

GEF Council Meeting  
June 29 – July 2, 2010  
Washington, D.C

Agenda Item 16

## AGENCY SUPPORTING DOCUMENTATION ON PROGRESS FOR MEETING GEF'S MINIMUM FIDUCIARY STANDARDS

(Assembled by the GEF Secretariat)

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## Introduction

1. This information note includes supporting documentation provided by the African Development Bank (AfDB), the International Fund for Agriculture Development (IFAD), and the United Nations Industrial Development Organization (UNIDO) to the document GEF/C.38/10 *Agency Progress On Meeting GEF's Minimum Fiduciary Standards*.
2. Annex 1 provides AfDB's *Board's Approval Lapse-of-Time Procedure* documents. Annex 2 provides IFAD's *Enterprise Risk Management Framework* (ERM). Annex 3 provides seven from UNIDO:
  - a. *General Conference: Unutilized balances of appropriations*
  - b. *Director-General's Bulletin: Code of Ethical Conduct*
  - c. *Director-General's Bulletin: Protection against retaliation for reporting misconduct or cooperating with audits or investigations*
  - d. *Decisions and resolutions of the General Conference December 2009*
  - e. *Report of the Industrial Development Board on the work of its thirty-sixth session*
  - f. *Financial Regulations of UNIDO*
  - g. *Implementation of an organization-wide Risk and Opportunity Management System*

**ANNEX 1: SUPPORTING DOCUMENTATION: AFRICAN DEVELOPMENT BANK (AfDB)**

AFRICAN DEVELOPMENT BANK

ADB/BD/WP/2010/41/Rev.1/Approved

27 April 2010

Prepared by: COO/ORVP/OSVP/OIVP/SAPR

Original: English

**BOARD'S APPROVAL**  
Lapse-of-time Procedure

**FOR INFORMATION**

## MEMORANDUM

**TO : THE BOARD OF DIRECTORS**

**FROM : Cecilia AKINTOMIDE**  
Ag. Secretary General

**SUBJECT : FINE TUNING THE ORGANIZATIONAL STRUCTURE – FINAL VERSION \***

Please find attached the **Final version** of the above-mentioned Proposal, **approved on a Lapse-of-time Basis, on 26 April 2010**, together with the **adopted** Resolution.

**This version incorporates comments from Executive Directors, in particular regarding:**

1. the clarifications of the distinctive role and responsibilities of the new Environment and Climate Change Division under the new Energy, Environment and Climate Change Department;
2. a clear delineation of operational functions of the new Environment and Climate Change Division (ONEC.3) focused on environment and climate change project work and operational aspects from those of related to quality at entry, compliance monitoring and mainstreaming of environment and climate change issues in ORQR.3;
3. the consequent revision of the TOR of the new Environment and Climate Change Division (ONEC.3); and
4. the clarification of the responsibilities of the Integrity and Anti-Corruption department and the role of the body (Committee) to be responsible for arbitrating in cases of appeal.

**Attach:**

**cc: The President**

**\* Questions on this document should be referred to:**

Mr. N. MOYO	Vice President	COO	Extension 2089
Mr. A. ORDU	Vice President	RVP	Extension 2001
Mr. K. ELKHESHEN	Vice President	OSVP	Extension 2004
Mr. B. PITTMAN	Vice President	OIVP	Extension 2002
Mr. M. TOURE	Chief of Staff and Director of Cabinet	SAPR	Extension 2082

## **FINE TUNING THE ORGANIZATIONAL STRUCTURE**

### **Introduction**

This paper sets out proposals to fine tune the Bank's Organizational Structure in order to achieve better operational synergy and alignment, effective coordination and delivery. The proposed improvements call for the creation of a new Energy, Environment and Climate Change Department; enhancing the independence and profile of OpsCom Secretariat; and, strengthening the integrity function. It also provides for further refinements of some existing structures, such as ORQR, OINF, OSUS, ONRI, ORPC, COBS and SAPR.

The proposed changes will be implemented primarily through a mapping of existing staff into the new structures; and the creation of a limited number (9) of new positions. The budgetary impact will be fully funded through transfers within and across Complexes - in line with the zero real growth principle that guided the preparation of the 2010 budget (see Annex 7). The budgetary impact beyond 2010 will be examined in the annual Programme and Budget (PBD) discussions, in close consultation with the Board.

### **Background**

In July 2008, a number of adjustments and refinements were made to the organizational structure which had been approved in 2006 as part of the Bank's reform agenda. These refinements were primarily dictated by the need to improve coordination, delivery and corporate performance monitoring. Experience since then has demonstrated the need for adjusting the organizational structure consistent with ambitions shareholders have for the Bank, including new or emerging priorities such as climate change; results management; and, integrity and anti-corruption. Furthermore, GCI -VI and ADF-12 replenishment negotiations create a context for fine tuning of the organizational structure in preparation for the anticipated continued strong growth in sovereign and non-sovereign operations. This move is not unique to the Bank. All the MDBs have faced similar challenges and these proposals draw on recognized good practice and experience.

## **Detailed Management Proposals**

### **Energy, Environment and Climate Change Department (ONEC)**

Consistent with the need for greater focus on climate change and related issues, a new Energy, Environment and Climate Change Department (ONEC) will be established in OIVP. The high potential impact of infrastructure development on climate change provides a sound basis for the integration of these two aspects to better equip the Bank for enhanced delivery. OINF would have been the natural location for climate change; however, adding climate change to OINF (which is already fully stretched from the MTS focus on Infrastructure and the anticipated increase in Energy, ICT and Transport activities) would quickly make such a single Department unwieldy and unmanageable. For these reasons, the new Energy, Environment and Climate Change Department will be created separately from OINF. This proposal is premised on the understanding that the greatest opportunities created by climate change for profitable investments and growth are in the infrastructure sector, in particular energy and transport which are both priority areas under the Bank's MTS.

ONEC will combine the TORs of OINF.3 (Energy) and those of Environment and Climate Change under OINF OPSM, and OWAS; as well as the programme and project development and implementation activities previously performed by OSUS. The mission of this new Department will be to spearhead the Bank's lending and non-lending operations in the areas of energy and environment and climate change mitigation and adaptation. The environment and climate change operations will either be designed and implemented as stand alone projects or components within Bank Group supported operations, especially in infrastructure. ONEC will also act as the Energy Network of the Bank. Initially, the Department will be resourced through internal redeployment of relevant staff from OSUS, OPSM, OINF and OWAS.

The Department will be headed by a Director and will comprise three Divisions (two Energy Divisions and one Environment and Climate Change Division). The Director position will be filled from the redeployment of the Director position in the front office of OIVP (ex-ICT4D). The Energy Divisions (ONEC.1 and ONEC.2) will be created from the split and re-organization of the former OINF.3 Division. These two Divisions will each have different geographical responsibilities and focus to help effectively manage energy-related activities which are anticipated to increase over time. The third Division (ONEC.3) will subsume the responsibilities of environment and climate change activities previously falling under OINF, OPSM, OWAS and a part of those under OSUS. The exceptions will be the compliance and safeguard function which will remain with the Results and Quality Assurance Department in ORQR.3; and OSAN.4 (Natural Resources and Environmental Management) which will keep its specific project related environment and climate change responsibilities and staff. Consequently, there will be a clear delineation of operational functions in ONEC.3 focused on environment and climate change project work and operational aspects from those in ORQR.3 related to quality

at entry, compliance monitoring and mainstreaming of environment and climate change issues. ONEC.3 will have the responsibility of ensuring that operational aspects of environment and climate change are effectively addressed to achieve the highest development impact. With this new Division, the Bank intends to take maximum advantage of investment opportunities in low carbon infrastructure and clean energy projects, such as wind farms, solar energy, hydro-power, electrical mass transport systems and other less polluting technologies. ORQR.3 will, on the other hand, be responsible for policy aspects and ensure that all projects and investments are environment and climate change compliant at entry. Its staffing will be strengthened through the redeployment of some of the staff currently in OSUS and the creation of one additional staff position. The gender related compliance and safeguard issues which used to be handled by ORQR.3 will now be incorporated in ORQR.4. As a result of this reconfiguration of functions, the TORs of all units concerned and including OSHD.1, ORQR.4, ORQR.3, ONEC.3 and OSAN.4 will be accordingly adjusted to reflect the various changes or clarifications of responsibilities.

Detailed TORs and the staffing implications of the new Department and Divisions are provided in Annexes 1 and 7 respectively. In implementing the changes in the organizational structure, Management will ensure that there is optimal mapping of existing staff on the basis of their expertise and the changes in the responsibilities of the new Units.

### **Transport and ICT Department (OITC)**

Following the transfer of the Energy functions from OINF to ONEC (the new Energy, Environment and Climate Change Department), the former OINF Department is reorganized with its responsibilities now focused on Transport and Information and Communications Technology (ICT). ICT Focal Point, formerly reporting to OIVP (ref: BD/WP/2008/126/Rev.1 & ADF/BD/WP/2008/74/Rev.1) is redeployed alongside OINF.1 and OINF.2 to form the new Transport & ICT Department (OITC), pending the review of its role, structure and reporting line scheduled for September 2010. The Transport and ICT Department will therefore include two divisions with different geographical responsibilities and an ICT Focal Point, all reporting to the Director of the Department. ICA, formerly under OINF, is transferred to ONRI since it covers all infrastructure sectors in the context of regional integration. Detailed TORs of the new OITC Department are provided in Annex 2.

### **NEPAD, Regional Integration, Trade and ICA Department (ONRI)**

As mentioned above, the responsibilities of ONRI are expanded to include those of the Secretariat of the Infrastructure Consortium for Africa (ICA). New TORs of the Department and staffing implications are provided in Annexes 3 & 7 respectively.



## **Results and Quality Assurance Department (ORQR)**

The Quality Assurance and Results Department (ORQR), will henceforth report to the Vice President and Chief Operating Officer (VP/COO). It will be recalled that, in response to a query raised by a Board Member during the discussion of the 2010 – 12 PBD, Management had indicated that this was to take effect from January 2010. This new reporting line will enable the Department to fully exercise its cross-cutting mandate while improving its ability to deliver. It will also put the Department in a better position to provide more independent support to the three operational complexes of the Bank (ORVP, OIVP and OSVP). The responsibilities of ORQR are expanded to include the activities of the new Gender and Social Development Monitoring Division (ORQR.4). The responsibilities and TORs of ORQR.4 are outlined in Annex 4 whilst those of ORQR.1 and ORQR.2 remain unchanged as in the original Board Document (ADB/BD/WP/2008/104) establishing the Results and Quality Assurance Department. The TOR for ORQR.3, as discussed under ONEC above, will now encompass compliance, safeguards and mainstreaming responsibilities on environment and climate change issues. It will also monitor related Bank results/KPIs at the institutional level and report to Senior Management on a regular basis. The proposed arrangements will be fully funded within the available 2010 budget.

## **Gender and Social Development Monitoring Division (ORQR.4 )**

Following the split and transfer of part of OSUS to ONEC, the remaining Gender function and Experts will be redeployed to the new Gender and Social Development Monitoring Division (ORQR.4) established under ORQR

The core responsibilities of the new Division will focus on advocacy and mainstreaming of gender and social development (including civil society and MDGs) concerns into the operations of the Bank Group. The Division will lead on advocacy, assist operations with advice and guidance and lessons learned, participating in project review as well as in policy and programme development. It will respond to demands for advice, Economic and Sector Work, represent the Bank at major international meetings and enhance collaboration with other international organizations. The TORs and staffing implications of the Division are in Annexes 4 and 7 respectively.

## **Operations Committee & Secretariat (OpsCom, OPSC)**

Through PD 02/2006, the Bank established the Operations Committee (OpsCom) in order to sharpen the country focus and strategic selectivity of the Bank Group's operations, strengthen its internal cooperation and cohesion, and significantly improve its development impact. Specifically, over and above its role of reviewing and approving operations proposals at key points during the conception and design stages, it is also mandated to: (i) oversee annual operational programmes and pipelines; (ii) oversee programme quality,

portfolio management, operational outcomes and results; and, (iii) assess staffing and resource requirements<sup>1</sup>.

Currently, OpsCom and its Secretariat report to ORVP. Henceforth both will come under the direct supervision of the Vice President and Chief Operating Officer (VP/COO). OpsCom Secretariat is upgraded and renamed OPSC. This is consistent with the need to give the Secretariat a higher profile for better coordination of OpsCom activities and enable it to discharge its responsibilities more independently from the three operational complexes (ORVP, OIVP and OSVP). OPSC will be headed by a Director (EL), with the mandate to coordinate and supervise the day-to-day activities of OpsCom and its Secretariat. The Secretariat will be primarily resourced through redeployment of the two (2) ORPC staff that are currently providing secretarial support to the Committee. Two (2) new positions (1 PL and 1 GS) are proposed to strengthen the delivery capacity of the Secretariat. The TOR's of OpsCom and its Secretariat are as outlined in the Presidential Directives (PD's) on OpsCom and the Review Process (i.e. PD No.02/2006 and PD No. 07/2007, and PD No. 05/2008 which is now altered by the proposed changes). The budget and staffing implications are shown in Annex 7.

### **Integrity and Anti-Corruption Department (IACD)**

In response to demands for enhancing the integrity function within the Bank, the Integrity and Anti-Corruption Division, formerly within OAGL, is upgraded into a new separate Department (IACD). The new IACD Department will, in addition to reporting to the President, also maintain a dotted reporting line to the Board for the purpose of regular briefing on its activities. Consequently, the TORs of OAGL will be adjusted to reflect its new mandate without the integrity function. This new structure aims to allow the integrity and anti-corruption function to be carried out independently of the Office of the Auditor General. The elevation and strengthening of the integrity function is expected to help promote tighter adherence at all levels to the highest standards of corporate governance and integrity in discharge of responsibilities Bank-wide on the one hand, and on the other hand in execution of Bank's operations and mandate. The move is consistent with the experience in sister institutions. The new Integrity and Anti-Corruption Department (IACD) will be headed by a Director. It will have a clear investigative function, with the overriding mandate to independently investigate allegations or suspicions of corruption, fraud and malpractice, with the highest standard of integrity and professionalism. The new Department will also develop preventive measures to proactively reduce the potential for misconduct, fraud or corruption within Bank Group operations. Detailed TORs and the staffing implications of the new IACD Department are given in Annexes 5 and 7 respectively.

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<sup>1</sup> As defined by the terms of reference in PD 02/2006 of August 2006

Together with the creation of this new Department, it is also proposed to refocus the Advisory Committee on Corruption and Fraud to arbitrate only those cases subject to appeals. Implementation details related to this Committee will be articulated in a separate document in due course.

### **Resource Mobilization and Allocation Unit (ORMU)**

Management proposes to upgrade ORPC.2 to a fully-fledged Resource Mobilization and Allocation Unit (ORMU) reporting directly to the Vice President, ORVP. This new Unit will subsume all responsibilities and activities previously carried out by ORPC.2 without any change to the TORs.

### **Strategy Office (STRG)**

It is proposed to re-establish a Strategy Office within the Presidency. The move is consistent with the growing external role of the Bank and the President, as a voice internationally on African development; as a source of advice for Africa; and the development of strategic partnerships.

STRG will report directly to the President. It is expected to provide rapid response on a range of policy issues, to identify new challenges, and anticipate changed requirements. STRG will advise the President and Senior Management on longer term strategy and policy for the Bank, and assist with the communication of Bank strategy to all stakeholders. It will provide a focal point for the identification and strategic analysis of global challenges, of the implications for Africa and for the Bank. It will advise and support the President in his engagement with the international community, the G8 and G20, the positioning of the Bank, and on relations with the other MDBs. Working together with ECON it will provide support to the Committee of African Finance Ministers and Central Bank Governors (C10).

The Strategy Office will liaise with other areas of the Bank and contribute as required to policy development and advise on the consistency of annual and multi-year planning with longer term Bank objectives. It will have no direct responsibilities for operations but rather be a focal point for coordinated strategic advice to Senior Management.

The roles of ECON and STRG are different but complementary. ECON will continue to be responsible for substantive analysis and research, for the provision of economic advice and knowledge services throughout the Bank and to Regional Member States. It will continue to develop research and policy networks within Africa. It provides professional leadership within the Bank on economics and statistical work, and capacity building in RMCs. In developing advice for the President, STRG will draw on the work and expertise of ECON, and, from time to time, will commission particular research from the Complex.

ORPC will continue to develop internal policy guidance and sector level strategy. This work will continue to have an immediate focus on Bank operations. By contrast, STRG is focussed at the strategic level concerned with the overall role and direction of the Bank.

Following the re-establishment of a Strategy Office, COBS will be reorganised to focus wholly on programming, budget planning and execution; and on monitoring and reporting on performance in implementation.

The budgetary impact of STRG will be limited since it will primarily deploy existing staff and vacant positions from within COBS and SAPR. The one addition will be a Secretary at GS level. Detailed TORs and the cost implications are provided in Annexes 6 and 7 respectively.

## **List of Annexes**

**Annex 1: TORs Energy, Environment and Climate Change Department  
(ONEC)**

**Annex 2: TORs Transport and ICT Department (OITC)**

**Annex 3: TORs NEPAD, Regional Integration, Trade and ICA Department  
(ONRI)**

**Annex 4: TORs Gender and Social Development Monitoring Division  
(ORQR.4)**

**Annex 5: TORs Integrity and Anti-Corruption Department (IACD)**

**Annex 6: TORs Strategy Office (STRG)**

**Annex 7: Staffing and Budgetary Implications**

**Annex 8: Revised Organizational Charts**

## **Annex 1**

### **Terms of Reference**

#### **Energy, Environment and Climate Change Department (ONEC)**

The Energy, Environment and Climate Change Department (ONEC) will assist Country Programmes Departments to manage Bank Group energy operations in RMCs. It will address climate change and environmental issues by incorporating them into Bank Group supported operations and giving them the visibility required. ONEC will include two energy divisions and a third division which will be responsible for climate change and environment issues.

#### **A. Energy Divisions (2)**

The main objective of the Energy Divisions is to build on the Bank's technical skills and strengthen its capacity to become the leader in strategy, development, financing and implementation of energy projects and programmes in Africa.

The Divisions will:

- contribute to the preparation of policies and strategies for Bank Group intervention in energy;
- conduct technical and sectoral studies and analyses in connection with the lending programmes;
- provide advice to borrowing member countries on technical aspects of projects;
- identify, prepare, appraise and assist in implementation of Bank Group-financed energy projects;
- provide technical services in the implementation of Country Programmes related to energy. While the Country Programme Officers will be in charge of project and programme management and coordination, ONEC will provide technical services throughout the project cycle activities for all energy related operations;
- provide the required technical skills to design national and multinational projects that respond to the needs of the RMCs and RECs based on their priorities and selectivity;
- monitor energy sector developments and Bank activity in these sectors across the continent; develop sector strategies and operational plans; contribute to country and regional strategy papers; undertake relevant studies and analyses; etc;
- act as the Energy Network of the Bank Experts, mapping sector expertise, cross-fertilization, and exchange of views.

## **B. Environment and Climate Change Division (ONEC.3)**

Through its Environment and Climate Change Division, the ONEC Department will identify, design and implement environment and climate change adaptation and mitigation programmes and projects. These will either be stand alone or as components in other Bank Group supported operations, in particular in infrastructure.

The Division will:

- contribute to the preparation of policies and strategies for Bank Group intervention in environment and climate change;
- conduct technical and sectoral studies and analyses in connection with the lending programmes;
- provide advice to borrowing member countries on technical aspects of projects;
- identify, prepare, appraise and assist in implementation of Bank Group-financed environment and climate change components/projects;
- provide technical services in the implementation of Country Programmes related to environment and climate change. While the Country Programme Officers will be in charge of project and programme management and coordination, ONEC.3 will provide technical services throughout the project cycle activities for all environment and climate change related operations;
- provide the required technical skills to design national and multinational projects that respond to the needs of the RMCs and RECs based on their priorities and selectivity;
- monitor environment and climate change developments and Bank activities in these sectors across the continent; develop sector strategies and operational plans; contribute to country and regional strategy papers; undertake relevant studies and analyses; etc;
- participate in the Environment and Climate Change Network of the Bank Experts, mapping sector expertise, cross-fertilization, and exchange of views.

## Annex 2

### Terms of Reference

#### Transport and ICT Department (OITC)

The Transport and ICT Department will assist Country Programmes Departments to manage the Bank Group's transport and ICT operations in RMCs. The Department will contribute to preparation of policies and strategies for Bank Group interventions in transport and ICT; conducting technical and sectoral studies and analyses in connection with lending programmes; providing advice to borrowing member countries on technical aspects of projects; identifying, preparing, appraising and assisting in the implementation of Bank Group-financed transport and ICT projects.

