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## Industrial Development Board

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Item 13 of the provisional agenda

### UNIDO Independent Oversight Advisory Committee

## Report of the Independent Oversight Advisory Committee

### Management response

The present document contains the management response to the report of the Independent Oversight Advisory Committee (OAC) in document [IDB.51/22](#), in line with decision IDB.48/Dec.5 and paragraph 3 of the terms of reference attached to the same decision.

1. Management took note of the valuable advice provided by the OAC in its report to the Board ([IDB.51/22](#)).
2. Management appreciates the OAC's interest in the impact of the organizational reform of UNIDO in areas related to the OAC's mandate, such as governance, accountability, oversight, compliance and results-based management (RBM).
3. Management looks forward to further engaging with the OAC, and also looks forward to receiving further strategic and practical advice from the OAC on the committee's three priority areas, namely: RBM; independence and resources for oversight functions, i.e. evaluation, investigation and internal audit; and implementation of recommendations and management action plans.
4. Management has duly noted the areas highlighted by the OAC in its report on which some relevant updates are provided below:

#### On the Office of Evaluation in Internal Oversight (EIO)

5. Staffing requests for EIO functions (evaluation and investigation) have been prioritized in the stocktaking exercise and are currently addressed within the process of planned hiring. This will be further pursued as funds free up for recruitment.
6. EIO will continue exploring mechanisms to further strengthen the operational independence of the evaluation function. One proposal is to merge the endowment of evaluation funds allocated as part of the overall project and programme budgets, which would enable the increase of the operational capacity of EIO.

For reasons of sustainability, this document has not been printed. Delegates are kindly requested to refer to electronic versions of all documents.



**On enterprise risk management (ERM)**

7. The organizational reform process resulted in the dissolution of the former Office of the Special Advisor to the Director General on Operations Coordination and Risk Management, which had the responsibility to assist the Director General on the implementation of the Enterprise Risk Management (ERM) policy.
8. On completing the restructuring of the Organization in 2022, UNIDO management embarked on institutionalizing a new governance structure with the creation of the Leadership Board, the Operations Committee and the Business Procedures Committee. The new governance structure is now in operation.
9. UNIDO is in the process of aligning its risk management practices and will adopt a more systematic and Organization-wide risk management system that is firmly embedded in strategic planning and resource programming.
10. UNIDO is in the process of re-establishing its ERM framework, which defines and gives guidance to risk management. Hence, the ERM policy (DGB/2021/05) promulgated in 2021 is currently under revision to outline and assign clear responsibilities, with roles and functions for ERM, as well as to re-establish the coordinating role for its implementation in liaison with the Operations Committee.
11. A pre-session document ([IDB.51/12](#)) is being submitted to the Board, delineating the risk management strategy in place and articulating steps the organization has undertaken, and plans to take, to manage risks effectively to support UNIDO strategic objectives.

**On results-based management (RBM) and results-based budgeting (RBB)**

12. The update of the UNIDO strategy is currently underway and led by the Office of Strategic Planning and UN Engagement, which ensures alignment with the programme and budgets.
13. A dedicated Division for Quality, Impact and Accountability was established with the mandate, inter alia, to mainstream RBM and RBB, increase the quality of UNIDO data and the focus on impact. The role of this Division will be further elevated.
14. Accountability for results was given greater emphasis in the terms of reference of the Directorates and of the Operations Committee. Regular monitoring of data completeness is institutionalized and has already generated visible improvements both in terms of results reporting compliance for the year 2022, and target setting for the year 2023. Outliers are progressively being checked for data reliability. The *Annual Report* 2022 reported on aggregate progress towards the achievement of the targets included in the programme and budgets 2022–2023. An induction course on result reporting has been introduced for newly recruited staff and is on offer on a quarterly basis.
15. There is still room to improve the timeliness and completeness of results reporting, in particular at the impact level. That includes the sharpening and harmonizing of underlying methodologies. Further work is warranted to improve the alignment of information technology (IT) systems, work plans and staff performance management with strategic planning documents, in light of the new priorities of the Director General.
16. Management generally agrees with the OAC's statement in paragraph 15 of its report, and has been working on this throughout the preparation of the programme and budgets for 2024–2025, especially to fill information gaps in transition to a full RBB, but also to clarify corporate priorities in line with key strategic and programmatic documents, especially future editions. UNIDO looks forward for further practical advice from the OAC.
17. RBM culture is being promoted by the integrated results and performance framework (IRPF) 2022–2025 and will be further strengthened and simplified in the

upcoming IRPF, also allowing for RBB. Further in-house training on RBM can be conducted.

18. Management aims at more flexible budgeting arrangements. In this regard, Member States are being requested to provide more flexibility in the budgeting arrangements.

### **On information technology (IT) and cybersecurity**

19. Significant progress has been made in 2022 to address the risks in IT and cybersecurity. This has been commended in the External Auditors report for 2022.

20. As a result of the reorganization, the scarce resources for IT have been reprioritized to ensure they have the maximum impact.

21. A new UNIDO information technology and digitalization strategy was prepared for 2022–2023 and approved by the Director General. It was shared with Member States under document IDB.50/CRP.14.

22. Updated medium-term investment proposals ([IDB.51/14-PBC.39/14](#)) are presented to Member States in an effort to mobilize new financial resources. The proposed items are fully aligned to the new IT and digitalization framework.

23. It is intended to present these investment proposals at the informal working group on Programme and Budget Committee-related issues in the coming months.

24. New innovative approaches are being utilized to build strategic partnerships with major IT providers to support the Organization's digitalization efforts.

25. Efforts will continue to address the External Auditors' recommendations in 2023.

### **On the UNIDO reform and learning**

26. The change management framework and change management action plan with clear timelines and targets exist and are continuously updated.

27. The Office of Change Management, the Human Resources Services, and the Learning and Development Services (COR/LED) promote a new organizational culture in line with the United Nations reform, including principles such as empowerment, delegation of authority and subsidiarity, collaboration and valuing of staff. The promotion of a new working culture will continue, especially through the work of COR/LED.

28. The Secretariat is committed to further strengthening its governance, oversight and accountability framework.

29. COR/LED was established in 2022 as a dedicated, multi-disciplinary team, increasing learning opportunities under the vision of Inclusive Learning: COR/LED facilitates and delivers learning and development courses and programmes to the UNIDO workforce, regardless of rank, type of contract or duty station.

30. In particular, the Dignity and Inclusion Learning initiative, a "One UN" initiative led by the Vienna-based Organizations, received significant external recognition in 2022, inter alia from the United Nations system-wide Action Plan and from UN Women.

31. In 2022–2023, the Secretariat has sought alternative sources of funding to deliver more opportunities for the workforce. The programme and budgets 2024–2025 aims to increase funding in learning and development, reducing the gap with the United Nations system best practice benchmark of two per cent of salary costs ([JIU/REP/2020/2](#)). The Secretariat is also actively proposing other sources of funding and strengthening partnerships.

**On linkages to other initiatives**

32. More details on the actions the Secretariat is going to undertake with regard to budgeting and finance, operational performance and IT solutions can be found in the management responses to the report of the External Auditors for the period 1 January 2022 to 31 December 2022 ([IDB.51/3-PBC.39/3](#)).

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