



Industrial Development Board
Fifty-second session
Vienna, 25–27 November 2024

Programme and Budget Committee
Fortieth session
Vienna, 10–11 June 2024
Item 9 of the provisional agenda
General risk management

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Report by the Director General

In its conclusion 2016/8, the Programme and Budget Committee “invited the Director General to report to the next sessions of the Industrial Development Board and the Programme and Budget Committee on UNIDO’s general risk management strategy and suggest comprehensive measures for addressing the financial and administrative impact of Member States leaving the Organization including with a view to reversing the trend of withdrawal.”

In 2023, the Industrial Development Board, through decision IDB.51/Dec.10 (d), “encouraged the Secretariat to finalize the process of re-establishing the Enterprise Risk Management framework as a key element to address any risks, which could prevent the delivery of mandates, as well as opportunities.”

The present report provides an update to the report presented at the fifty-first session of the Industrial Development Board (IDB.51/12), focusing on the plan to re-establish and strengthen enterprise risk management (ERM) in UNIDO, aligned with the Organization’s priorities.

I. Introduction

1. This document provides an update to the progress report presented to the fifty-first session of the Industrial Development Board (IDB.51/12-PBC.39/12), offering an overview of initiatives undertaken since the second quarter of 2023.
2. Previous reports by the Director General have tracked progress on the reference maturity model for enterprise risk management (ERM) as a United Nations-specific framework and a benchmark for the risk management strategy of UNIDO. The aim of achieving an “advanced level” in the medium term is identified as a realistic target.
3. The reports also noted the inaugural training on ERM provided to UNIDO personnel in 2021, integrating core concepts with tailored practical application for UNIDO’s operations.

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4. Since the last report, UNIDO bolstered its commitment to aligning risk management with strategic objectives and programmatic activities by integrating its risk profile with the programme and budgets 2024–2025, making a pivotal step towards establishing a comprehensive, organization-wide risk management process deeply embedded with strategic planning and resource programming.

5. UNIDO also improved its risk management capacity by launching mandatory training in 2023, with a focus on project-related risks targeted at project managers and personnel involved in project implementation.

II. Strategic imperatives for institutionalizing enterprise risk management in UNIDO

6. The ERM strategy provides a framework to assess all risks individually, including the risk of Member States withdrawing. It also identifies risk owners and proposes integrated response actions combining top-down and bottom-up engagement and ensuring alignment with the Organization’s strategic priorities.

7. A fully established and operationalized ERM will optimize strategic and operational decision-making mechanisms, and address risks and opportunities to effectively translate the significant funds mobilized from Member States and key funding partners into a sustainable 25 per cent increase in technical cooperation delivery per year. In pursuit of this target, UNIDO must be agile in responding to emerging challenges, swiftly adapting to new circumstances in a risk conscious environment.

8. Furthermore, ERM serves as a recognized standard for effective management and stakeholder trust, going beyond mere compliance to provide a holistic framework for strategic decision-making and risk-informed resource management. It enables effective change management, innovation, cooperation and resilience. UNIDO is cognizant of its stakeholders’ expectations and is committed to demonstrating ERM readiness through a comprehensive and applicable risk profile. This commitment fosters transparency regarding both opportunities and risks, aligning organizational priorities with risk appetite.

III. Enterprise risk management implementation at UNIDO

9. UNIDO recognizes the importance of adopting an adaptive approach to establish a robust ERM framework. To guide senior management in this endeavour the Office of Evaluation and Internal Oversight, in close collaboration with the Managing Director of the Corporate Services and Operations Directorate, acting as UNIDO’s ERM focal point, conducted an assurance review of the Organization’s ERM. This review was initiated at the end of 2023 and complemented by the External Auditor’s maturity assessment 2023. Aligned with benchmarks of the Joint Inspection Unit of the United Nations system and the High-Level Committee on Management maturity framework, the review focused on critical ERM components at the lowest levels of maturity, specifically addressing deficiencies to strengthen ERM throughout the Organization.

10. Building on the results of the review, the 2024 ERM strategy focuses on fostering a strong tone at the top, setting clear risk management expectations and seamless alignment with strategic priorities to cultivate a robust risk culture for greater results. Essential actions include refining the Organization’s risk taxonomy to suit its strategic imperatives, defining the Organization’s risk appetite, and establishing a clear ERM governance structure. Concurrently, efforts are directed at the strengthening of the ERM function and updating related policies to ensure alignment with organizational needs, thereby facilitating a more impactful operationalization of ERM.

11. Mindful of the proposals raised by the External Auditor in relation to project risk management in their PBC.39/3 report, UNIDO continues to strengthen staff capacity in risk identification and management through quarterly training events on project-related risks. The training, especially targeted at new project personnel, introduces methodologies for risk identification and specific criteria for risk assessment during project formulation. This effort aims to establish a unified and systematic approach to project risk management and integrate a risk-based approach into decision-making during project formulation and development. In 2024, the training module will undergo further refinement, and UNIDO will review its risk management guidelines, which were piloted in 2023, to ensure their applicability to all projects. These guidelines will be used to assess projects before the approval stage.

V. Action required of the Committee

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