OITC will build on the Bank's technical skills and strengthen its capacity to become the leader in strategy, development, financing and implementation of transport and ICT projects and programmes in Africa. The Department will include two divisions responsible for:

- provision of technical services in implementation of Country Programmes related to transport and ICT. In particular, while Country Programme Officers will be in charge of project and programme management and coordination, the OITC Department will provide technical services throughout the project cycle activities for all transport and ICT related operations;
- providing the required technical skills to design national and multinational projects that respond to the needs of the RMCs and RECs based on their priorities;
- in addition to the public sector deal-making and implementation monitoring businesses, the department will be active at all key levels of the transport value chain: it will in particular monitor sector developments and Bank Group activities in the transport and ICT sectors across the continent, develop sector strategies and operational plans, contribute to country and regional strategy papers, undertake relevant studies and analyses, etc;
- OITC will also act as the focal point of Transport and ICT Networks of the Bank, in which all professionals in the Bank working on transport and ICT projects (sovereign and non-sovereign) are mapped for sector expertise, cross-fertilization, and exchange of views;
- operating as ICT focal point, coordinate capacity building and implementation of ICT Strategy with OIVP, ORVP and OSVP and Chief Economist's Complexes;
- Collect, organize and analyze information on programs, projects, ICT penetration and growth and feed it into relevant ECON initiatives on knowledge management.



## **Annex 3**

### **Terms of Reference**

#### **NEPAD, Regional Integration, Trade and ICA Department (ONRI)**

NEPAD, Regional Integration, Trade and ICA Department will comprise two main Divisions: - (i) NEPAD; and (ii) Regional Integration – plus the Secretariat of the Infrastructure Consortium for Africa (ICA).

#### **A. The NEPAD Division**

- Focuses on fulfilling the Bank's mandate by the African Union, to support the NEPAD initiative;
- Takes lead in infrastructure, banking and financial standards as well as certain aspects of the African Peer Review Mechanism (APRM);
- Provides technical and capacity building assistance to Regional Economic Communities (RECs) and AU in project and programs design;
- Engages with NEPAD Division at upstream levels in short and longer term strategies to facilitate project development and financing;
- Mobilize internal and external resources for bankable projects.

#### **B. The Regional Integration Division**

- Advance regional integration aspects of the Bank's mandate, by assisting in policy formulation, designing multinational initiatives, providing technical assistance to RMCs in regional economic integration initiatives, as well as supporting adequate trade, monetary and tax policies;
- Assist in building continental capacity to better participate in trade negotiations;
- Facilitate linkages between infrastructure, regional integration and trade, and promoting complementarities in economies;
- The Division will not be responsible for projects. All Projects generated through the Division will be transferred to relevant departments.

#### **C. The Secretariat of the ICA**

- Established at the request of key stakeholders (African Union, G8 countries, the European Commission and the World Bank); and staffed through secondments from development institutions/agencies;
- Accelerates progress to meet Africa's urgent infrastructure needs;

- Addresses both national and regional constraints to infrastructure development, with emphasis on regional infrastructure recognising particular challenges at this scale;
- Support to pooling efforts in selected areas (such as information sharing, project development, and good practice) without necessarily pooling financing decisions;
- Brokering of increased donor financing of infrastructure projects and programmes, in close collaboration with AU, NEPAD and RECs and organization of bi-annual ICA meetings.

## **Annex 4**

### **Terms of Reference**

#### **Gender and Social Development Monitoring Division (ORQR.4)**

The Gender and Social Development Monitoring Division will play an advocacy and monitoring role on the Bank Group's efforts in supporting regional member countries' efforts to alleviate poverty, promote equitable and sustainable growth, and reduce vulnerability of the poor and overall achievement of the MDGs. Specifically, the Division will have oversight responsibility in the mainstreaming of gender issues, Civil Society Organisations (CSO) participation and MDGs into all sector operations..

The Division will have the following specific tasks:

- lead the development of strategies, policies, guidelines and processes for mainstreaming gender, civil society organizations participation and MDGs into Bank's operations;
- assist operations experts in sustained mainstreaming of gender, civil society engagement, and focus on MDGs in all Bank Group operations through active participation in the review process as well as Country and Regional Teams;
- monitor relevant cross-cutting KPIs (gender mainstreaming, civil society engagement and achievements towards Millennium Development Goals) and contribute to the annual reporting on results related to these issues;
- identify and share best strategies for gender mainstreaming, promoting effective CSO participation and meeting MDGs through: innovative practices, policy and institutional reforms, means of policy implementation, and evaluation of financing options;
- Support governments in tailoring the MDGs to local circumstances and challenges.
- ensure effective CSO engagement through necessary strategic focus and drive and strategically coordinate the work of the AfDB/CSO Committee;
- develop relevant knowledge products to inform Bank wide operations on the key cross-cutting issues;
- in collaboration with crosscutting Experts within Operations Complexes, represent the Bank at major international events of relevance to Bank's work.

## **Annex 5**

### **Terms of Reference**

#### **Integrity and Anti-Corruption Department (IACD)**

The Integrity and Anti-Corruption and Fraud Investigation Department (IACD) will, like the Office of the Auditor General (OAGL), report to the President and Board. It will have the overriding mandate to undertake unhindered investigations into allegations of corruption, fraud and malpractices or suspicions thereof. In undertaking investigations, the Department shall maintain the highest standard of professional proficiency and integrity. The Department will also develop preventive measures to proactively reduce the potential for misconduct, fraud or corruption within Bank Group operations.

The Department shall be empowered to:

- manage procedures and mechanisms for ensuring confidentiality of the hotline facility, protection of whistleblowers and anonymous reporting of corruption and fraud within the Bank and activities financed by the Bank;
- receive, screen and investigate allegations or whistle-blowing on fraud, corruption and malpractices or suspicions thereof;
- employ surveillance measures for the furtherance of investigations;
- report regularly to the President on allegations received, screened and investigation status;
- undertake risk assessment in relation to fraud and corruption to reduce vulnerability, and design tests to help disclose fraud, corruption or abuse;
- conduct fraud and corruption awareness and publicity in RMCs and relevant training of Bank employees and external partners;
- monitor implementation of investigation recommendations and report the status to the President;
- recommend to the appropriate body for arbitration sanctions against those found to have engaged in corrupt practices only in cases subject to appeals;
- monitor and report regularly to the President on allegations received, screened and their investigation status and implementation of recommendations;
- directly procure such consultancy services to respond to urgent exigency of the investigation; cleared with the President in advance; and where necessary, recommend outcomes of its activities to the President;
- Gain unrestricted access to all persons under investigation; Bank records, documents, properties, registers, systems and assets in the custody or under the control of the Bank, authority, institution, undertaking or person who is a beneficiary of the operations of the Bank Group.

## **Annex 6**

### **Terms of Reference**

#### **Strategy Office (STRG)**

The Strategy Office (STRG) will contribute to policy and strategy development, including annual plans, Medium-Term Strategy (MTS) and longer-term policy and strategy. STRG will advise the President and Senior Management on strategy and policy issues for the Bank; assist with communication of the strategy to all stakeholders; monitor and facilitate implementation of related Presidential decisions. STRG does not have direct responsibility for operations but will serve as a point of liaison between the Office of the President and the rest of the Bank on policy and strategy matters. The Strategy Office will work with all relevant units in ensuring greater strategic focus in decision-making and improved alignment of resources with strategic priorities.

The Office will be tasked to oversee the following:

- Lead longer term policy and strategy development, including the Medium Term Strategy (MTS) and annual plans for the Bank;
- Assist VPUs in developing VPU level Policy and Strategy in line with overall corporate Strategy;
- Maintain reliable intelligence information on development issues in Africa and elsewhere of potential impact or representing opportunities for the Bank;
- Advise the President on issues and developments in Regional and Non-Regional member states which impact on the Bank and its performance;
- Prepare strategic papers and briefing notes for the President's meetings and discussions;
- Prepare agenda and papers for discussion at Retreats with President, VPs, Chief Economist and Advisers;
- Provide analytical and policy advice support to the President on long term strategic initiatives;
- Advise the President on strategic partnerships and discussions with key bilateral and multilateral partners; including on the conduct of ADF replenishments and GCI exercises;
- Advise President on strategy and conduct of ADF replenishments, and on institutional reforms
- Engage with, and advise on, policy papers prepared outside PRST.

## Annex 7

## Summary Table of Staffing and Budgetary Implications

**A- RESPECTIVE BUDGETARY IMPACT BY DEPARTMENT**  
**(Amount in UA)**

	Budgetary Impact *	Financed Through Redeployment	Funding Gap
	a	b	c=a-b
Programming and Budget Department (COBS)	2,573,136	2,573,136	-
Integrity and Anti Corruption Department (IACD)	1,501,008	1,443,076	57,932
Transport and ICT Department (OITC)	6,058,856	6,058,856	-
Energy, Environment and Climate change Department (ONEC)	4,868,406	4,500,855	367,550
NEPAD, Regional Integration, Trade and ICA Department (ONRI)	367,361	367,361	-
Operations Committee & Secretariat (OPSC)	519,464	311,408	208,056
Resource Mobilization and Allocation Unit (ORMU)	1,057,801	1,054,324	3,478
Operations Strategy and Policies Department (ORPC)	1,375,270	1,375,270	-
Results and Quality Assurance Department (ORQR)	3,842,167	3,708,379	133,788
Human Development Department (OSHD)	7,741,715	7,741,715	-
Office of the President (SAPR)	1,756,146	1,756,146	-
Strategy Office (STRG)	756,444	734,375	22,069
<b>Total</b>	<b>32,417,774</b>	<b>31,624,900</b>	<b>792,873**</b>

\* Includes Salary, Benefits and Overhead.

\*\* To be financed through Inter-Complex transfers (Benefits on vacant positions).

**B- IMPACT ON COMPLEXES SALARY BUDGET \***

	Original Allocated Salary Budget	Required Salary Budget	Funding Gap
	a	b	c=b-a
OIVP	14,923,574	15,444,795	521,221
OSVP	13,311,580	12,448,026	(863,554)
ORVP	19,214,472	17,997,295	(1,217,177)
UPRST (incl. COO)	12,586,097	14,516,108	1,930,011
<b>Total</b>	<b>60,035,723</b>	<b>60,406,224</b>	<b>370,502**</b>

\* Salary Budget Only.

\*\* To be financed through Inter-Complex transfers (Benefits on vacant positions).

### C- STAFFING IMPLICATION

		Existing Position					New Position			Grand Total
Complex	Department	EL	GS	PL	PLL	Total	GS	PL	Total	
COO	OSPC	1		2		3	1	1	2	5
	ORQR	1	4	23		28		1	1	29
	COBS	1	6	15		22				22
		<b>3</b>	<b>10</b>	<b>40</b>		<b>53</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>56</b>
OIVP	ONEC	1	4	28	2	35	3	2	5	40
	OITC	1	4	35	16	56				56
	ONRI (ICA)		1	2		3				3
		<b>2</b>	<b>9</b>	<b>65</b>	<b>18</b>	<b>94</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>99</b>
ORVP	ORPC	1	2	7		10				10
	ORMU		1	7		8				8
		<b>1</b>	<b>3</b>	<b>14</b>		<b>18</b>				<b>18</b>
OSVP	OSHD	1	10	40	18	69				69
		<b>1</b>	<b>10</b>	<b>40</b>	<b>18</b>	<b>69</b>				<b>69</b>
UPRST	IACD	1	2	9		12				12
	SAPR	3	9	3		15				15
	STRG	1		3		4	1		1	5
		<b>5</b>	<b>11</b>	<b>15</b>		<b>31</b>	<b>1</b>		<b>1</b>	<b>32</b>
Grand Total		<b>12</b>	<b>43</b>	<b>174</b>	<b>36</b>	<b>265</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>274</b>

**AFRICAN DEVELOPMENT BANK**

**BOARD OF DIRECTORS**

**Resolution N° B/BD/2010/06**

**Adopted on a lapse-of-time basis on 26 April 2010**

**Fine-tuning the Organizational Structure of the Bank**

**THE BOARD OF DIRECTORS,**

**HAVING REGARD** to the Agreement Establishing the African Development Bank (the "Bank"), in particular Articles 4 (Structure) and 32 (Board of Directors: Powers);

**RECALLING:**

- (i) Document ADB/BD/WP/2006/18/Rev.1 entitled "Enhancing the Effectiveness of the Bank" and Resolution B/BD/2006/07, adopted by this Board on 7 April 2006, by which this Board approved the current organizational structure of the Bank;
- (ii) Document ADB/BD/WP/2008/104/Approved entitled "Improving Corporate Performance" and Resolution B/BD/2008/08, adopted by this Board on 3 July 2008, by which this Board approved refinements to the organizational structure of the Bank;

**HAVING CONSIDERED** Management's proposals on Fine-tuning the Organizational Structure of the Bank, contained in Document ADB/BD/WP/2010/41/Rev.1/Approval (the "Proposal"), and the recommendations contained therein;

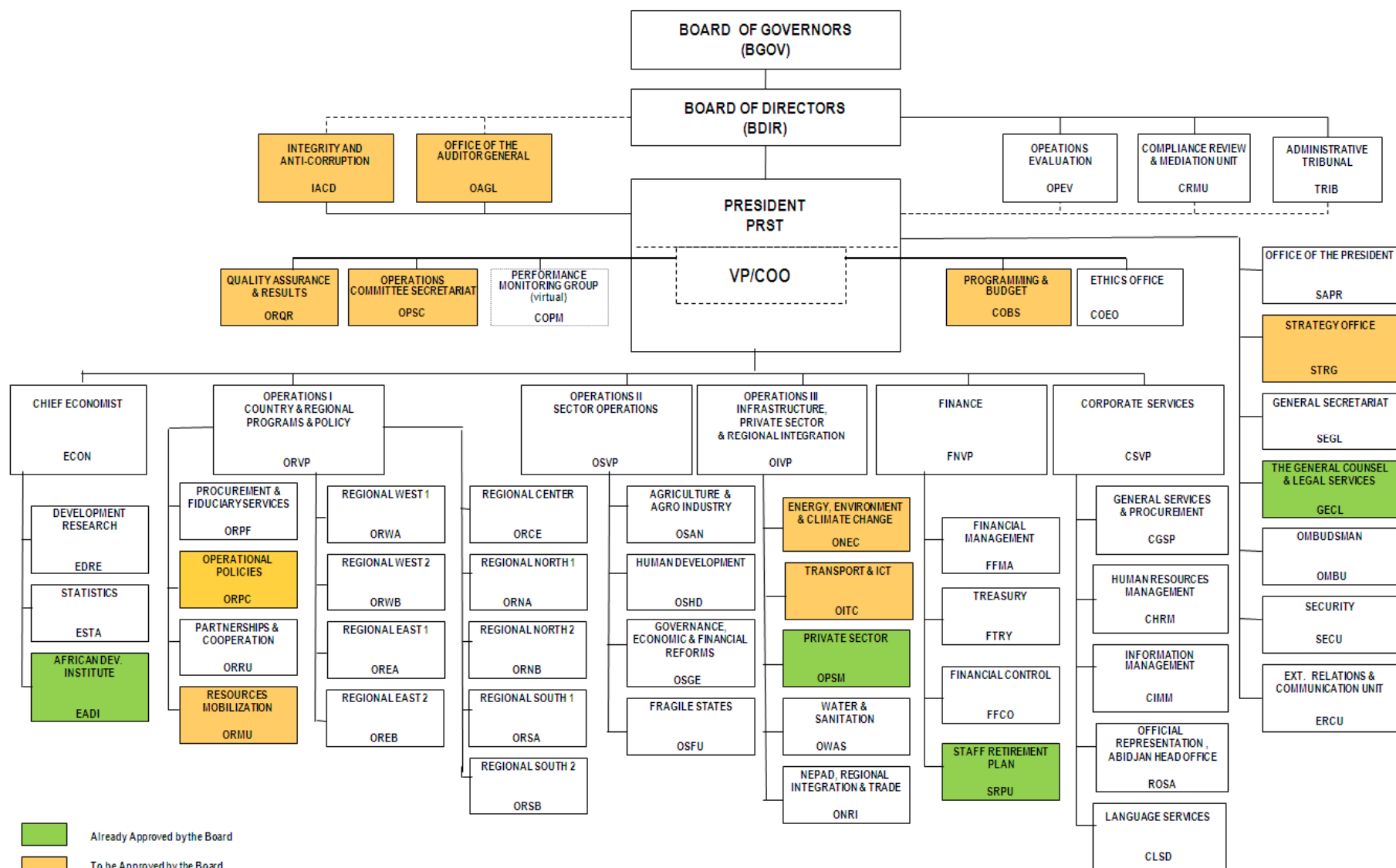
**NOTING** the need to fine-tune the Bank's organizational structure in order for it to achieve enhanced operational synergy and alignment, effective coordination and delivery;

