/2019/HLCM/25).

4. The Reference Maturity Model is particularly useful as a framework to systematically measure the progress of UNIDO's efforts to mainstream concepts and practices of risk management in its operations. The model distinguishes six areas: the policy framework, the organizational structure, a realistic action plan, monitoring tools, skills development and, ultimately, culture change. These are assessed against five maturity levels: "initial", "developing", "established", "advanced", and "leading". Applying this to UNIDO, the aim is to gradually bring the Organization to a leading position across each one of the six areas.

5. The policy framework was established in January 2021 with the issuance of Director General Bulletin DGB/2021/01 "UNIDO Enterprise Risk Management (ERM) policy". The policy draws from the JIU report on risk management in the United Nations system (JIU/REP/2020/5) and on international best practices, collected and summarized by the Committee of Sponsoring Organizations of the Treadway Commission. The Enterprise Risk Management (ERM) policy was released alongside related policy documents on internal controls and the accountability framework, as part of an internally consistent, interwoven and strengthened accountability system for UNIDO.

6. Prior to its promulgation through DGB/2021/01, the UNIDO Executive Board approved the ERM policy in September 2020. In October 2020, it also adopted a concrete action plan as part of the "Director General Risk Management Priorities 2021", to be released as an administrative instruction in 2021. The aim is to initially focus on a limited number of critical risks identified along the four levels of the Integrated Results and Performance Framework.

7. A network of Results and Risk Focal Points was established in December 2020, helping to identify and monitor risks under the guidance of the Office of the Special Advisor, contributing to mainstreaming risk awareness and mitigation practices across UNIDO's operations and fostering a risk culture within the Organization. Together with the Office of the Special Advisor and appropriate reporting mechanisms to decision-making authorities, it sets the foundations of risk governance in the Secretariat. The Executive Board merged risk and results considerations to highlight the pervasive nature of risks across corporate objectives.

8. In 2021, UNIDO will focus on skill development through the design of training programmes, as well as on the development of IT-based monitoring tools to help identify, escalate, aggregate, and manage risks. A long-term endeavour of fostering a corporate culture of risk awareness and mitigation will also be launched during the year.

9. By following and implementing the mentioned systematic initiatives, UNIDO will steadily progress through the benchmarks of the Reference Maturity Model.

III. Action required of the Committee

10. The Committee may wish to take note of the information provided in the present document.