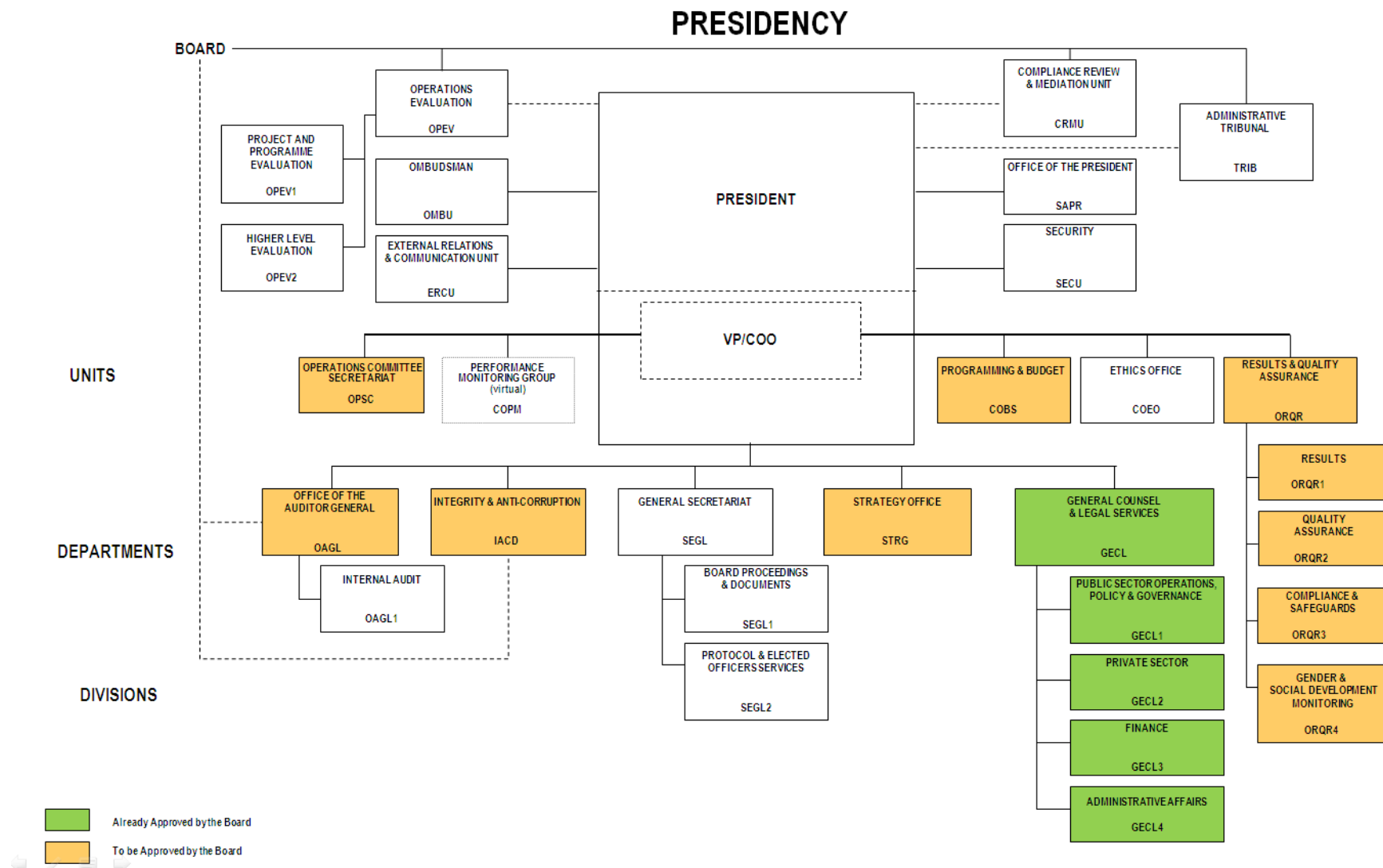
**HEREBY:**

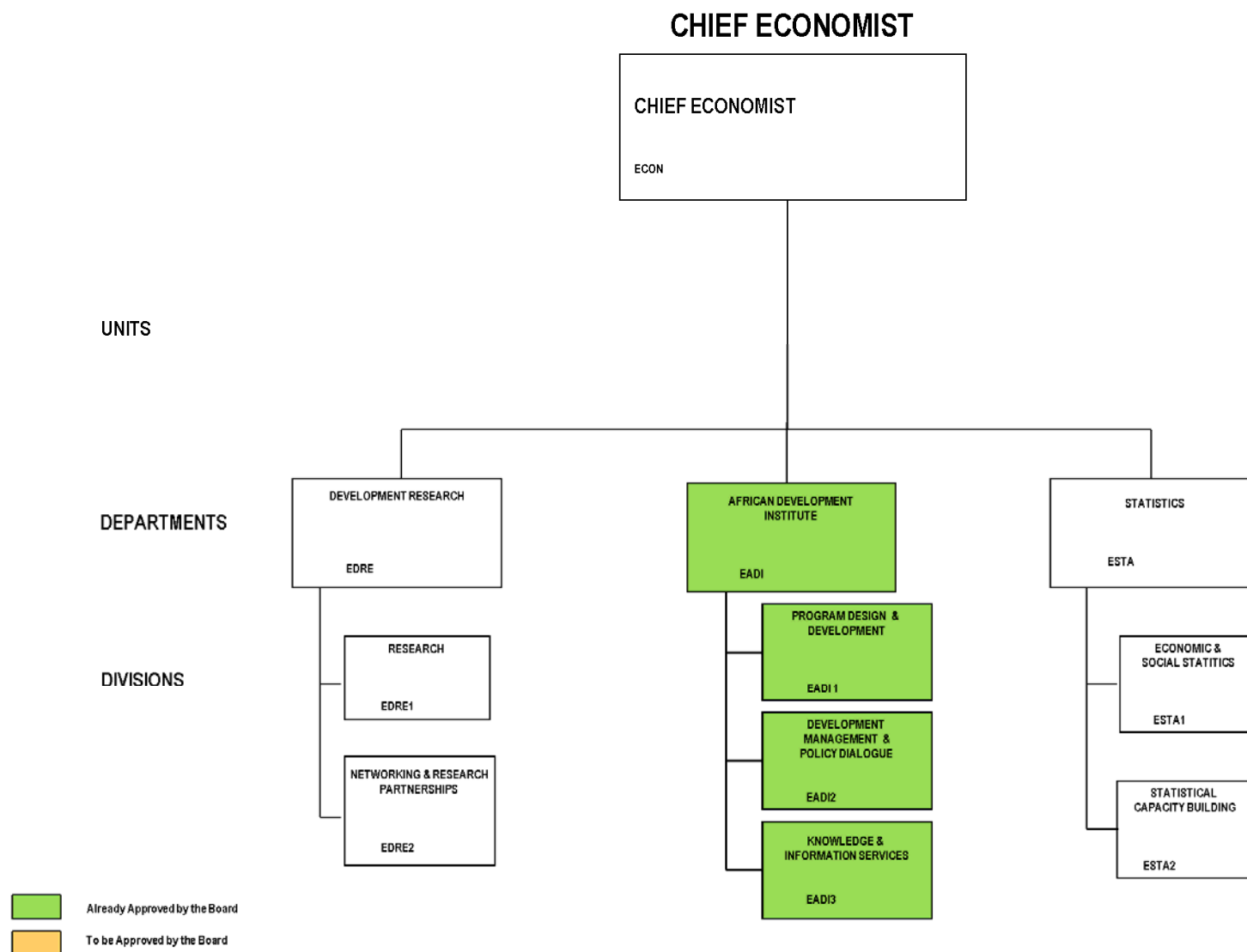
1. Approves the amendments to the organizational structure of the Bank as presented in the organizational chart attached hereto as Annex I and further elaborated in the Proposal;
2. Takes note of the:
  - (i) Budgetary implications of the Proposal, and that such implications in 2010 will be addressed through transfers within and across Bank Complexes, and accordingly would not require a supplementary budgetary appropriation; and
  - (ii) Implementation arrangements and mechanisms proposed;
3. Directs Management to:
  - (i) Take all measures necessary and appropriate for the timely implementation of this Resolution; and
  - (ii) Submit to this Board periodic progress reports on the implementation of this Resolution.



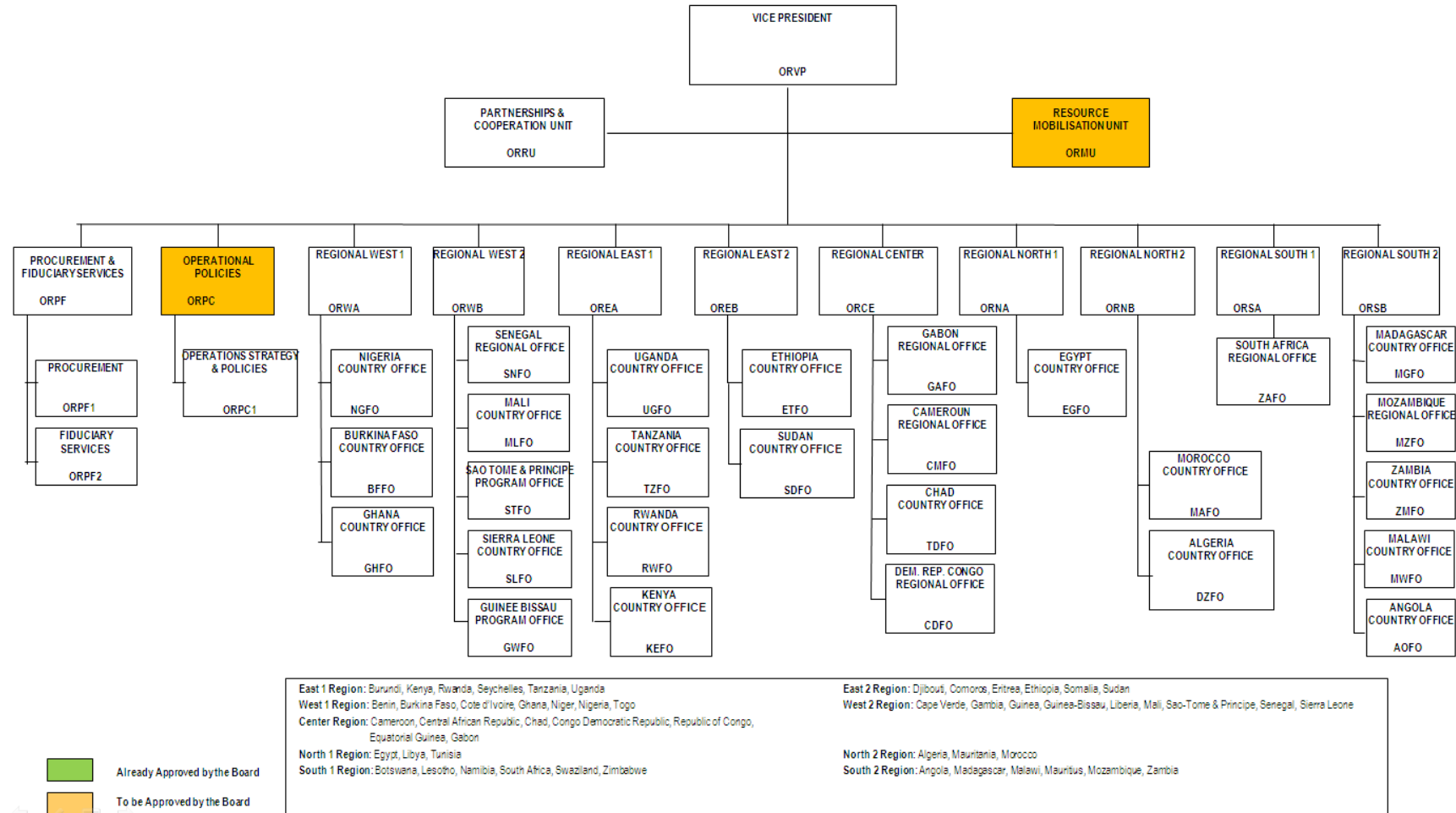
## Annex 8 Revised Organizational Chart



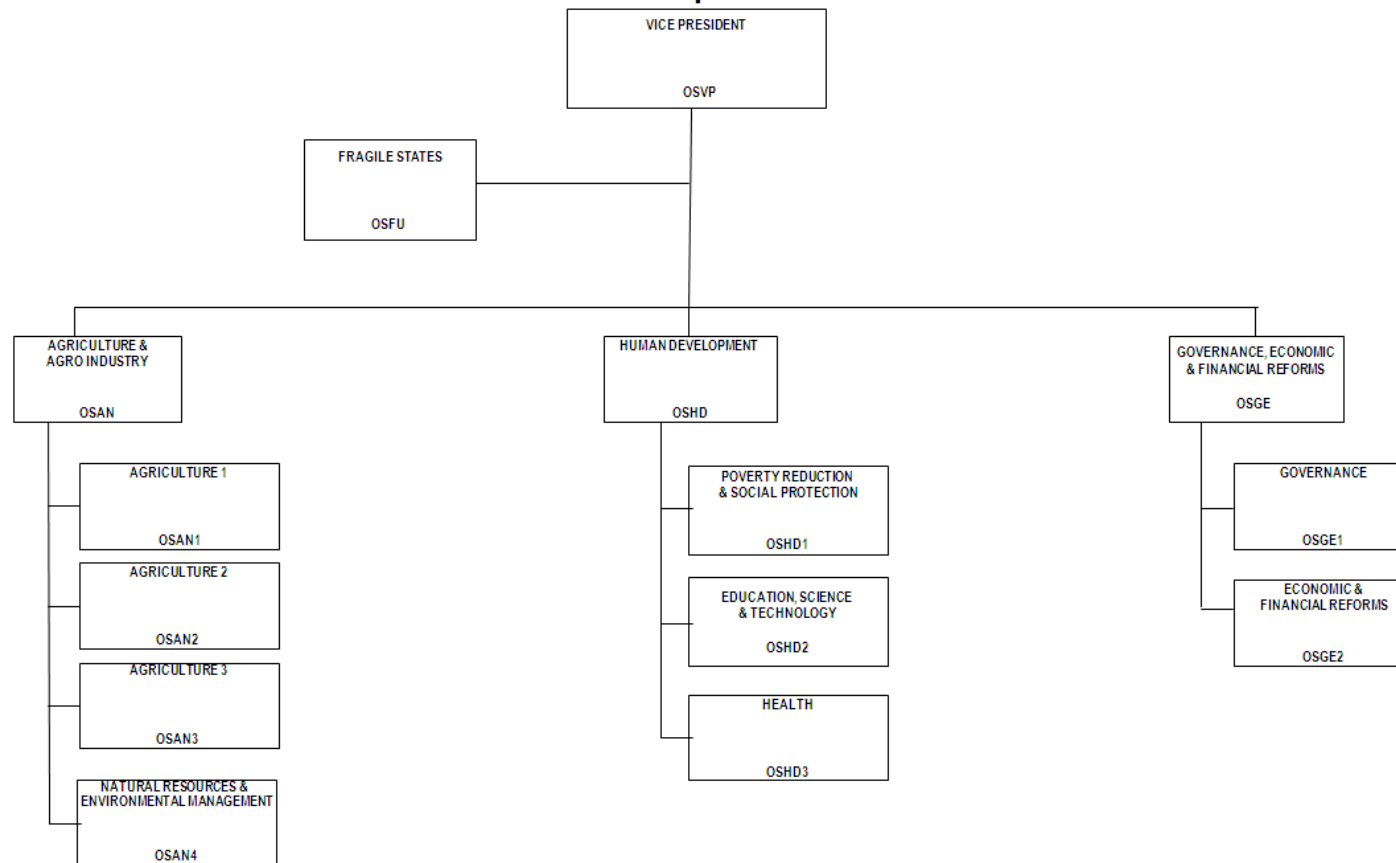




## VICE PRESIDENCY OPERATIONS I: Country & Regional Programs & Policy



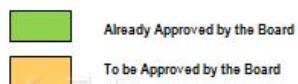
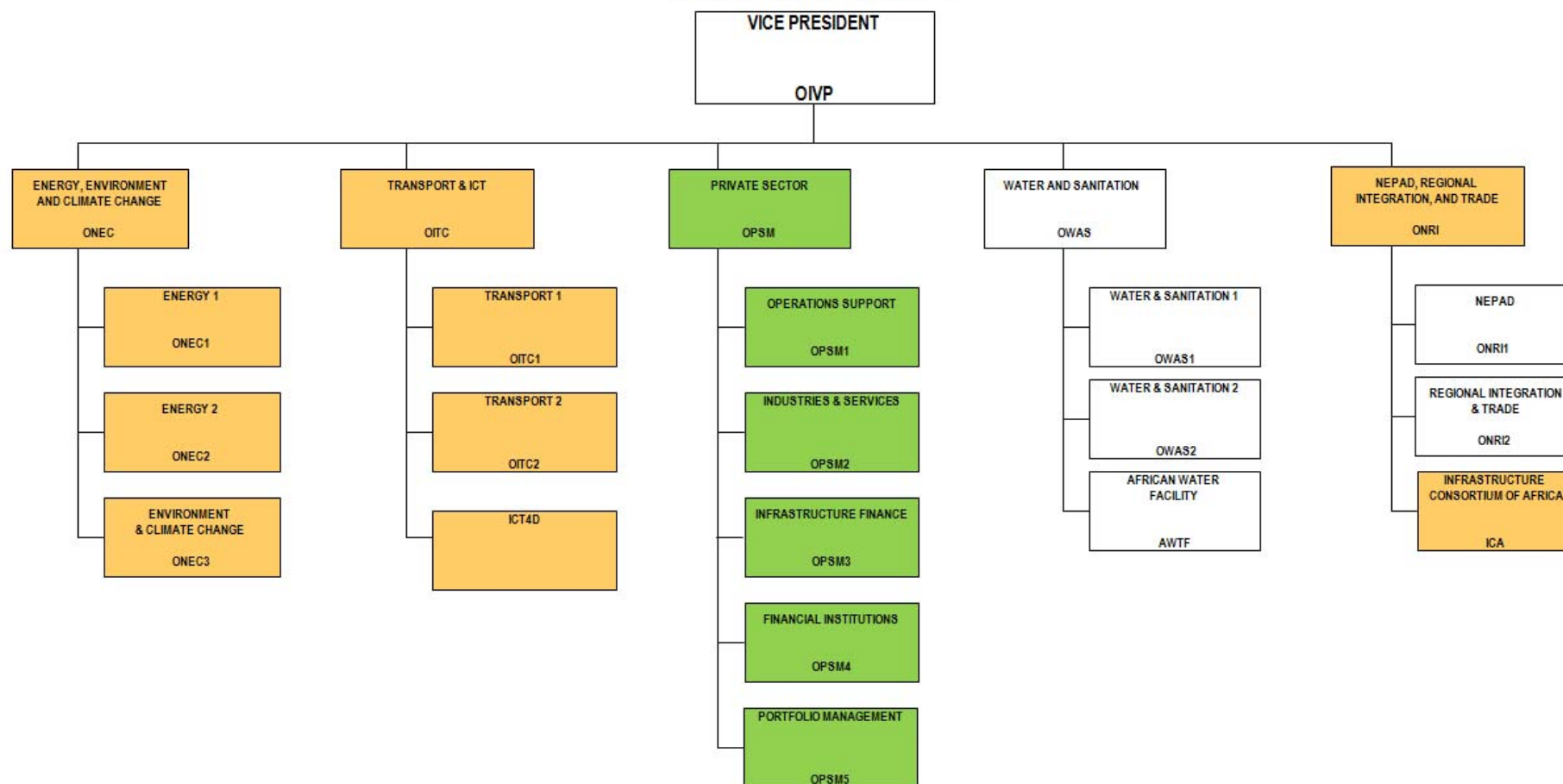
## VICE PRESIDENCY OPERATIONS II: Sector Operations



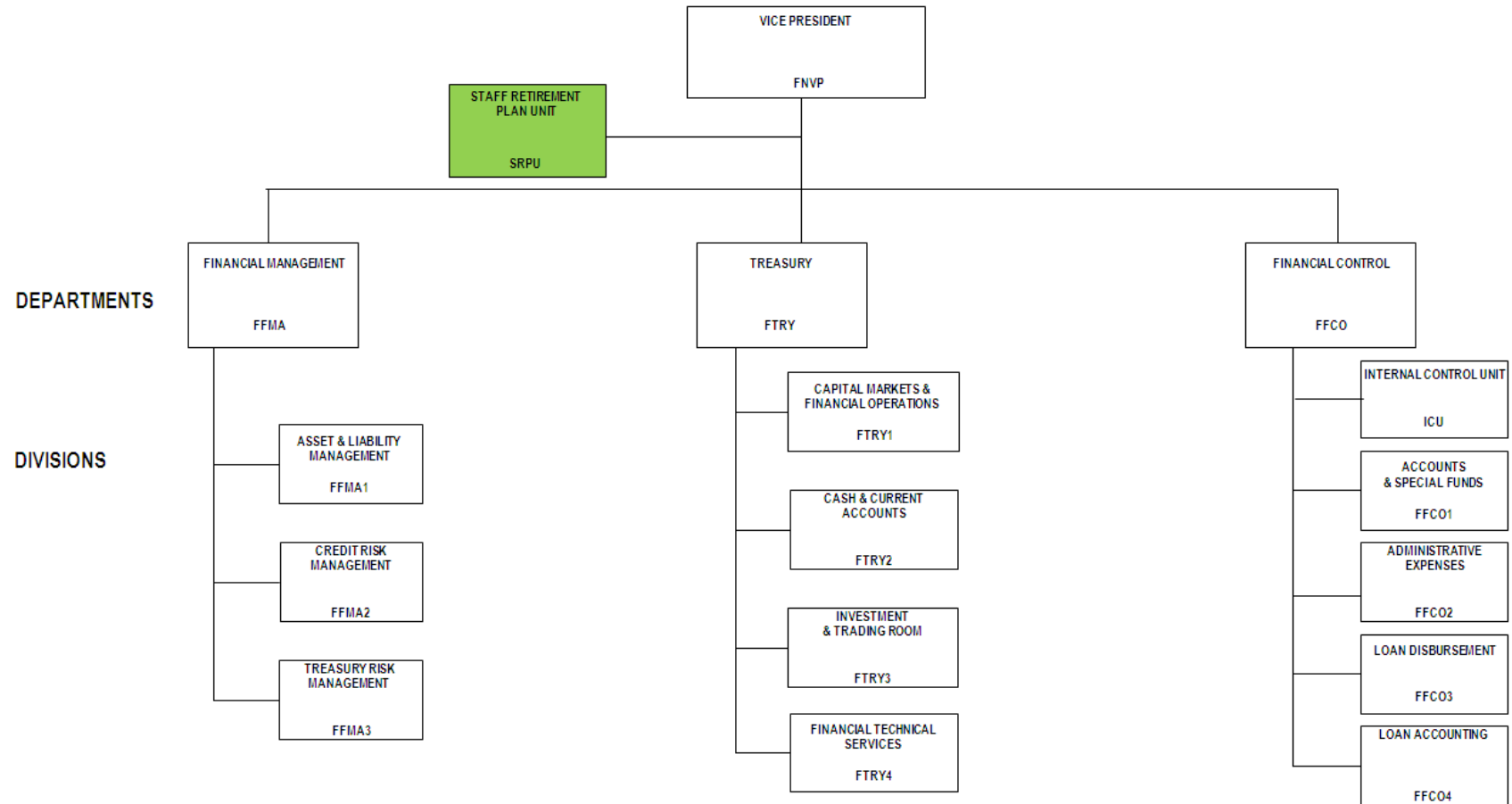
Already Approved by the Board

To be Approved by the Board

### VICE PRESIDENCY OPERATIONS III: Infrastructure, Private Sector & Regional Integration



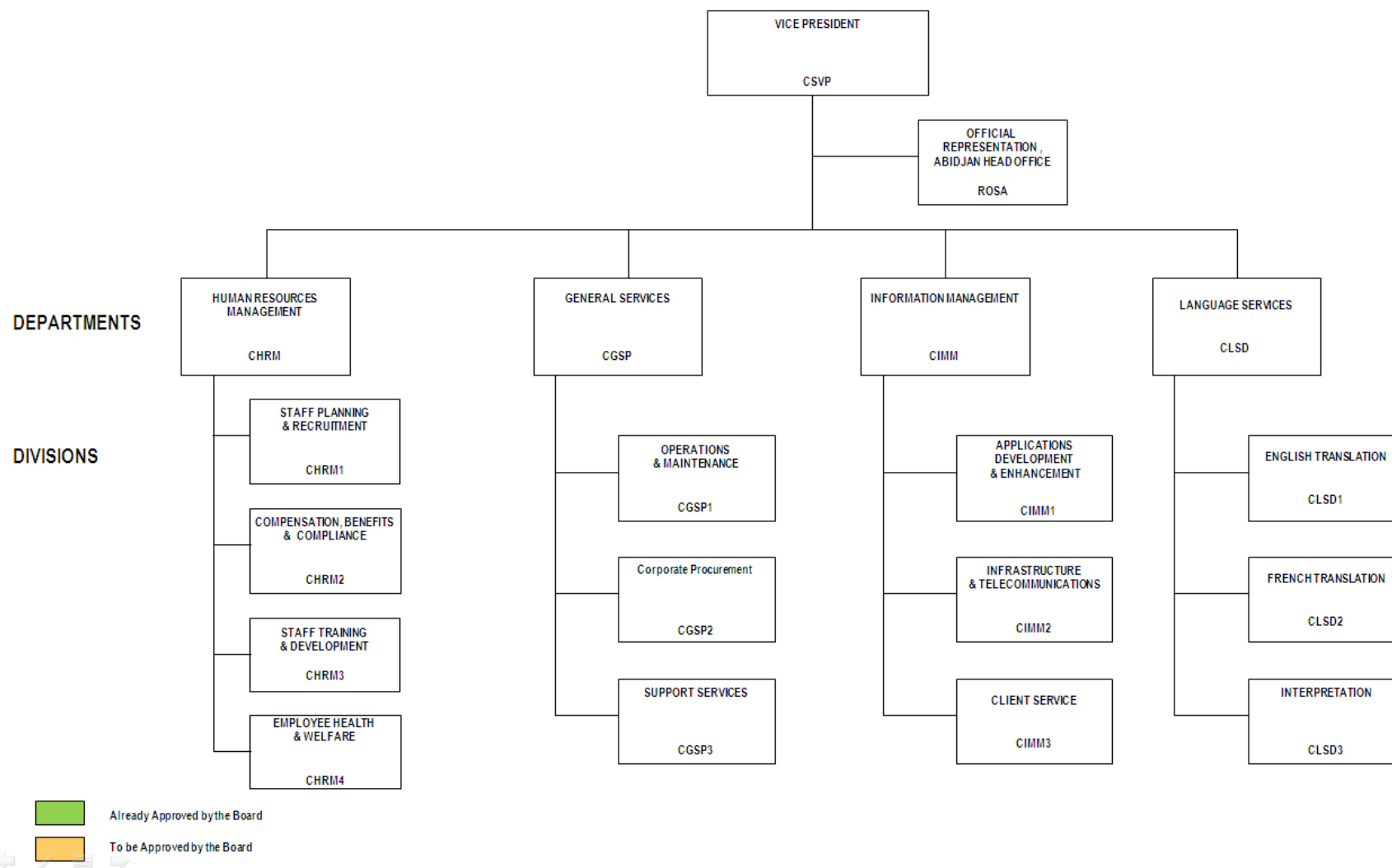
## VICE PRESIDENCY FINANCE



Already Approved by the Board

To be Approved by the Board

## VICE PRESIDENCY CORPORATE SERVICES





**ANNEX 2: SUPPORTING DOCUMENTATION: INTERNATIONAL FUND FOR AGRICULTURE  
DEVELOPMENT (IFAD)**

# INFORMATION CIRCULAR



15 January 2010

**Distribution:** All staff

**Originator:** Jessie Rose Mabutas,  
Acting Chair, Enterprise Risk Management Committee

**Subject:** IFAD's Enterprise Risk Management Framework

I am pleased to share with you [IFAD's Enterprise Risk Management \(ERM\) Framework](#) as it was adopted by the Enterprise Risk Management Committee. This ERM Framework is a guidance document and is intended for use as a reference tool.

The purpose of the ERM Framework is to help IFAD manage risks and seize opportunities related to the achievement of its objectives by providing the context for defining improvements in IFAD's risk management capabilities. It is a set of principles and good practices which if adhered to will add assurance that risks are being properly identified, assessed, managed, monitored and assured throughout the organization.

The ERM Framework is based on the [COSO](#)<sup>1</sup> ERM, a risk management standard commonly used by other IFIs and UN organizations. The five key components listed below link in with the way IFAD is managed, directed and controlled.

1. The internal environment
2. Risk identification and assessment
3. Control activities and risk mitigation
4. Information and communication
5. Monitoring and assurance

Due to its comprehensive nature, the Framework serves as an integration platform for on-going and planned efforts related to risk management such as the corporate risk register, the managing for results framework, the business continuity planning, accountability framework and the implementation of a management assertion on the effectiveness of internal controls over financial reporting.

The main assumption underlying the Framework is that for any given activity, risks must be assessed and managed at the appropriate level (such as business unit, divisional, departmental or corporate level). Some of the guidance is specific to individual functions, however, many of the principles and good practices are relevant to all staff. In order to assist all staff in understanding what needs to be done or should be in place in order to ensure that the framework is meaningful, functional and effective, a set of questions supporting each component are detailed in the Annex to the framework.

IFAD's risks are constantly changing, so too must its risk management capabilities constantly improve. With this in mind, the ERM Framework is intended to be a living document which will evolve and develop as IFAD's risk management strengthens and matures. Along the same lines, we wish to note that the references reflected in the current draft of the Framework may not necessarily be complete or reflect current practice, and will be updated as and when any new policies, procedures or related documents have been amended, updated or superseded.

ERMC Members will be happy to assist you with the interpretation and use of this document.

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<sup>1</sup> The Committee of Sponsoring Organizations of the Treadway Commission, which established an Enterprise Risk Management Framework against which companies and organizations may assess their control systems.

## IFAD's Enterprise Risk Management (ERM) Framework

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### Purpose

To operate effectively, IFAD has developed an Enterprise Risk Management framework that will help it to manage risks and seize opportunities related to the achievement of its objectives by integrating the following key **activities**:

- Strategic planning
- Day to day operations
- Internal controls

The framework is a set of principles and good practices which, if adhered to, will add assurance IFAD is being managed and run consistently and that risks to IFAD are being properly identified, assessed, managed and monitored.

IFAD's ERM framework is based on the COSO<sup>1</sup> internationally recognised standard and concurs with good practice. The five key **components** listed below link in with the way IFAD is managed, directed and controlled.

1. The internal environment
2. Risk identification and assessment
3. Control activities and risk mitigation
4. Information and communication
5. Monitoring and assurance

Each of these components are made up of individual **attributes** which should be in place in order to ensure that the components are functional and allow for the achievement of IFAD's objectives through its key activities.

The attributes are detailed in the body of the framework under each component.

### How to apply this framework

ERM is a journey because it represents a commitment to continuous improvement. Since IFAD's risks are constantly changing, so must its risk management capabilities constantly improve. The thought process underlying the above framework works in the following manner: *for any given activity, such as operations, management must evaluate the five components of ERM at the appropriate level, such as business unit, divisional, departmental or corporate level.*

All staff within IFAD need to become familiar with this framework and to understand how it impacts on their day to day activities.

This framework is intended for use as a reference tool rather than a publication to be read from cover to cover and provides the context for defining improvements in IFAD's risk management capabilities.

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<sup>1</sup> The Committee of Sponsoring Organizations of the Treadway Commission which established an Internal Control model against which companies and organizations may assess their control systems.

**Output**

Senior Management will be required to provide an annual assertion on risk and control and it is believed that this ERM framework will be a useful tool in enabling them to do so.

**Limitations**

ERM is dependent on human judgement and therefore susceptible to decision making. Human failures such as simple errors or mistakes can lead to inadequate responses to risk. In addition, controls can be circumvented by collusion of two or more people, and management has the ability to override ERM decisions. This therefore precludes management from having absolute assurance as to achievement of IFAD's objectives.

**Responsibility**

Responsibility for updating the framework rests with the ERMC

## Outline of the Framework

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### **1. The Internal Environment**

- 1.1. Mission
- 1.2. Ethical and Organisational Values
- 1.3. Strategy and Planning
- 1.4. Objectives
- 1.5. Operational Structure
- 1.6. Staff Allocation and Mobility
- 1.7. Staff Evaluation and Development
- 1.8. Commitment to Competence
- 1.9. ERM Policy
- 1.10. ERM Committee
- 1.11. Risk Appetite

### **2. Risk Identification and Assessment**

- 2.1. Risk Categories
- 2.2. Risk Identification
- 2.3. Risk Assessment

### **3. Control Activities and Risk Mitigation**

- 3.1. Processes and Procedures
- 3.2. Risk mitigation
- 3.3. Business Continuity
- 3.4. Document and Information Management

### **4. Information and Communication**

- 4.1. Internal Communication
- 4.2. External Communication
- 4.3. Accounting and Financial Reporting
- 4.4. Key Performance Indicators
- 4.5. Risk Reporting

### **5. Monitoring and Assurance**

- 5.1. Management Supervision
- 5.2. Evaluation of Activities
- 5.3. Assessment of ERM and Internal Control Effectiveness
- 5.4. Audit and Oversight
- 5.5. Assurance Provision

## IFAD's ERM Framework

Following below is a description of each component and an elaboration of the attributes that contribute towards the achievement of compliance in each component.

The 'Requirements' specified for each attribute, as well as a series of related questions (in the Annex hereto) will facilitate management and staff responsible for the related risk and control to assess the extent to which their contribution to IFAD complies with the specific requirements.

### 1. THE INTERNAL ENVIRONMENT

Often referred to as "Tone at the Top", encompasses the tone of IFAD as an organization, and sets out the basis for how risk is viewed and addressed by its staff, including risk management philosophy and risk appetite, integrity and ethical values and the environment in which they operate.

#### 1.1. Mission

The Divisions' mission is clearly defined in an up-to-date and concise mission statement. This mission statement is developed from the perspective of the Division's clients i.e. those for whom the division provides services or with whom it interacts.

##### Good Practices

- The divisions/sections/units have up-to-date mission statements which are linked across all hierarchical levels.
- The mission statements are understood by staff and are readily accessible.

#### 1.2. Ethical and Organisational Values

Management and staff are aware of, share and exhibit appropriate ethical and organisational values and uphold these through their own behaviour and decision-making. Management believe in the importance of ERM and demonstrate this through their behaviours and the example they set to their staff.

##### Good Practices

- IFAD has procedures in place - including updates and yearly reminders - to ensure that all staff are aware of relevant ethical and organisational values, in particular ethical conduct, avoidance of conflicts of interest, fraud prevention and reporting of irregularities.

- Management have been through appropriate ERM training and ensure that their staff do as well.
- Management demonstrate through their behaviours the importance of ERM.

*Main references: IFAD Human Resources Procedural Manual - Chapter 8, Code of Conduct, 8.1.1, 8.2, 8.22.1; President's Bulletin, PB/2007/02, IFAD Investigation and Sanction Processes, Annex I: Investigation Procedures, 1.1. IFAD's core values.*

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### **1.3. Strategy and Planning**

Strategy setting and planning are carried out at appropriate times and within clearly defined limits. Rigorous risk assessment is carried out on the strategic and business objectives.

#### **Good Practices**

- Strategy and planning is carried out at appropriate times.
  - Strategic plans and budgets are approved by the Executive Board and other appropriate bodies.
  - The strategic objectives of IFAD are cascaded to all divisions.
  - Individual divisional plans are prepared on a timely basis and are directly linked in with IFAD's overall strategic objectives.
  - The strategy and plans within IFAD are rigorously risk assessed to ensure realistic and that risks to achievement of the objectives are fully understood and managed.
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### **1.4. Objectives**

The Division's objectives are clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Each area of the organisation has its own objectives that can be linked in with the organisational objectives. Staff have performance objectives which can be linked in with their divisions objectives.

#### **Good Practices**

- The Divisional Management Plan (DMP) is developed in accordance with applicable guidance and on the basis of a dialogue between senior managers, middle managers and staff in order to ensure it is understood and owned.
- The DMP clearly sets out how the planned activities at each management level will contribute to the achievement of objectives set, taking into account the allocated resources and the risk identified.
- To the extent possible, the DMP objectives are established in line with the SMART criteria, i.e. they are Specific, Measurable or verifiable, discussed and Accepted, Realistic and Timed.
- Whenever necessary, the objectives are updated to take account of significant changes in activities and priorities.

- Where appropriate, the Division establishes road-maps of ongoing multi-annual activities, setting out critical milestones for the actions that need to be taken before the budget appropriations can be implemented for the whole period of the activity.

*Main references: Divisional Management Plan*

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## 1.5. Operational Structure

The Division's operational structure supports effective decision-making by suitable delegation of powers. Risks associated with the Division's sensitive functions are managed through mitigating controls and ultimately staff mobility. Adequate IT governance structures are in place.

### Good Practices

- Delegation of authority is clearly defined, assigned and communicated in writing, conforms to legal requirements and is appropriate to the importance of decisions to be taken and risks involved.
- All delegated and sub-delegated authorising officers have received and acknowledged the specific delegation instruments.
- As regards financial transactions, delegation of powers is defined, assigned and communicated in writing.
- The assignment of responsibility, delegation of authority and establishment of related policies provide a basis for accountability and control.
- The Division's sensitive functions are clearly defined, recorded and kept up to date. For each sensitive function:
  - a risk assessment is carried out and relevant mitigating controls are established,
  - once a jobholder has been exercising the same sensitive function(s) for five years, risk is reassessed, following which management decides to move the jobholder, or to transfer the sensitive function(s) or to implement additional mitigating controls which reduce the residual risk to a level it considers acceptable;
  - once a jobholder has been exercising the same sensitive functions for seven years, mobility is as a general rule applied.
- The Division records derogations granted to allow staff to remain in sensitive functions beyond five years along with documentation of the risk analysis and the mitigating controls.
- The standard IT governance is applied, and in particular:
  - an IT Governance Committee exists and is operational.
  - an annual IT master plan, covering all information systems developments (regardless of budget source) has been produced.
  - each information system possesses a clearly identified business owner and is overseen by a steering committee.
  - all new information systems projects are approved on the basis of appropriate supporting documentation.



- all new information systems are developed using the standard FM project management and development methods, and take security into account from the very first stage.

*Main references: PB XXX/XX on establishment of IT Governance committee*

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## **1.6. Staff Allocation and Mobility**

The allocation and recruitment of staff is based on the Division's objectives and priorities. Management promote and plan staff mobility so as to strike the right balance between continuity and renewal

### **Good Practices**

- Whenever necessary - at least once a year - management aligns the organisational structures and staff allocations with priorities and workload.
- Staff job descriptions are consistent with relevant mission statements.
- IFAD has a policy to promote, implement and monitor mobility (e.g. publication of vacant posts, list of specialist posts) in order to ensure that the right person is in the right job at the right time and, where feasible, to create career opportunities.
- Necessary support is defined and delivered to new staff to facilitate their integration in the team.

*Main references: IFAD Human Resources Procedural Manual –Chapter 6-*

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## **1.7. Staff Evaluation and Development**

Staff performance is evaluated against individual annual objectives, which fit with the Division's overall objectives. Adequate measures are taken to develop the skills necessary to achieve the objectives.

### **Good Practices**

- In the context of the PES process discussions are held individually with all staff to establish their annual objectives, which fit with the Division's and service's objectives.
- Staff performance is evaluated according to standards set by IFAD.
- A yearly strategic training framework is developed at Corporate level based on needs deriving from the policy of the Divisions together with recommendations and instructions received from the central services.
- A Training Map is completed annually by each Division discussed with and approved by the Director. The Training Passport, recording all training activities undertaken by the staff member, is kept up to date.
- Management ensure that every staff member attends at least the training courses of a compulsory nature that have been defined in the PES.

*Main references: IFAD Human Resources Procedural Manual –Chapter 5 & 6- IFAD Performance management guide (revised 11 January 2008)*

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### 1.8. Commitment to Competence

Management have analysed, formally and informally, the tasks involved in each job, considering the extent to which individuals must exercise judgement and the extent of related supervision. Management have adequately determined the extent to which knowledge and skills are needed to perform particular jobs.

#### Good Practices

- Job descriptions are available for all key positions within the division together with skills and competencies required.
- Authority levels are clearly defined and communicated.
- Staff understand authority levels and the extent to which they are empowered to make decisions.
- Levels of supervision are clearly defined, articulated and communicated.

*Main references: Staff TOR, Divisional Organograms*

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### 1.9. ERM Policy

The ERM policy has been properly articulated and communicated across the organisation. Staff understand their responsibilities and accountabilities in relation to ERM.

#### Good Practices

- IFAD has an ERM policy.
- This policy is communicated effectively to all staff within IFAD.
- Staff are familiar with this policy and are fully aware of their roles and responsibilities within ERM.
- Staff undertake appropriate training in ERM.
- ERM focal points are appointed and adequately trained.

*Main references: ERM intranet site*

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### 1.10. ERM Committee

The ERM Committee has clearly defined terms of reference. They focus on the most important issues and make appropriate decisions.

#### Good Practices

- IFAD has an ERM committee.
- The ERM committee understand ERM and how it should be developed and rolled out within IFAD.

- The ERM committee is properly constituted and has clearly defined terms of reference.
- The ERM committee meet on a regular basis and focus on critical issues.
- Key issues are escalated to the ERM committee for discussion and approval.
- ERM decisions are escalated for consideration to OMC/EMC for the formulation of operational decisions.

*Main references: PB/2008/06 on establishment of the ERM Committee*

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### **1.11. Risk Appetite**

IFAD's risk appetite has been clearly defined and communicated by the ERM. Managers are aware of the level of acceptable risk for the risks they have responsibility and accountability for. Management comply with the ERM framework and the acceptable level of risk within their responsibilities for their part of the organisation.

#### **Good Practices**

- Divisions understand the level of risk they are able to accept and this is regularly reviewed as circumstances change.
- Controls are in place ensuring that risks are, in fact, managed to this acceptable level.
- Management discuss ERM and other risk related issues with their staff.
- Management ensure that sufficient controls are in place to manage risk to the acceptable level i.e. within the agreed risk appetite for that part of the organisation.

*Main references: ERM intranet site*

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## 2. RISK IDENTIFICATION AND ASSESSMENT

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Internal and external events affecting the achievement of IFAD's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective – setting processes whilst risks are analysed/assessed, considering likelihood and impact, individually or by category, as a basis for determining how they should be managed.

### 2.1. Risk Categories<sup>2</sup>

The risks faced by IFAD should be categorised in relation to what IFAD does. Risk categories (for the purpose of effective risk identification and assessment) should be defined and used appropriately.

#### Good Practices

- IFAD has defined appropriate risk categories which are used to define and communicate risk.
- Risk categories are regularly reviewed and updated to respond to changing circumstances.

*Main references: ERM intranet site*

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### 2.2. Risk Identification

A rigorous process is in place to facilitate the identification of potential events that may positively or negatively affect IFAD's ability to implement its strategy and achieve its objectives and performance goals. Staff are fully aware of the process to undertake when they identify a new or emerging risk.

#### Good Practices

- There is a clear and rigorous process in place within the IFAD/divisions to enable risks to be identified on an ongoing and regular basis.
- New risks are escalated and reported as appropriate.
- Identified risks include an analysis of root cause and consequence.

*Main references: ERM intranet site*

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<sup>2</sup> IFAD has defined two types of risk categories; **Context Risks** (External Environment, Customers, Strategy & Culture) and **Operational Risks** (Process & Capacity, Security & Safeguarding, People, Information & Communications, Financial Management, Legal/Compliance)

### 2.3. Risk Assessment

Management considers qualitative and quantitative methods to evaluate the likelihood and impact of potential events, individually or by category, which might affect the achievement of objectives.

#### Good Practices

- Guide values (which define different levels of impact (magnitude) and likelihood (probability) have been developed and are used to assess identified risks.
- Guide values are regularly reviewed and updated to reflect changes in circumstances.
- Guide values are used to assess new and emerging risks.
- Guide values include both qualitative and quantitative descriptions.
- Risk assessment is carried out on a realistic and practical basis rather than always focusing on 'worst case scenario'.
- Existing risk assessments are regularly reviewed to reflect changes in circumstances.
- Appropriate risk owners are assigned to assume responsibility for priority risks.
- Creation of an open environment which encourages discussion of common risks across IFAD.

*Main references: ERM intranet site*

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### 3. CONTROL ACTIVITIES AND RISK MITIGATION / Response

Policies and procedures are established and implemented throughout IFAD, at all levels and in all functions, to help ensure that risk mitigations/responses are effectively carried out. Management selects appropriate risk mitigations/responses (avoiding, accepting, reducing or sharing) and develops a set of actions to align risks with IFAD's risk tolerances and risk appetite.

#### 3.1. Processes and Procedures

The Division's processes and procedures used for the implementation and control of its activities are effective and efficient, adequately documented and compliant with applicable provisions. They include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures.

##### Good Practices

- The Division's main operational and financial processes and procedures are adequately documented.
- The Division's processes and procedures ensure appropriate segregation of duties (including for non financial activities).
- Segregation of duties arrangements are subject to regular review by Management.
- A method is in place to ensure that all instances of overriding of controls or deviations from established processes and procedures are documented in exception reports, justified, duly approved before action is taken and logged centrally.
- A risk management exercise at Division level is conducted at least once a year as part of the Divisional Management Plan (DMP) process and whenever management considers it necessary (typically in the event of major modifications to the Division's activities occurring during the year).
- Roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees are defined.

*Main references: Financial Regulations of IFAD; Policies and Procedures on IFAD intranet (Administrative and Operational Policies and procedures)*

#### 3.2. Risk Mitigation / Response

Where risks have been identified, mitigations/responses have been put in place to manage the risk to an acceptable level as determined by senior management. Mitigations/responses may include: risk transfer, sharing, acceptance, termination or risk response plans. Internal controls in place provide reasonable assurance over the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

### Good Practices

- All identified risks must be addressed in some way. It is possible to deal with risk in the following way: transfer (e.g. through insurance), share (e.g. through outsourcing or joint ventures), accept (live with the risk but regularly monitor it), reduce (generally through some form of internal control), terminate (the activity with which the risk is associated), response plans (e.g. business continuity plans or disaster recovery plans).
- Identified risks need to be managed to an acceptable level as defined.
- Risk mitigations/responses address the causes of risk and are appropriate.
- Where internal controls are in place there is an acceptable mix between preventative and detective controls. Account has also been taken of the cost of controls and the balance between this and the risks they are in place to manage.

*Main references: ERM intranet site*

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### 3.3. Business Continuity

Adequate measures are in place to ensure continuity of service in case of "business-as-usual" interruption. Business Continuity Plans are in place to ensure that the organisation is able to continue operating to the extent possible whatever the nature of a major disruption.

#### Good Practices

- Adequate measures - including handover files and deputising arrangements for relevant operational activities and financial transactions - are in place to ensure the continuity of all service during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems, incidents, etc.).
- Business Continuity Plans cover the crisis response and recovery arrangements with respect to major disruptions (such as pandemic diseases, terrorist attacks, natural disasters, etc.). They identify the functions, services and infrastructure which need to be restored within certain time-limits and the resources necessary for this purpose (key staff, buildings, IT, documents and other). Division Plans take account of the BCPs of the horizontal services in respect of their responsibilities for corporate services, completed as appropriate by measures specific to the Division concerned.
- Procedures are established for exercising, updating and validating the BCP. Reviews are at least annual, through the existing risk management process.
- Electronic and hardcopy versions of the BCP are stored in secure and easily accessible locations, which are known to relevant staff.

- Contingency and backup plans for information systems are established, maintained, documented and tested as determined by operational, business continuity and security needs.

*Main references: IFAD's Business Continuity Plan*

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### **3.4. Document and Information Management**

Appropriate processes and procedures are in place to ensure that the Division's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable rules. Adequate processes and procedures are in place to ensure that information held is safe and secure and unable to be accessed except by appropriate and approved people.

#### **Good Practices**

- Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.
- In particular, every document that fulfils the conditions laid down in the implementing rules needs to be registered, filed in at least one official file (each file being attached to a heading of the Filing Plan), and preserved by appropriate use of the IFAD's registration and filing systems, mainly through (Information Resource Centre (IRC) .
- Each Division has adopted and implements an IT Security Plan based on an inventory of the security requirements and a risk analysis of the IT systems under their responsibility, and applies at least the relevant control measures.
- The IT systems support adequate data management, including database administration and data quality assurance. Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data.

*Main references: IRC intranet site*

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## 4. INFORMATION AND COMMUNICATION

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Relevant information from internal and external sources is identified, captured and communicated in a form and time frame that enable staff to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up IFAD. Reporting is vital to risk management and this component delivers it.

### 4.1. Internal Communication

Internal communication is sufficient and timely such as to enable management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control.

#### Good Practices

- Internal communications comply with relevant copyright provisions.
  - Arrangements in line with the IFAD's Internal Communication are in place to ensure that management and staff are appropriately informed of decisions, projects or initiatives – including those in other Divisions – that concern their work assignments and environment.
  - All personnel are encouraged to communicate potential internal control weaknesses, if judged significant or systemic, to the appropriate management level. Contact person(s) is/are assigned to facilitate and coordinate such reporting.
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### 4.2. External Communication

Where appropriate, the Division has an external communication strategy to ensure that its external communication is effective, coherent and in line with IFAD's key messages.

#### Good Practices

- External communications comply with relevant copyright provisions.
- Where appropriate, the Division has a documented strategy for external communication (outside IFAD), including clearly defined target audiences, messages and action plans. The communication strategy is devised from the beginning of policy formulation and is discussed with the Division responsible. Coordination is sought with other Divisions and the Communication Division (EC) concerning communication priorities.
- Reference to Financial Disclosure Programme (code of conduct).

*Main references: Financial Disclosure Programme*

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### 4.3. Accounting and Financial Reporting

Adequate procedures and controls are in place to ensure that accounting data and related information used for preparing IFAD's annual financial statements and financial reports are accurate, complete and timely.

#### Good Practices

- Each Division Director has responsibility for ensuring the reliability and completeness of budget information under his/her control necessary for the production of accounts which give a true image of IFAD assets, liabilities, costs and revenues and of budgetary implementation.
- The Division's budget procedures and controls are adequately documented.
- Financial and management information produced by the Division, including financial information provided in the annual activity reports, is in conformity with applicable budget/accounting standards
- Financial info feeding the financial reports is complete, accurate, valid and timely, and is generated by systems and procedures subject to the application of ERM procedures.

*Main references: Internal Control Over Financial Reporting*

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### 4.4. Key Performance Indicators

Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives.

#### Good Practices

- The DMP's require at least one performance indicator per objective, both at policy level and at operational activity level, to monitor and report on achievements. To the extent possible, the performance indicators are established according to the RACER criteria, i.e. they are Relevant, discussed and Accepted, Credible, Easy and Robust.
- Reporting structures are in place to alert management when indicators show that the achievement of the objectives is at risk.

*Main references: DMPs and quarterly conversation results*

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#### 4.5. Risk Reporting

Information about existing, new and emerging risks is reported to the appropriate levels within IFAD.

##### Good Practices

- On a regular basis, information about risks within the division are communicated to appropriate parts of IFAD.
- Risk registers are used and are reviewed and updated on a regular basis.
- Risk registers contain appropriate and useful information.

*Main references: IFAD's risk register*

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## 5. MONITORING AND ASSURANCE

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The entirety of enterprise risk management is monitored and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

### 5.1. Management Supervision

Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions.

#### Good Practices

- Management at all levels supervise the activities they are responsible for and keep track of main issues identified. Management supervision covers both legality and regularity aspects and operational performance (i.e. achievement of Divisional Management Plan objectives).
- The supervision of activities involving potentially critical risks is adequately documented.
- Management monitors the implementation of accepted Internal Audit recommendations and related action plans.
- At least twice a year and at any time deemed appropriate, the Director informs the responsible Assistant-President of any potentially significant issues related to internal control and audit and investigations as well as material budgetary and financial issues that might have an impact on the sound management of appropriations or which could hamper the attainment of the objectives set.

*Main references: Internal Audit Recommendations on Line on Ifad intranet*

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### 5.2. Evaluation of Activities

Evaluations of expenditure and financing programmes and other non-spending activities are performed to assess the results, impacts and needs that these activities aim to achieve and satisfy.

#### Good Practices

- Evaluations are performed in accordance with the guiding principles of IFAD's Evaluation Policy, external audit recommendations as well as external evaluation findings.

*Main references: IFAD Evaluation Policy, EB 2003/78/R.17/Rev.1, (April 2003)*

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### 5.3. Assessment of ERM and Internal Control Effectiveness

Management assess the effectiveness of IFAD's ERM and internal control systems, including the processes carried out by implementing bodies, at least once a year.

#### Good Practices

- Management assess the effectiveness of ERM within the division to ensure that key risks within the division are being identified, assessed and managed to an acceptable level
- Risk management is performed in line with IFAD ERM policies and procedures
- Risks considered critical from an overall division perspective are indicated in the DMP and followed-up.
- Management assess the effectiveness of the Division's key internal control systems, including the processes carried out by implementing bodies at least annually. Such self-assessments can, for example, be based on staff surveys or interviews combined with management reviews of supervisory reports, results of evaluation and ex-ante/ex-post verifications, audit recommendations and other sources that provide relevant information about the Division's internal control effectiveness.
- On an annual basis – as part of the IFAD Annual Report – Senior Management signs a statement, to the best of his/her knowledge, on the accuracy and exhaustiveness of the information on management and internal control systems provided in the financial reporting.

*Main references: ERM Policy (PB/2009/08), Internal Control self-assessment workshop*

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### 5.4. Audit and Oversight

IFAD has an audit and oversight function, which provides independent, objective assurance and consulting services designed to add value and improve its operations and those of the Divisions. IFAD has appropriate committees to provide an oversight of ERM related issues and to offer suggestions on improvements that may be made.

#### Good Practices

- The role and responsibilities of the Office of Audit and Oversight (OA) are formally defined in an audit charter.
- The annual audit work plan is risk-based, forms part of a multi-annual strategic plan and is approved by the President and the Audit Committee (AC).
- The President ensures that OA is independent of the activities they audit.
- The President ensures that OA has sufficient and adequate resources to perform the audit work plan.

- Appropriate committees (including ERM and Audit committees) are in place with an oversight role.
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### **5.5. Assurance Provision**

IFAD has determined the assurance it requires on the effectiveness of ERM activities and has defined mechanisms in place to ensure that the appropriate level and quality of assurance is received on a regular basis. The assurance received comes from both management and independent and objective assurance providers.

#### **Good Practices**

- Risks and controls are monitored on a regular basis and appropriate assurance is provided to those who require it.
  - Managers understand their responsibilities and accountabilities in relation to assurance provision.
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## QUESTIONS FOR ASSESSING ADEQUACY AND EFFECTIVENESS OF PROCEDURES AND CONTROLS

### 1. THE INTERNAL ENVIRONMENT

#### 1.1 Mission

- Is the Divisions' mission statement up-to-date and sufficiently instructive? An effective mission statement is a concise statement developed from the perspective of the Divisions' customers. It should answer two basic questions: Why do we exist? How do we fit within IFAD architecture?
- Are staff aware of their Division's mission statement?
- Are staff able to articulate the mission statement?
- Can staff link their own activities into their divisions mission statement?

#### 1.2 Ethical and Organisational Values

- Would Division or section-specific ethical guidance be meaningful? For example, although the rules relating to "conflict of interests" apply to all persons in IFAD, a Division or section with significant procurement activities may want to emphasise this aspect. Dealing with insider information and preventing financial fraud are other topics that certain Divisions and/or sections may want to stress.
- Is the code of conduct concise and user-friendly? The way the code of conduct/guidance is written will affect its effectiveness.
- Is the code clearly articulated and communicated to all appropriate people?
- Is the code regularly re-informed to all staff?
- Is staff sufficiently aware of the different requirements and provisions concerning ethics and integrity (via training of newcomers, regular information, etc.)? Staff awareness can, for example, be analysed through surveys.
- Is enough done to facilitate the practical application of the code of conduct and other ethical guidance? For example, creating easily accessible and secure channels for staff to confidentially report alleged wrongdoings could make the code of conduct more effective in this domain.
- Do results of the supervisory activities, audit reports, reported deviations or other relevant sources suggest that there could be ethical issues or problems in the Division/section? Have adequate measures been taken to address these issues?
- Do managers ensure that staff are up to date on risk related issues and is this formally evidenced and documented?
- Is ERM discussed regularly at team and other relevant meetings? How is this evidenced?
- Are ERM responsibilities built into managers' performance objectives and is their performance really measured against this?

- Are controls reviewed on a regular basis to ensure that risk is being managed to an acceptable level?
- Is the turnover of management and supervisory staff reasonable?
- Is there a pattern of staff turnover and, if so, what does it imply?

### **1.3 Strategy and Planning**

- What procedures are in place to ensure strategy setting and planning is carried out at an appropriate time?
- Is there documented evidence that the strategies and plans have been formally approved by the Executive Board and other appropriate bodies?
- How are the strategic objectives of IFAD cascaded to all divisions?
- How do we ensure that divisional plans can be linked in directly to the overall IFAD strategic objectives?
- Are the strategy and plans risk assessed? Is this risk assessment formally documented and reported? Is this risk assessment reflected in the corporate and divisional risk registers as appropriate? Is this risk assessment reviewed and updated to reflect ongoing events?

### **1.4 Objectives**

- Is the concept of “management by objectives” (i.e. building the Division’s activities around DMP objectives at different management levels) sufficiently understood, discussed and accepted by management and staff? Does this concept work in practice? If not, why?
- Does the process of objective-setting ensure a high degree of understanding and ownership? Are the Division’s/section’s DMP objectives known to staff and meaningful?
- Is there a need for resources redeployment or (re)prioritisation of the objectives?



**1.5 Operational Structure**

- Are there any organisational issues or problems that negatively impact on the Division's/section's performance or control environment? In what way? Could a reorganisation of the Division's/section's improve the situation? How?
- Are the nature and scope of delegated functions and powers clear to all persons concerned?
- Are the risks associated with the delegated functions and powers sufficiently analysed?
- Where sensitive functions have been removed and allocated to a different member of staff, is management satisfied that the risks involved have been effectively mitigated?
- Where additional mitigating controls have been put in place, is management satisfied that these controls are effective and that the risks involved have been reduced to an acceptable level (considering impact and likelihood of the risk)?
- Do results of the supervisory activities, audit reports or other relevant sources suggest that there could be failings or issues associated with the Division's sensitive functions?
- Are the number of sensitive functions that require mandatory staff mobility reasonable? The cost of excessive mandatory staff mobility (negative impact on operations) may outweigh the benefits (reduced risk of conflict of interest and fraud).
- Are all IT projects and their specific risks clearly identified and managed according to the relevant guidance?
- Regarding IT Governance, does the IT Governance Committee adequately represent all relevant stakeholders? If the Division owns Information Systems which are used by other Divisions, are there appropriate governance arrangements in place to ensure all stakeholders' interests are considered?
- If the Division owns Information Systems or if it wishes to develop one, have possible synergies among the Divisions' Information Systems been explored and exploited, to the maximum extent possible? Are the systems interoperable to a satisfactory level? Are there duplicated investments in similar systems within the Division or elsewhere which merit attention?
- Are staff aware of the level of authority they have and when supervision is necessary?
- Is there an appropriate balance between responsibility and authority?
- Are there clear responsibility levels for key tasks and activities and are these properly communicated to all staff?
- Are these limits clearly defined in writing?
- Are employees at the right level given the authority to correct problems and make improvements, and do they have the appropriate levels of competence and clear boundaries to their authority?

**1.6 Staff Allocation and Mobility**

- Are adequate arrangements in place to ensure effective staff planning and allocation? Do management have sufficient and relevant information about priorities and staff workloads as well as required and available skills?
- Are there any issues or problems related to staff recruitment and allocation that significantly affect the Divisions' performance? Could a modification of current recruitment and allocation procedures to the extent possible at Division level address these? How?
- Are sufficient measures taken to ensure flexible and dynamic organisation, for example via targeted and intensive training programmes, re-organisation or other measures?
- Is staff turnover sufficiently monitored and analysed? Establishing Division-specific ratios for "excessive" and "insufficient" staff turnover may be useful. Are the root causes of any abnormal staff turnover sufficiently analysed and addressed?
- In the event of "excessive" staff turnover, is appropriate action taken to retain staff with the required skills? Similarly, where there is "insufficient" staff turnover, is appropriate action taken to promote and facilitate staff mobility within the Division or externally? Have these measures been successful? If not, why?
- Is the interest of the service taken into account when planning for the mobility of middle management or total replacement of the management team and/or critical staff? Is the possible loss of knowledge adequately managed?

**1.7 Staff Evaluation and Development**

- Are staff's annual objectives (as noted in the PES) meaningful, sufficiently challenging and accepted by the persons concerned? Are they kept up to date during the year?
- Are staff evaluations based on the achievement of pertinent and up-to-date annual objectives? Using generic or outdated objectives increases the risk of subjective and biased evaluations and can negatively impact on staff motivation.
- Are sufficient measures taken to analyse and develop the Division's skills and to plan for future HR needs and skill requirements? An effective staff development plan should take into account not only individual training requests but also the collective skills and competences needed to meet the Division's/section's objectives. Performing an analysis to detect significant gaps between required and available skills and competences in the entity can be an effective means of improving staff development.
- Are pertinent training statistics available? An analysis of the Division's/section's training statistics may indicate whether the entity's training activities should be re-focused. On the basis of this, is there evidence that staff is taking the necessary courses in order to build their skills?

**1.8 Commitment to Competence**

- Have job descriptions been prepared for all key posts and are these used effectively for recruitment purposes?
- Do the job descriptions include skills and competencies required?
- Have authority levels been clearly defined and communicated and are all staff aware of what they are empowered to do?
- Are staff fully aware of decisions they are able to make and where they need to be supervised?
- Are levels of supervision clearly defined, articulated and communicated?
- Are recruitment policies sufficient to ensure that employees moral values are consistent with those of IFAD and that they are trustworthy and competent?
- Do management have an appropriate response to deal with any departures from ethical standards?

**1.9 ERM Policy**

- Does IFAD have an appropriate ERM policy which has been properly communicated and is appropriately reinforced?
- Are staff aware of and do they use the ERM site on the IFAD intranet?
- Are staff fully aware of the ERM policy and their roles and responsibilities within ERM?

**1.10 ERM Committee**

- Does the ERM committee have appropriate terms of reference which is reviewed and updated on at least an annual basis?
- Does the ERM committee provide leadership on risk management related issues across IFAD?
- How frequently does the ERM committee meet? Is this sufficient? Are they able to respond quickly to critical risk related issues?
- Has the ERM committee developed a roll out programme for ERM within IFAD and is it monitoring this?
- Are key issues escalated to the ERM committee as appropriate? How is this done? Is it done effectively? Do the ERM committee report back with support and advice on such issues?

**1.11 Risk Appetite**

- Do managers understand the level of acceptable risk within their area of responsibility and are they able to articulate this?
- Is the risk appetite flexed to take account of changes in circumstances? How is this determined and communicated?
- Are controls in place that manage the risks to this acceptable level?

## 2. RISK IDENTIFICATION AND ASSESSMENT

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### 2.1 Risk Categories

- Have clear and useful risk categories been determined to assist in the identification and categorisation of risk?
- Are the risk categories regularly reviewed and updated?

### 2.2 Risk Identification

- Does the division have a clear and rigorous process in place to identify risks on an ongoing basis?
- Is the concept of ERM sufficiently understood by staff within the division enabling risk identification to be carried out on a regular basis?
- Are new and emerging risks identified? How are these integrated into the existing risk information? How is the decision made to escalate the reporting of new and emerging risks?
- Is risk identification built into planning and objective setting processes?
- Is risk identification adequately integrated into the processes and procedures used for the planning, implementation and control of the division's activities?
- Is risk identification regularly considered in the divisions meetings?
- Do identified risks also include an analysis of root cause and consequence?

### 2.3 Risk Assessment

- Have guide values been developed to determine different levels of impact (magnitude) and likelihood (probability)?
- Are these guide values used in a consistent way across the divisions? How do these guide values fit in with the overall risk appetite of IFAD?
- Do the developed guide values include both qualitative and quantitative descriptions? Does the impact focus on issues other than finance e.g. reputation, stakeholder concern etc?
- Are the guide values regularly reviewed and updated to reflect changes in circumstance?
- Is risk assessment adequately integrated into the processes and procedures used for the planning, implementation and control of the division's activities?
- Is risk assessment regularly considered in the divisions meetings?

### 3. CONTROL ACTIVITIES AND RISK MITIGATION/RESPONSE

#### 3.1. Processes and Procedures

- Are the main processes and procedures used for the implementation and control of the Division's/section's activities documented in a user-friendly fashion? Are they readily accessible? Are they kept up to date?
- Are arrangements in place to ensure data protection is applied to manual processes?
- Have management performed a risk assessment of their main processes and procedures? Accordingly, have the most vulnerable parts of the processes and procedures been identified and appropriate mitigating controls been implemented?
- Are the process controls in place adequately designed? Is it clear: (1) Who performs the control?; (2) How the control is being performed (methodology, sample size, etc.)?; (3) What information is required to perform the control?; (4) How frequently the control operates?; (5) What criteria are used to define the level of significance of "anomalies" identified (i.e. what type of issues detected by the controls should be considered significant; what type of error should be considered minor)?
- Are audit logs and corresponding alerts for actions considered risky foreseen for all critical information systems?
- If implementing bodies are involved in the control processes and procedures (for example, Member States, other UN agencies, NGOs, etc), has the "control chain" end-to-end been adequately described? Are the respective roles and responsibilities in the control chain clear to all parties involved? Is information about the control activities and results adequately and effectively shared between all parties involved?
- Is a Financial Disclosure program (Code of Conduct) in place?
- Has an Accountability Framework been formalized?

**3.2 Risk Mitigation/Response**

- Have all identified risks been addressed in one of the six ways described above?
- If risks have not been addressed are actions identified to deal with the risk in due course?
- Do all significant risks have planned actions which will be carried out within the next three months?
- Do risk mitigations identified, in fact, address the root causes of the risk?
- Where the residual or net risk is higher than the acceptable level of risk, are actions identified to reduce the risk to an acceptable level?
- Is there an acceptable mix between preventative and detective controls?
- Where controls are in place has account also been taken of the cost of controls and the balance between this and the level of the risks they are in place to manage?

**3.3 Business Continuity**

- Continuity of Service (Business-As-Usual): Are the Division's procedures to ensure continuity of service (handover arrangements, backup procedures, etc.) sufficiently known, readily accessible (in particular to new staff) and applied in practice?
- Business Continuity Plan: Are management and relevant staff sufficiently aware and appropriately trained regarding the BCP? Do they know what to do in the immediate response to major disruption in order to minimise the risks to staff and assets? Is the BCP easily understandable and readily accessible to those who need it when they need it?
- Business Continuity Plan: Are priorities and key risks – including IT risks – clearly defined and sufficiently highlighted in the BCP? Short and concise messages and instructions are usually more effective than long and detailed explanations, particularly in a stressful situation.
- Business Continuity Plan: Is the BCP – including relevant IT elements – sufficiently tested? Conducting periodic testing and practice drills are important means of determining whether the continuity plan works effectively in practice.
- Business Continuity Plan: Are results of testing activities sufficiently analysed and documented, necessary improvements identified and BCP updated accordingly?

**3.4 Document and Information Management**

- Are documents adequately protected against destruction, theft, fire, etc.?
- Are the procedures for registration sufficiently known? Are they applied in practice? Are the procedures for filing sufficiently known?
- In general, is the time spent on finding documents reasonable? Are applicable rules regarding handling of sensitive documents sufficiently known and applied in practice? Are adequate measures taken to ensure the readability of documents in the future, especially when the Division owns the repository system?
- Are management and staff sufficiently aware of applicable retention periods for documents? Are retention periods respected in practice?
- Do results of the regular supervision of IT systems, audit findings or information from other sources suggest that there may be IT-security-related issues? Are these issues escalated to and discussed at the appropriate management level?
- Is feedback from IT users regarding system performance collected and analysed, given that systematic collection and analysis of comments and suggestions from IT users (through surveys or channels for ad-hoc feedback) can be a good way of detecting effectiveness and efficiency issues? Are statistics on system down-time, server capacity and other performance indicators regularly analysed? Are system performance issues reported to the appropriate management level?
- Does the Division have effective procedures in place concerning data retention periods, data backup, data access and archiving? Can management demonstrate that these procedures are applied in practice? Do the results of supervisory activities, "customer complaints", audit findings or information from other sources suggest any weaknesses in the field of data management, e.g. data quality issues, missing or untimely data, etc.



## 4. INFORMATION AND COMMUNICATION

### 4.1 Internal Communication

- Have the current arrangements used for internal communication been analysed? Are arrangements in place to ensure that management and staff are informed of other Divisions' decisions/projects/initiatives that may affect their responsibilities and tasks?
- Are there any recent examples where flaws in inter and intra-Division communication have caused problems or impacted on the Division's performance? Have the underlying causes been analysed? Have measures been taken to prevent similar communication issues in the future?
- Is the information provided in the Division's/section's management scoreboards pertinent and useful for the management of these activities? Where possible, is there a clear link to the Divisional Management Plan objectives? Are the scoreboards used by management and staff in practice? If not, why? Are the scoreboards reliable, or should more be done to check the accuracy of the information?

### 4.2 External Communication

- Have the current procedures and methods used for external communication been analysed to identify their strengths and weaknesses, including cost-benefit aspects?
- What is done in practice to seek and analyse feedback from target audiences regarding communication impact? Is the information obtained reliable and pertinent? Is relevant feedback escalated to the appropriate level and used to adapt ongoing communication strategies?

### 4.3 Accounting and Financial Reporting

- Are budget data quality controls pertinent and sufficiently documented? Such controls may, for example, include analyses of accounts, analysis of ageing balances of outstanding invoices, outstanding pre-financing, segregation of duties, reviews of reports, sample testing, reconciliations etc. Is management satisfied that these controls work as intended in practice?
- Are the systems that process financial data reliable?
- Are the system controls in place functioning as intended? Are exception/error reports generated where appropriate and are these being reviewed and addressed.
- Is the segregation of duties principle applied in the various modules of the ERP on the basis of defined roles and responsibilities ie. access rights?

**4.4 Key Performance Indicators**

- Are the Division's performance indicators meaningful, i.e. do they actually support and facilitate the management and monitoring of the Division's activities?
- Are the performance indicators focused on the Division's key activities and risks
- In case performance cannot be quantified, are meaningful qualitative performance indicators established?

**4.5 Risk Reporting**

- Do managers receive sufficient information about risk and other related issues to enable them to effectively discharge their responsibilities?
- Is information about existing, new and emerging risks being reported to appropriate levels in the organisation?
- Are risk registers reviewed and updated on a regular basis?
- Are risk registers used to input to day to day activities and decision making?

## 5. MONITORING AND ASSURANCE

### 5.1 Management Supervision

- Are the supervisory activities sufficiently focused on high-risk areas? The following situations would typically warrant an increased level of supervision: - Complex operations; - Transactions of high monetary value; - Low control consciousness among staff; - Lack of experienced or skilled personnel; - Reorganisation or significant modification of operating activities; New or revamped IT systems; - Potential conflicts of interest or influence from external parties; - Activities of a politically sensitive nature; - Activities impacting significantly on the working conditions of staff (health, safety, security).
- Is there systematic follow-up of significant issues identified through the supervisory activities?
- If implementing bodies are responsible for carrying out actions (e.g. Member States or other UN agencies, NGOs, etc), has appropriate supervision or follow-up been established by the responsible service?
- Is the supervision of operational performance based on the Divisional Management Plan objectives and related performance indicators? Are these objectives and indicators useful in practice? If not, why?
- Do management have satisfactory evidence that key controls in place are operating as intended in practice (for example via the results of supervisory activities, audits, investigations and other relevant sources of information)?
- Are all reported internal control weaknesses properly analysed and addressed where necessary? Depending on the nature of the work performed, supervision activities can, for example, be documented in the minutes of meetings or using other similar mechanisms.

### 5.2 Evaluation of Activities

- Are evaluation activities appropriately organised and resourced to meet their purposes?
- Are evaluation activities planned in a transparent and consistent way so that relevant evaluation results are available in due time for operational and strategic decision-making and reporting needs?
- Does the evaluation design provide clear and specific objectives, and appropriate methods and means for managing the evaluation process and its results?
- Do evaluation activities provide reliable, robust and complete results? Are the evaluation reports used by management in practice, i.e. do they have a real impact on the Division's decision-making or proposals prepared by the Division? If not, why?

Are evaluation results communicated in such a way that they ensure maximum use of the results and that they meet the needs of decision-makers and stakeholders?

**5.3 Assessment of ERM and Internal Control Effectiveness**

- Do managers and staff who participate in self-assessments of the Division's internal control systems have a sufficient understanding of internal control and risk management? If not, what is done to avoid misinterpretations or misunderstandings that could affect the results and conclusions of the exercise?
- Is the self-assessment well organised, pragmatic and value-adding (or is it regarded as a "bureaucratic burden")? Is it sufficiently sponsored by senior management?
- Is the self-assessment focused on the Division's main activities and risks? A too wide or too detailed scope may reduce its effectiveness.
- Are self-assessment results sufficiently supported, for example via references to other relevant sources?

**5.4 Audit and Oversight**

- Does OA apply, when appropriate for IFAD, internationally recognised audit standards, such as the standards issued by the Institute of Internal Auditors (IIA) or equivalent? In particular, are there any situations that could threaten OA's organisational independence? Are the auditors sufficiently aware of the principles of integrity, objectivity, confidentiality and competency, and do they apply them in all of their dealings??
- Are the audit and ERM committees formally constituted? Do they effectively discharge their oversight responsibilities?

**5.5 Assurance Provision**

- Does IFAD have an overall assurance framework in place and is this coordinated effectively?
- Are the Executive Board and the Audit Committee actively involved in determining the assurance needed together with the levels and sources?
- Do responsible managers provide written assurance on at least an annual basis? How do they obtain this assurance?
- Is management assurance provided separately to assurance provided by Audit and other independent assurance providers?

**ANNEX 3: SUPPORTING DOCUMENTATION: UNITED NATIONS INDUSTRIAL DEVELOPMENT  
ORGANIZATION (UNIDO)**



# United Nations Industrial Development Organization

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## General Conference

### Thirteenth session

Vienna, 7-11 December 2009

Item 14 of the provisional agenda

**Programme and budgets, 2010-2011**

## Unutilized balances of appropriations

### Report by the Director-General

In compliance with decision IDB.36/Dec.12, paragraph (e) (ii), presents Member States with the feasibility study which considers the expected impact of the change management initiative.

#### The need for a comprehensive change management approach

1. After a decade of wide-ranging programmatic and administrative reforms, implemented in the context of tight budgetary constraints, UNIDO has come to be recognized as a highly relevant and efficient provider of key development services in its mandated areas of poverty reduction through productive activities, trade capacity-building, and environment and energy. The demand for the Organization's services has witnessed a rapid growth in recent years, and the volume of funds available for future delivery will reach a record of more than \$330 million by December 2009. Based on this continuing expansion of available resources, and on the ongoing formulation of new technical cooperation programmes and projects, UNIDO appears well placed to increase the delivery of its technical cooperation services from an anticipated \$125 million in 2009 to \$250 million within a period of four to six years within its well-defined thematic priorities.

2. These favourable prospects for the growth of demand for UNIDO services need to be balanced, however, against changes in the modalities with which major donors, such as Global Environment Facility (GEF), the Montreal Protocol, the

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European Commission and multi-donor trust funds cooperate with organizations of the United Nations system. They are increasingly introducing complex and demanding new requirements for such cooperation arrangements, based on assessments of the internal processes of their partner organizations. Thus, GEF has introduced a set of wide-ranging fiduciary standards with which its partner organizations must comply, while the European Commission is conducting a so-called “four pillar” exercise with its partners to ensure common standards for accounting, audit, internal control and procurement processes. These requirements are imposing considerable demands on the partner organizations, including UNIDO, for adjustments to all of their operational processes and supporting information technology (IT) systems.

3. In addition, UNIDO is facing the need to integrate the results-based management (RBM) approach in all of its systems, following the recent recommendation by Member States to the General Conference, in decision IDB.35/Dec.5, of the medium-term programme framework (MTPF) for 2010-2013, which has been formulated on RBM principles. Similarly, UNIDO has progressively strengthened the application of the results-based budgeting approach in its programmes and budgets over the recent bienniums. To fully embed the principle of budgeting and managing for results in UNIDO’s operational and programmatic activities, however, additional systems support is needed to obtain the results-related information required to inform a results-based decision-making process.

4. The increasing efforts of UNIDO to respond more effectively to the requirements of its Member States by enhancing its field presence, and decentralizing its operations to the field, is placing additional pressure on the Organization to upgrade its support systems. For the effective and efficient provision of such decentralized services, UNIDO requires a robust and flexible IT infrastructure with outreach to its field offices worldwide, providing them with the connectivity required to ensure their full integration into the various operational processes of the Organization.

5. Finally, UNIDO is increasingly being called upon to contribute to the efforts throughout the United Nations system to achieve a system-wide harmonization of business practices, which are a precondition for the effective implementation of the inter-agency coherence at the country level, as demanded by the United Nations “Delivering as One” (DaO) approach. The pressures to achieve such a harmonization of business practices, which are already posing a considerable challenge for UNIDO, appear likely to intensify in the coming years, all the more so, as about 90 countries roll out their United Nations Development Assistance Framework (UNDAF) and DaO self-starter programmes. To be able to participate effectively in the implementation of these programmes, UNIDO will have to review and adjust its business practices and processes through a comprehensive business process re-engineering, and put in place the supporting IT infrastructure, with a view to achieving the required system-wide harmonization.

6. In summary, UNIDO faces five significant challenges that require it to make extensive changes to its businesses processes and systems if it is to maintain the effectiveness of its contribution to supporting the aspirations of its Member States to achieve the Millennium Development Goals:

- (a) The need to implement a fast-growing portfolio of funded and fundable projects based on country demand;
- (b) The need to comply with strict donor requirements, such as the GEF fiduciary standards and the "four pillars" required by the European Union;
- (c) The need to have systems in place allowing the monitoring of results, and resources spent on achieving those results (results-based management and budgeting);
- (d) The need for better connectivity and linkages between Headquarters and field offices to allow real-time transmission of, and access to, relevant information flows; and
- (e) The need to contribute effectively to the ongoing process of harmonization of business practices as part of the United Nations system-wide coherence agenda.

### **Investment in change management**

7. Recognizing both the urgency of the investment in a comprehensive change management initiative required to meet the challenges outlined above, and the anticipated persistence of budgetary constraints on the Organization, the Director-General has submitted a proposal to Member States outlining an approach that might be adopted to finance the required investment. This proposal, originally submitted to the twenty-fifth session of the Programme and Budget Committee in document IDB.36/12-PBC.25/12 and elaborated further at the thirty-sixth session of the Board in document IDB.36/12/Add.1, recommends to Member States to agree to the retention by the Secretariat of the unutilized balances of appropriations due for distribution in 2010. It further provides for these resources to be used for two important initiatives: firstly to finance the endowment of two trust funds to mobilize additional resources for technical cooperation programmes in the priority areas of increased food security through agribusiness and agro-industry promotion, and renewable energy for productive activities; and secondly to finance the implementation of a comprehensive change management initiative, including the introduction of a fully integrated organization-wide enterprise resource planning (ERP) system.

8. Following initial consideration of this proposal, the Board requested the Director-General, in decision IDB.36/Dec.12, to conduct a feasibility study to consider the expected impact of the change management initiative on the overall cost efficiency of UNIDO. In compliance with this decision, the Secretariat, following due process, engaged the services of an internationally renowned business consultancy, Deloitte Consulting, to conduct an independent feasibility study of the comprehensive change management initiative proposed by the Secretariat. The findings and conclusions of this feasibility study were presented to the Member States in a briefing given by the consultants on 13 October 2009, which generated a fruitful debate and many valuable comments and suggestions from Member States. These have been integrated into the final feasibility report prepared by the consultants, which is attached to the present document.





# Feasibility Study of a Comprehensive Change Management (CM) Initiative at United Nations Industrial Development Organization (UNIDO)

Vienna, 21 October 2009

## Feasibility Study of a Comprehensive Change Management (CM) Initiative at United Nations Industrial Development Organization (UNIDO)

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## 1. Executive Summary

1. The present document relates to the main findings and recommendations of the feasibility study for the Change Management Initiative at UNIDO, which was carried out by Deloitte Consulting.

### Objectives

2. Based on internal assessments, the Organization identified the following areas to be included in the CM initiative:

- An enhanced integration of UNIDO's various management systems and practices, including four functional areas: Technical Cooperation – Project Management; Human Resource Management, including payroll; Procurement and Financial Services;
- An improved utilization of UNIDO's organizational capacities both at Headquarters and field levels to achieve higher throughput;
- An updating and upgrading of UNIDO's IT infrastructure to meet these needs.

3. Changes implied have to take into account, among others, the following:

- Best practices;
- Benchmarks with comparable public or private organizations;
- The international character of UNIDO.

### Method/Approach

4. An external consulting company (Deloitte Consulting) was duly selected and commissioned to fulfil the above objective in the period of 31 August to 5 December 2009 to provide a feasibility study (PHASE I) before 15 October 2009 and to provide an Implementation Roadmap (PHASE II) prior to the General Conference taking place between 7 and 11 December 2009.

5. The work in September 2009 was performed with the substantive support of the UNIDO Secretariat in the following four functional areas: Technical Cooperation – Project Management; Human Resource Management, including payroll; Procurement and Financial Services. Furthermore, external auditors, internal auditors, the Staff Council as well as selected representatives from the field offices and regional offices were consulted and interviewed throughout the project.

6. After the presentation to UNIDO's Member States during October 2009, the additional comments and issues raised during the informal consultation have been taken into account in the report.

7. To support UNIDO's envisioned change, four generic scenarios were considered, covering the whole gamut from purely reactive change to changing environment and outside pressures up to a proactive rebuilding of the complete spectrum of systems, processes and practices, including a restructuring of ICT tools and business processes.

8. These potential scenarios were used as a backdrop for Deloitte's analysis supported by personal interviews, functionally standardized questionnaires, review

of documents and processes and a set of workshops to ascertain both the current situation and possible change levers that are described in the report as solutions. The documentation of the findings and potential solutions to the scenarios were clustered in the following four categories:

- Improve Process Productivity;
- Enhance Delivery Capacity;
- Increase Efficiency of ICT Tools; and
- Strengthen Accountability.

9. The resulting solutions were then applied in the four different implementation scenarios according to their relevance. These scenarios are primarily differentiated along the change impact but were also detailed according to the implementation time frame as well as the overall costs and potential support of UNIDO's goal of doubling its service delivery capacity.

10. The prioritized solutions were then assessed on how far they are supporting the integration of UNIDO in the ongoing UN system-wide coherence process, specifically the harmonization of business practices. Especially in the third and fourth scenario it appeared feasible to enable a system-wide exchange of information by envisioning multidimensional reporting as part of the future system. In the selection of modules of the future system in the third and fourth scenario, the system-wide coherence has to be part of the evaluation criteria.

11. All above dimensions of change (e.g., to improve process productivity, to enhance delivery capacity, to increase efficiency of ICT tools, to introduce reporting based on RBM principles, and to strengthen accountability) have the goal of increasing the efficiency/productivity of the organization as a whole.

12. In Deloitte's experience with similar organizations, potential system replacement efficiency/effectiveness gains of up to 30 per cent are possible when Business Process Reengineering (BPR) is performed before systems are replaced and the efficiency/effectiveness criteria are part of the evaluation for the selection process for the future system. In Deloitte's view, this up to 30 per cent gain would allow channelling of the capacities absorbed by current labour and paper based processes into the technical cooperation activities. The automation would also allow a better integration of field offices into the core operations of the Organization. Such efficiency/effectiveness gains, together with all other direct benefits from increased integrated system support, should allow UNIDO to achieve a quantum leap in its capacity to deliver TC services to its Member States.

## **Conclusion**

13. All analysed change scenarios in the context of UNIDO imply investments along different timelines and at different total cost. Each scenario yields different gains to enable UNIDO to fulfil its goals for significantly increasing its delivery capacity, meet increasing demands, improve transparency, support the system-wide harmonization process and provide for effective monitoring of operations based on RBM principles as well as improved utilization of the organization's capacities both at Headquarters and field levels. Taking into account UNIDO's current situation, the analysis showed that a one-time investment in a BPR exercise as a starting point for

an Enterprise Resource Planning (ERP) system implementation is essential for UNIDO to achieve these objectives.

14. The four different change scenarios are compared in the figure below showing their main dimensions depicted in separate lines. Specifically, the approximate external costs, the estimated time for conclusion and the estimated additional internal costs are compared.

Figure I

Scenarios	I	II	III	IV
	Status Quo	Incremental Improvement	Holistic Change	Fundamental Rebuilding
Total external costs	*)	10 M€	9 M€	20 M€
Estimated timeline		8 years	3 years	5 years
Additional Internal Costs	none	High	medium	very high

\*) "Scenario I" does not have a timeline or a cost estimate due to it being purely reactive and therefore ad-hoc need for investment e.g. when there is a system breakdown.

15. All four scenarios were duly analysed and evaluated taking into account UNIDO's current situation, systems, processes and needs. Having considered their respective advantages and disadvantages, the following recommendations are made:

**Scenario I: NOT RECOMMENDED** – seriously endangering UNIDO operations and services to Member States;

**Scenario II: NOT RECOMMENDED** – will not allow timely achievement of required capacity and compliance with external requirements;

**Scenario III: RECOMMENDED** – cost effective scenario to achieve required capacity and compliance with external requirements, integrating new processes and systems while keeping the current finance system;

**Scenario IV: RECOMMENDED** – most technically viable and comprehensive solution that allows custom adaptation of chosen new system to exactly match UNIDO's circumstances and requirements in one integrated ERP package, including a finance system, albeit at higher costs and in a longer time frame.

## 2. Objectives of the CM Feasibility Study

### UNIDO's Change Management (CM) Initiative

16. Over the past decades, the pace and pattern of change in the global economy have created an increasingly complex environment for industrial development. The internationalization of industrial production, trade, investment and technology is moving at an unprecedented but uneven pace, creating a growing industrial divide and widening disparities between developed and developing countries, and among

developing countries themselves. Despite considerable efforts to meet the MDGs, poverty remains prevalent in many parts of the world. Together with current food, fuel and financial crises these challenges need to be addressed if continued progress is to be made towards meeting the goals and targets both of UNIDO and the Millennium Declaration.

17. Due to such developments, UNIDO's mandate has assumed an enhanced role in the global development agenda in recent years. The Organization is recognized as a highly relevant, specialized and efficient provider of key development services in support of the interlinked challenges of reducing poverty through productive activities, promoting the integration of developing countries in global trade, fostering environmental sustainability in industry, and improving access to energy for development. As a consequence, the demand for UNIDO services has increased rapidly raising the volume of funds available for future delivery to a new record.

18. In addition, both governmental donors and dedicated funds are introducing new requirements, which are more demanding and complex with regard to the way in which projects funded by them have to be implemented. Further, UNIDO aims at increased harmonization of its management systems with those employed by other agencies of the United Nations system, with a view to ensuring a high level of inter-agency coherence within the framework of the UN system-wide harmonization initiatives.

19. However, UNIDO's ability to meet the growing demands of its Member States, donors and recipients with its constrained capacities and zero-growth regular budget is coming under increasing pressure. Important changes in UNIDO's management processes and systems are therefore becoming necessary to enable the Organization to meet these demands.

20. UNIDO recognized the need for change and several initiatives have already been launched throughout the Organization. However, since these initiatives were triggered by a mixture of external and internal events, they were developing independently from each other, without their inter-linkages and inter-dependencies sufficiently recognized and addressed. Moreover, even collectively, these initiatives are insufficient to fundamentally modify UNIDO's business model so as to enable it to meet the increasing demands, improve transparency, provide for effective monitoring of operations and allow for better early warning and decision-making, as well as proactively addressing risks.

21. Thus, in order to be able to meet the challenge posed by an accelerating growth in demand for its services on the one hand, and the constraints on its ability to increase human and core financial resources on the other, UNIDO must intensify its efforts to enhance operational efficiencies. This will require a full review and redefinition of its business processes, with a view to increasing the productivity of the Organization as a whole, and of all of its constituent parts. Such investments, in a relatively short time, are expected to boost the efficiency and productivity of UNIDO so that it will be enabled to meet the increasing demands for its services. Initial steps have already been taken in this direction with the Organization having performed an internal analysis of its current status and future needs.

22. Based on these internal assessments, the Organization has identified the following three specific issues:

- An enhanced integration of UNIDO's various management systems and practices, including four functional areas: Technical Cooperation – Project Management; Human Resource Management, including payroll; Procurement and Financial Services;
- An improved utilization of UNIDO's organizational capacities both at Headquarters and field levels to achieve higher throughput;
- An updating and upgrading of UNIDO's IT infrastructure to meet these needs.

23. In order to address the above issues, the Organization has already initiated work on a Change Management initiative including a pilot Business Process Reengineering exercise and exploring the introduction of an Enterprise Resource Planning system through consultation with other United Nations organizations.

#### **Mandate for the Feasibility Study**

24. In April and June 2009, the PBC and the IDB reviewed the Secretariat's proposal for a comprehensive Change Management Initiative to be carried out in the time frame of 2009 to 2011.

25. In June, the IDB requested the Director-General to carry out a feasibility study which considers the expected impact of the Change Management initiative on the overall cost efficiency of the Organization, with particular emphasis on the various cost elements involved in the implementation of an ERP system for the Organization (ref: IDB.36/Dec.12).

### **3. Overview Method/Approach**

26. For the feasibility study of a comprehensive Change Management Initiative at UNIDO, Deloitte adapted its transformation approach for the analysis/optimization of business processes and organizational structures to fit UNIDO's needs. The methodology utilizes a broad spectrum of rating tools, best practice processes and structures as well as a large number of templates for an efficient execution of the project.

27. In the last years, Deloitte has already worked on several projects within the UN System, for example on a needs assessment and development of systems requirements in the area of budget information systems. Additionally to similar functional work in process/organizational analysis Deloitte's project team members assisted several other public sector clients in quality assurance and project management functions on Change Management challenges similar to UNIDO. During the feasibility study, the project team drew on this rich experience as well as on the experience of UNIDO's staff when formulating solutions to enable the envisioned change.

### **Change Management and Business Process Reengineering**

#### **Change Management**

28. Change Management can be seen as a series of activities that cause a desired improvement or enhancement to an existing system or organization. Successful

Change Management creates an organization that “moves as one”, recognizes trends in complexity and induces a flexible institution in an uncertain environment while at the same time balancing continuity with change. Consequently, a change at the organizational level is always intended to make the organization faster, coherent, more efficient, effective, transparent and sustainable. The Change Management approach focuses on the adoption of new technologies, major strategic shifts, on process reengineering, restructuring and cultural changes, including people’s behavioural changes.

29. Once new behaviours and customs within an organization are established, they need to be backed up by updated and new business processes. Thus, Business Process Reengineering is essential for an organization to undergo a successful change process.

### **Business Process Reengineering**

30. Business Process Reengineering is a focused activity, in which an operational entity reviews and analyses its business processes from start to end, considering all involved functional areas. The table below describes the typical steps during a BPR exercise:

Table I

<b>Common approach to Business Process Reengineering</b>	
Development of the business vision	BPR is driven by a business vision which implies specific business objectives such as time reduction or increasing productivity.
Identification of processes to be redesigned	The focus lies on those processes that conflict most with the business vision.
Understanding and assessing existing processes	These activities provide a baseline for future improvements.
Identification of IT levers	The awareness of IT capabilities is influencing process design.
Designing new process	The design should not be viewed as the last step of the BPR exercise but as a prototype.

31. A BPR exercise starts with the definition of the business vision and the objectives. After all processes that need to be revised are identified and new business processes are designed, an action plan, based on the gap between the existing processes, technologies and structures and the desired state, is created. Such an action plan involves all functional areas and includes an implementation roadmap fitting the agreed vision and objectives.

### **Possible Change Scenarios**

32. In order to change UNIDO’s current situation to its future vision, four scenarios are possible, ranging from “No Change” all the way to “Fundamental Change” by comprehensive organizational rebuilding.



33. The dimension of achievable change was used to classify the possible paths for action in four scenarios, grouped in (a) reactive change depending on outside demands and (b) proactive change from within the organization:

**(a) Reactive Change Scenarios**

**I. Status Quo**

Maintain current processes and systems. The change process is reactive to pressure or growing demands, but not necessarily from within the organization. Little to no long-term change can be achieved with this scenario.

**II. Incremental Improvements**

Invest sequentially in processes and separate systems over a longer time frame, following an evolutionary path based on situations and circumstances. Change is incremental and mainly subject to availability of funds, people and reaction to pressure, not necessarily with a clear vision for the whole picture of change.

**(b) Proactive Change Scenarios**

**III. Holistic Change**

To achieve the change vision, invest simultaneously in processes and integrated systems with an implementation roadmap. The vision is built around essential components of the current systems, utilizing existing knowledge and motivation from within the organization. This is supplemented by a mandate to change as quickly as possible.

**IV. Fundamental Rebuilding**

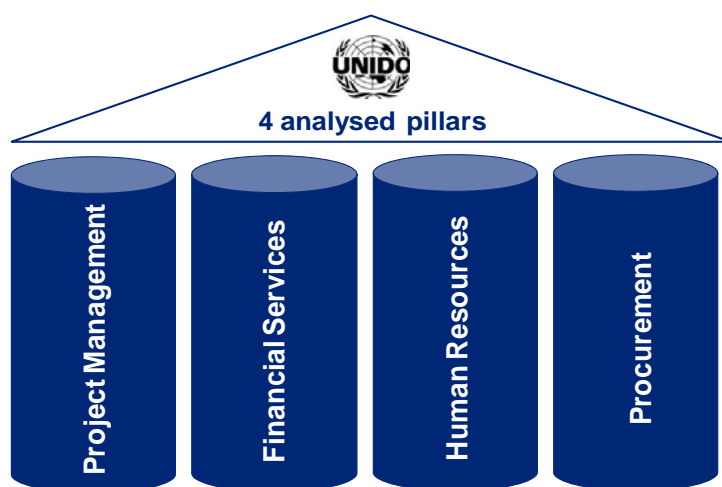
Replace all existing systems and related processes by a new and fully integrated ERP system, based on a commercial vendor and around a single platform and align the organization's business processes. The solution is based on the selected system's capacity, largely depending on the match between current and expected requirements and the selected ERP package and processes.

**Approach Applied to UNIDO**

34. Taking into consideration the dimensions of possible change in the above scenarios, Deloitte evaluated the current situation of UNIDO's organization, systems and processes.

35. As the focus of the feasibility study is on UNIDO's four functional areas (TC-Project Management; Financial Services; Human Resource Management, including payroll and Procurement), Deloitte decided to divide the analysis according to the four illustrated pillars:

Figure II



36. The analysis followed different methodologies adapted to the specific needs and requirements of the four functional areas and their current situation.

37. In parallel, the evaluation and analysis of the four established scenarios (from reactive all the way to proactive) were expanded based on the identified potential improvements, the interpretation of qualitative and quantitative data input and the comparison of UNIDO's current state to best practice and benchmarks with comparable organizations.

38. The four scenarios cover a range from minimal to fundamental changes for UNIDO, taking relevant requirements into account. An analysis of possible efficiency/effectiveness gains resulting from the implementation of the recommended scenarios was conducted and potential future challenges and risks during the implementation phase were discussed.

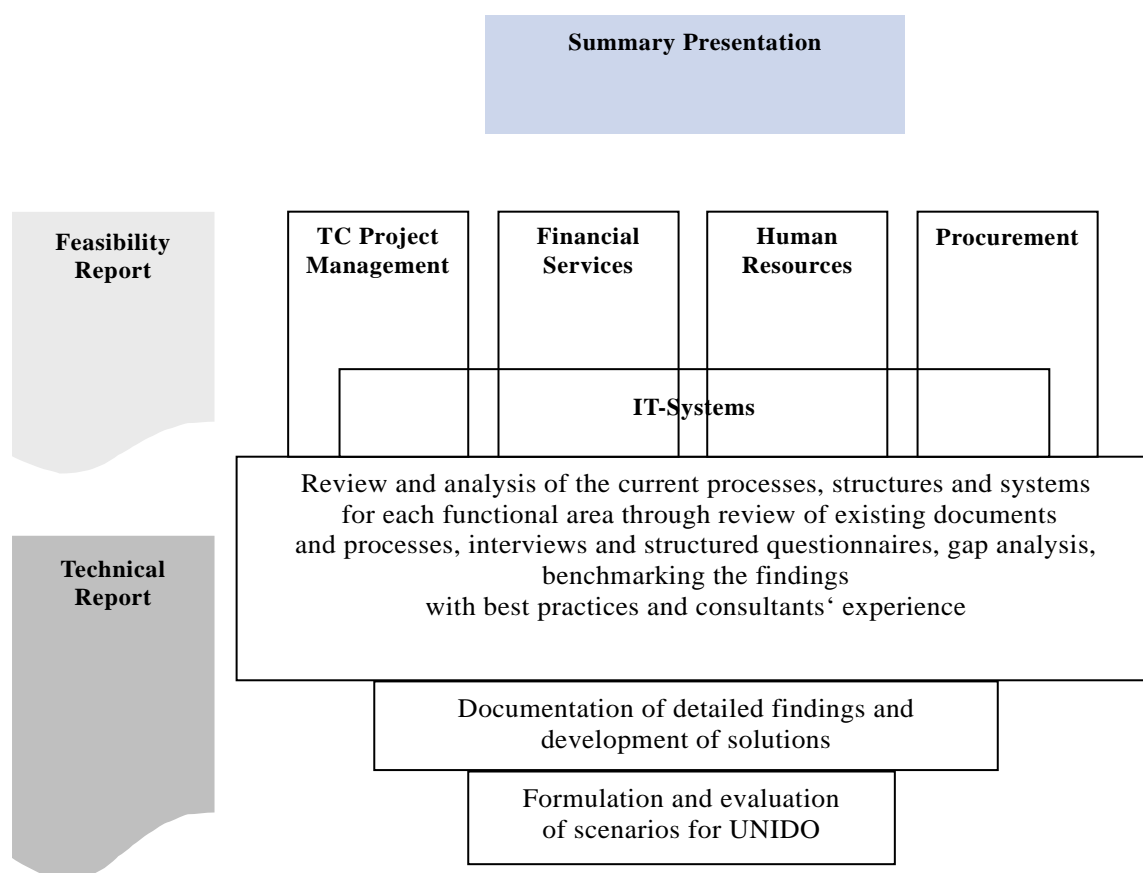
39. Furthermore, process documentations, guidelines and manuals were reviewed and numerous structured in-depth interviews were conducted with key staff in order to answer emerging questions and find possible solutions. Additionally, questionnaires were used in selected areas for discovering gaps and targeting emerging topics for detailed analysis.

40. The results of PHASE I of the feasibility study are being:

- (a) Condensed into a summary presentation to UNIDO management and Member States (which took place on 13 October 2009),
- (b) Described in this Feasibility Report, and
- (c) Expanded in detail in a subsequent technical report to the Secretariat.

41. In addition to the findings presented by the Feasibility Report, the Technical Report will contain a detailed description of the methods used, all findings and potential solutions and an evaluation of the questionnaires. Detailed findings and potential solutions for each functional area will also be presented. The following diagram provides an overview of the approach applied at UNIDO:

Figure III



#### 4. Summary of Current Situation

42. Over the years, UNIDO has taken measures to incrementally enhance both procedural and operational aspects of UNIDO's work in line with requirements and best practices of the UN system. There has been a continuous effort on simplifying business processes, procedures and organizational structures, as well as gradually upgrading the IT structure to cope with growing workloads and increasing demands placed on the Organization.

43. UNIDO's efforts to innovate and address urgent needs led to numerous isolated improvements in the four functional areas (TC-Project Management, Procurement, Human Resources and Financial Service), as well as in the support systems. For instance, in 2001/2002 the introduction of the Euro as UNIDO's base currency for budget, accounting and reporting and US dollars as a secondary reporting currency necessitated the change to a new Financial Performance Control System (FPCS) based on a commercial software package. Since its introduction, numerous upgrades of the FPCS have been implemented to ensure proper functionality and vendor support for the system.

44. Some other notable incremental improvements over the last several years relating to business processes, operational structure and system support were: focusing of TC activities under three thematic areas (Poverty Reduction through Productive Activities, Trade Capacity Building, and Energy and Environment); preparation of comprehensive guidelines to document the management processes of the TC cycle and clarify role, responsibility and accountability of various stakeholders; adoption of RBM framework for the regular budget and TC projects; paper-free reporting through implementation of InfoBase for data warehousing and reporting; rolling out of various data input functions to the source (for instance, obligations, project allotment document (PADs), funds checking); better IT support for some administrative processes such as, recruitment (partially achieved), travel authorization, procurement planning, asset management; introduction of IPSAS. Further details of major incremental improvements carried out since 2001 are shown below.

45. Over these years, UNIDO has also been actively looking at various IT systems/solutions (both commercial and within the UN system) to replace the legacy mainframe system established between the late 1980s and mid 1990's that is mainly being used for human resources management and payroll, as well as to identify suitable systems for other areas, such as TC project management, procurement, institutionalization of RBM, as well as the supporting tools needed to achieve further decentralization, empowerment of staff and strengthening accountability. Nevertheless, being aware of the fact that many of the pressing issues need to be addressed in an integrated and coherent manner and facing strict constraints in financial resources, the Organization could not realize all its innovative ideas.

46. As seen below, UNIDO has made considerable efforts to implement measures aimed at improving productivity, enhancing delivery capacity and increasing efficiency of ICT tools within the available budgetary resources. However, further significant improvements cannot be achieved with the same incremental and isolated approach.

Table II  
Major Incremental Improvements since 2001

	TC-Project Management	Financial Services	Human Resources	Procurement
<b>Business Processes</b>	<ul style="list-style-type: none"> <li>• Focusing TC on three thematic areas</li> <li>• TC guidelines and procedures</li> <li>• Introduction of Euro based project accounting</li> <li>• Improved (paper free) master file/PAD authorization</li> <li>• Improved donor account information</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of Euro as base currency</li> <li>• Roll-out of Obligations and PAD revisions to substantive branches</li> <li>• Introduction of Field Office Imprest Accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlining of Consultant recruitment processes</li> <li>• Unification of Staff Index numbers data capture</li> </ul>	<ul style="list-style-type: none"> <li>• New Procurement manual</li> <li>• Roll-out of requisitions</li> <li>• Open solicitation process</li> <li>• Documentation of procurement workflows</li> </ul>

	<b>TC-Project Management</b>	<b>Financial Services</b>	<b>Human Resources</b>	<b>Procurement</b>
<b>Operational Structure</b>	<ul style="list-style-type: none"> <li>• Adoption of RBM framework</li> <li>• TC Compact for staff appraisals</li> <li>• Establishment of the Quality Advisory Group and Public Advocacy and Communications Unit</li> </ul>	<ul style="list-style-type: none"> <li>• IPSAS</li> <li>• Revision/Simplification of financial rules and regulations</li> <li>• Project/Administrative Assistant Training</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resource Management Framework</li> <li>• Introduction of Field Office mobility policy</li> <li>• Operational Manual for field offices</li> </ul>	<ul style="list-style-type: none"> <li>• Limited decentralization of procurement process</li> <li>• Mandatory procurement test and training</li> <li>• Procurement Help Desk</li> <li>• Electronic library</li> </ul>
<b>Systems Support</b>	<ul style="list-style-type: none"> <li>• Paper-free reporting through implementation of InfoBase for TC data</li> <li>• Online reporting and funds checking for regular budget and TC projects</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of Financial Performance Control System including upgrades</li> <li>• Electronic processing of UNDP Inter Organizational payments</li> </ul>	<ul style="list-style-type: none"> <li>• Migration of recruitment and evaluation system to a web-based platform (online job database and vacancy system)</li> <li>• Travel authorization system</li> <li>• Time recording and leave planning system</li> <li>• Personnel reporting system</li> <li>• Staffing table</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of Fixed Asset/Inventory system</li> <li>• Introduction of procurement planning system</li> </ul>

## 5. Cross-functional Findings and Solutions

47. Deloitte's findings together with possible solutions to determine the feasibility of change are based on the above described methodology.

48. The most promising findings and solutions enabling the vision and goals of the Change Management Initiative, i.e. significantly increasing the delivery capacity, meeting increasing demands, improving transparency, supporting the UN system-wide coherence process, improving the utilization of the organization's capacities both at Headquarters and field levels, introducing reporting based on RBM principles, etc., were chosen for further investigation and are summarized in this report.

49. The selected findings/solutions were grouped along several dimensions as follows:

- Improve Process Productivity;
- Increase Delivery Capacity;
- Increase Efficiency of ICT Tools;
- Strengthen Accountability;
- Increase Effectiveness.

50. The dimensions of “Strengthen Accountability” and “Increase Effectiveness” by Results Based Management were deemed essential for arriving at a comprehensive solution irrespective of the analysed functional area. Thus, these two dimensions were analysed towards solutions across all functional areas.

### Structured Main Findings

51. The table below summarizes Deloitte’s main findings per functional area. Each of the three dimensions in the first column: Business Processes, Operational Structure and System Support, covers findings for the four functional areas in the first row, i.e., Project Management, Financial Services, Human Resources and Procurement.

Table III

	<b>TC – Project Management</b>	<b>Financial Services</b>	<b>Human Resources</b>	<b>Procurement</b>
<b>Business Processes</b>	Similar processes for projects of all types and sizes	Complex budget structure	Long approval cycle for hiring experts	Complex process requirements for items between €20,000 and €70,000
<b>Operational Structure</b>	High dependency on individual project managers in each stage of project	Lack of timely availability/processing data from field offices	Non-utilization of centralized roster for selection of experts	Future need for most goods and services are not available for planning
<b>System Support</b>	Insufficient tools and lack of electronic data/system for project management	Management and donor reports mainly created manually	Diverse, non-integrated HR-IT landscape based on mainframe technology	Current IT-modules do not support full procurement cycle

For example, the finding for the dimension “Business Processes” in the functional area “TC-Project Management” is that “Similar processes for projects of all types and size” exist.

52. The above table serves as an index for the more detailed descriptions of findings and their associated solutions described later in this chapter.

### Structured Main Solutions

53. The following table presents the solutions according to the findings presented before. The dimensions in the first column of the table comprise: Improve Process Productivity, Enhance Delivery Capacity, Increase efficiency of ICT tools, Strengthen Accountability and Increase Effectiveness. For the first three dimensions, the structure of findings was adapted to point to the potential gains in the original dimension, i.e. a solution for the four functional areas (e.g., TC-Project Management, Financial Services, Human Resources and Procurement) is described.

54. All proposed solutions are focusing on results allowing an RBM-Approach and knowledge sharing to increase the productivity of the organization and enable UNIDO to meet the challenges stipulated in previous chapters.

Table IV

	(i) TC – Project Management	(ii) Financial Services	(iii) Human Resources	(iv) Procurement
(a) Improve Process Productivity	Differentiate and streamline process flows according to project categories	Simplify budget structure for Regular Budget and projects	Simplify approval structure to accelerate process cycles	Rationalize process requirements up to €70,000
(b) Enhance Delivery Capacity	Structure project teams to support different types of projects with adequate authority	Improve input capacity for financial data and delegate tasks	Enable managers to recruit project personnel and consultants from a HR roster	Enable strategic procurement e.g. through framework contracts
(c) Increase Efficiency of ICT Tools	Assess/implement adequate system for milestone and results-based project management and monitoring	Automate external and management reporting	Replace Mainframe with integrated HR-IT-system	Enable IT-Support in processing to eliminate paper flow
Strengthen Accountability	- Implement and enforce use of electronic workflow including archiving - Develop a framework to improve control and risk management			
Increase effectiveness through implementation of planning, knowledge sharing, monitoring and evaluation systems, all focusing on results (RBM-Approach)				

As an example, the solution for the dimension “Improve Process Productivity” and the functional area “Financial Services” is to “Simplify budget structure for Regular Budget and projects”.

In the dimension of “Strengthen Accountability”, the solutions “Implement and enforce use of electronic workflow including archiving” and “Develop a framework to improve control and risk management” were analysed and applied to all four functional areas across the organization.

55. The above table serves as an index for the detailed description of findings and their solutions presented in the following chapter.

## Improve Process Productivity

56. When applying Deloitte methodologies and integrating project experience of comparable undertakings in similar organizations, the functional teams initially assessed the maturity of the respective functional areas (maturity in this respect relates to the grade of how processes and organizational development compared to best practices).

57. Subsequently those processes were identified which might inhibit the increase in capacity delivery. These processes were then investigated against tangible

improvement potentials and to their suitability/timeline for achieving change under the different scenarios.

### **Project Process Optimization by Project Categorization (i.a)**

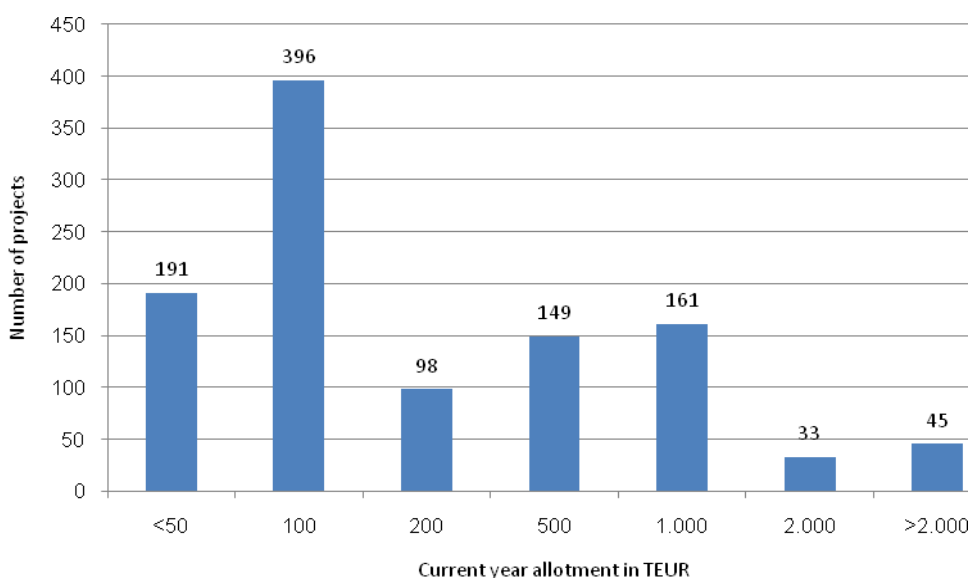
#### *Finding:*

58. All UNIDO Technical Cooperation (TC) projects make use of a similar project cycle process, irrespective of their size and type.

59. The Guidelines on Technical Cooperation Programmes and Projects indicate some differences, e.g. in documentation, however the major overall processes (i.e. identification, formulation, review and approval, implementation, monitoring) follow similar sub-processes and steps.

60. A distribution of project sizes according to the total allotment (PAD) of the year 2009 is shown in the figure below. This figure makes evident that the largest number of projects have allotments lower than €100,000, however use nearly the same processes as the complex projects ranging above €1 million.

#### **Number of projects by current year allotments**



#### *Solution:*

61. Utilizing Deloitte's experience in similar organizations with a project focus (both public and private, drawing also on Deloitte's own project delivery method) a differentiation of processes according to project category is an established best practice. This categorization will (a) enable fast tracking of less complex projects, (b) streamline standard projects while maintaining accountability and (c) deploy dedicated support for large/complex projects.

62. Different types of projects through differentiation by size, content, complexity or any other category of suitable distinction require different processes with



different levels of attention on each stage of the project cycle. One key success factor in enabling speedier delivery and raising delivery capacity is a shift of attention from the large group of less complex (sometimes smaller) projects to the larger and mostly more complex projects. Such a differentiation will require appropriate support and backup systems in order to be feasible.

63. This solution will support more efficient and specialized project management.

64. Meetings, publications, etc., that are currently managed as projects shall be treated on a different basis, if they have recurring character. In these cases project processes can be altogether avoided.

65. Another part of the solution is to make current stand alone projects part of other projects. As an example, “evaluation” projects may be integrated in the projects that are being evaluated.

#### **Simplification of Budget Structure (ii.a)**

##### *Finding:*

66. The existing budget structure used for projects at UNIDO leads to numerous budget revisions resulting in additional workload and resources shortage, impacting Project Management, Financial Services and other related areas.

67. The root cause is the large number of very specific and detailed budget lines, to which project related expenses have to be assigned. Even minor deviations from the original project plan result in requests for budget revisions, which have to be formulated by Project Management and to be processed by Financial Services upon approval by relevant bodies. Most of the current budget revisions have no or minor impact on the results or the set-up of a project and are therefore causing unnecessary effort and strain on resources within the organization.

##### *Solution:*

68. Adaptation of the existing budget line structure by consolidation of budget lines into more meaningful categories with required system support will reduce the current workload of Project Management and Financial Services. Project Management will gain more flexibility to perform project related work and Financial Services and other related areas will gain more time to concentrate on value adding tasks due to the fact that less budget revisions have to be processed.

69. Budget revisions for fund increases/decreases or a shift between the new categories of budget lines will still be necessary and essential for proper accountability.

70. In order to realize this recommendation, there has to be a detailed analysis of budget lines currently in use by Project Management in order to identify those budget lines, which are essential for Project Management purposes, taking RBM principles, donor requirements and proper expenditure controls into consideration.

#### **Simplified Approval Cycle for Human Resources (iii.a)**

##### *Finding:*

71. For optimum feasibility assessment two steps were done:

- Overall HR assessment ranking maturity relatively to state-of-the-art structures by using Deloitte methodology;
- Deeper assessment of selected HR processes, HR-IT and HR organization to estimate feasibility efforts including Deloitte's consulting and implementation experience.

72. Assessment of the three HR core processes (recruitment of regular staff, project personnel, performance appraisal system) showed a multi-level structure of decision-making and approvals along the organizational structure. The time and effort for end-to-end processing work is high and shows significant improvement areas in the semi-paper based workflows and utilization of the HR-IT-infrastructure.

73. Different conditions of employment with corresponding contract types apply to core staff and project personnel, varying in terms of length of contract, purpose of assignment, location and payment. This difference causes additional administrative workload handled by the HR-branch staff.

*Solution:*

74. A Business Process Reengineering methodology will support a substantially improved process-redesign to meet business needs. This work will build upon the work of previous internal BPR projects throughout UNIDO and integrate implementation of IT-supported workflows resulting in minimized manual efforts.

75. Processes will be remapped with focus on clear accountability of process owners and acceleration of end-to-end-time of process cycles. Electronic workflows will provide consistent approval and audit trails and reporting capability to identify process delays enabling further optimization.

**Reduce Procurement Cycle Time (iv.a)**

*Finding:*

76. As a support function, procurement is highly dependent on the operational requirements of substantive units.

77. UNIDO's current procurement processes are based on considerable manual effort, are almost completely paper based and have only marginal interfaces with the current finance system, resulting in a high workload of Procurement Services Unit (PRS) staff and high procurement lead-times.

78. Formal UNIDO procurement methods commence at the relatively low level of €20,000. For all procurements exceeding €70,000, recommendations for contract award are issued once-weekly, after closed meetings of the Procurement Committee for subsequent approval by the Managing Director, Programme Support and General Management Division (PSM). This process can take up to two weeks. Even though PRS is preparing the relevant procurement documentation for consideration by the Procurement Committee, it is not present during the Committee's deliberations when final recommendations are made.

79. Due to the nature and type of TC project deliveries, accountability in project procurement is occasionally unclear resulting in sub-optimal coordination of procurement deliverables.

*Solution:*

80. For an organization of the size of UNIDO and with similar purchase complexity, the above processes are too complex and time consuming.

81. We advise to simplify current solicitation processes, increase the procurement threshold level for formal procurements (up to min. €70,000) and use an automated workflow to enhance the oversight and efficiency of procurement activities. The advantages are a reduction of paper-based documents and a shorter procurement cycle time.

82. The workflow system should also cover the functions of the Procurement Committee and facilitate the final approval by the Managing Director.

**Enhance Delivery Capacity**

83. Operational structures were identified which potentially inhibit the increase of delivery capacity. These structures were then investigated for potential tangible improvements and assessed for their suitability/timeline for achieving change in different scenarios.

**Put Emphasis on Specialized Teams (i.b)***Finding:*

84. High dependence of the project on individual project managers in each stage of the project cycle (i.e. identification, formulation, review and approval, implementation and monitoring) results primarily in sequential processing of tasks.

85. Project managers are involved to a large extent in all stages of the project cycle. This requires constantly high attention and highly qualified staff, being able to cover all stages. Individual strengths of project managers in different stages of the project cycle are only utilized in their own particular projects and not drawn upon to support other projects, lacking that specialized knowledge. The project managers are confronted with high workloads due to concurrent involvement in all project stages.

86. In particular, during the project implementation phase, the knowledge sharing on projects' activities, progress and the distribution of tasks between Headquarters and field offices are rather reactive (i.e. only when there is an urgent need to solve issues or report on some figures).

*Solution:*

87. Establish specialized team structures along the stages of the project cycle. This will enable better concentration on specific tasks and in turn have a positive effect on quality.

88. The better a team member can focus on her/his assigned work, the more efficiently tasks will be performed. Taking this into account, a specialization of professional support during the formulation and implementation phase will contribute to more successful projects and shorter cycle times. More support on focused work ensures better quality and more professional work.

89. This in turn requires redefinition of roles and a process redesign. It should further allow the use of specialized cross project teams or dedicated functional support during the implementation phase in each country/region, which is also in line with the UN system-wide coherence process.

#### **Improve input capacity for financial data (ii.b)**

##### *Finding:*

90. There is a lack of availability and timeliness of financial data due to insufficient integration of field/project offices. At the time being, most field/project offices do not enter their financial data directly into the central ERP-System (the current finance system) on a timely basis due to connectivity issues, insufficient user friendliness of the system and a lack of input capacity in the field.

91. Regarding the connectivity issues the field/project offices are often in the situation that a stable connection to the central ERP-System cannot be established or sustained due to insufficient IT infrastructure or system set-up in the affected location.

92. Furthermore, the user interface for the personnel using the ERP-System in the field/project offices is not sufficiently user friendly and self explanatory. Due to insufficient experience and knowledge of the personnel in the field/project offices on the processing of financial data with the ERP-system, financial data are not entered on a timely basis resulting in a lack of up-to-date information.

##### *Solution:*

93. Improve input capacity for financial data within field/project offices as well as provide better user interface and connectivity to the ERP-System.

94. Strengthen local ERP know-how of staff in the field/project offices especially through appropriate training of local staff and the temporary provision of skilled resources.

95. In order to support the acceptance of the ERP-System the user interface has to be optimized, especially with respect to the requirements of the field/project office personnel. Additionally, measures for the improvement of the connectivity of field/project offices to the central ERP-System have to be taken.

#### **Optimize HR-Alignment to Business Needs (iii.b)**

##### *Finding:*

96. Assessment of current recruitment processes of project personnel showed the non-utilization of a centralized roster for selection of experts, which prevents optimum recruitment.

97. Due to staff shortage and the non-utilization of a centralized roster currently no dedicated HR-staff are responsible for project personnel roster updates and validation. Compared to best practices, a significantly high proportion of the workload is currently spent on administrative work at UNIDO.

*Solution:*

98. Creation of a centralized roster of pre-approved experts, maintained with minimum manual input by a roster coordinator (HRM). This will simplify the recruitment of experts in terms of speed and duration. Improved empowerment of project managers during the recruitment process with increased accountability will make better use of the combined knowledge in the organization on personnel to be hired.

99. The targeted roster application will provide advanced functionalities in order to electronically process all relevant actions in respect of project personnel. Features shall include automatic update reminders, filter options on skill-level and mandatory assessments of project personnel and consultants by project managers, accessible to all eligible core staff.

100. HRM will support business by assigning HR-staff-members to maintain, validate and control a centralized framework roster system as well as perform reporting based on proper analysis of demands raised by business.

101. According to Deloitte Research, an integrated approach of business process reengineering linked with organizational alignment result in an optimization of HR efficiency which will free up resources for upstream policy development and other core HR functions, such as staff counselling, client servicing, etc.

**Optimize Procurement Strategic Planning and Reporting System (iv.b)***Finding:*

102. To enable better cooperation with substantive units, a procurement plan was initiated to allow a better forecast of upcoming requisitions. The plan, however, lacks a detailed product classification. Opportunities for consolidated procurement are limited due to the highly specific nature of individual technical cooperation projects. The procurement plan is not regularly updated and not efficiently used by requisitioners due to delayed/incomplete data.

103. As a result, PRS almost exclusively deals with ad-hoc requisitions (less than US\$ 32 million of project procurement costs were captured in the procurement plan from the original US\$ 80 million of allotments).

*Solution:*

104. In line with other international organizations, UNIDO has to be able to forecast/utilize requirements planning for strategic procurement (e.g. for some types of goods/services regularly procured under Headquarters' procurement) in the sense of category management. The following steps are recommended:

- Strategic classification of goods and services where reasonable;
- Projects have to follow a simple procurement plan structured into these groups/categories of goods and services where reasonable;
- An adapted procurement process and a definition of category strategy (framework agreement, volume concentration, specification improvements, etc) is to be applied to every group/category of goods and services where reasonable;

- For standardized products the use of eProcurement/eSourcing or an eProcurement platform (product catalogue) is recommended.

105. Through strategic planning, by consolidating and grouping requirements on a cross-project basis, higher procurement efficiency and cost savings will be realized. In addition, suppliers can be listed according to the group/category of goods/services and framework agreements can be concluded. A solution, incorporating an automation of procurement forecasting, category planning and contract management as part of project preparation, will reduce the number of one-off procurement processes. This will be further enhanced by using framework contracts, category management and pre-qualification.

106. UNIDO would then be able to process a larger procurement volume, concentrate on supporting more complex projects and shorten the lead time on product category purchases.

107. This would result in better transparency of procurement activities (automation of data collection) leading to time savings, a reduction of compliance risks and errors during procurement transactions.

108. Earlier information/planning for procurement needs before the funds are actually available might lead to shorter overall procurement lead times. Based on project related procurement plans, key elements of strategic procurement can be introduced (e.g. category management).

### **Increase Efficiency of ICT Tools**

109. Selected IT-Systems/manual procedures were identified which potentially inhibit the increase of delivery capacity. These systems, or rather the lack of them, were investigated against tangible improvement potentials and assessed for suitability/timeline for achieving change in the different scenarios.

### **Increase Project Delivery and Quality by Project Monitoring (i.c)**

#### *Finding:*

110. Standard tools for project management are insufficient and the process is still very much paper-based. With the exception of centrally collected financial figures in the finance system, which are oriented on budget lines, there is no standardized organization-wide project performance management available.

111. Each TC branch creates differently shaped, regular financial reports, often donor driven, in order to get an overview of the project status. The reporting is not automated and it is associated with frequent manual adjustments in order to set up reports according to the given requirements. Data conversion from a budget line to one based on result or milestone is often prone to errors.

112. Project monitoring is supported by tools and electronic data only by financial figures from the current finance system. No cross-organizational comparison of status reports on an electronic basis is available.

*Solution:*

113. Adopt a project management tool for real time analysis. Best practice tools have to be assessed and the best fit acquired to enable Results Based Management (RBM).

114. Effective project performance monitoring systems must be backed up by the use of information technologies. A comprehensive information management strategy and its successful implementation will ensure the quality of status reporting. This includes, for example, time recording according to time spent on specific projects. The more integrated the system, the higher the validity will be.

115. The project monitoring system must incorporate project milestones and results, i.e. outputs and outcomes, to enable real time milestone or results based reporting, without additional manual adjustments. Supported by colour-coded indicators, regular and automated updates will highlight the need for management action. This will also contribute to a better-supported RBM process. A concept of the integration of such functionalities into the system has to be developed.

**Automate External and Management Financial Reporting (ii.c)***Finding:*

116. Numerous financial reports for management and donor requirements are created manually due to missing system support.

117. In order to satisfy the information requirements of UNIDO management, Financial Services has to prepare recurring and ad hoc reports. These reports are mainly manually created, due to the fact that the finance system in place is not configured in such a way so as to produce the automated reports. The data required for the generation of reports is extracted from both the current finance system and other non integrated systems (e.g. travel system, payroll system) and then manually processed. This approach is inefficient and time-consuming.

118. Apart from management reporting, UNIDO is also obliged to report externally to donors. External reporting has to meet the specific requirements of donors and UN institutions. About 4 to 5 years ago most of the reports were electronically generated, but the requirements of the recipients have changed since then and the finance system is no longer configured to capture information to support automated external reporting. As a consequence, the generation of donor reports requires manual production.

119. Therefore the management and donor reporting process is very time-consuming and creates a considerable workload throughout the Organization.

*Solution:*

120. For the automation of management and donor reporting it is necessary to evaluate both the capabilities and the current configuration of the finance system and the information requirements of management and donors. As a result of this evaluation it has to be decided, if a configuration of the current finance system, including the interfaces to other existing systems, is possible and sufficient or if an additional reporting solution has to be implemented. Additionally, new standard

reports have to be designed in accordance with the requirements of management and the donors, to support recurring reporting.

121. The automation of recurring management and donor reporting will reduce process delays, introduce system controls and allow Financial Services to concentrate on value addition.

### **Integrate HR-Information Technology (iii.c)**

#### *Finding:*

122. Several non-integrated stand-alone solutions support currently various HR-processes, which are interfaced to a minor extent. Workflows are broken and semi paper-driven, resulting in repeated entries of data series. Systems are linked by up to 40 batch jobs on diverse platforms. One major concern is the limited availability of individual resources that are able to maintain the mainframe based system after 2010.

123. HR-reporting is based on data retrieved from the various non-integrated, stand-alone systems. The manual preparation and processing of data causes increased effort and workload for the HR-staff in order to perform the recurring HR-reporting requirements and limits data consistency when repeated.

#### *Solution:*

124. Implementation of a web-accessible HR-IT-System with state-of-the-art functionalities, integrated within a landscape covering finance, project management and procurement.

125. IT-selection will be based on the ability to customize and meet UNIDO's demand, best practices assessed within other UN organizations, and cost. Main value drivers are accelerated workflow cycle time, accessibility from outside Headquarters, standardized HR-reporting and metrics and audit trails.

126. A matching IT system shall include Employee Self Service (ESS) and Manager Self Service (MSS) functionalities as these support project-orientated organizations, like UNIDO.

### **Automate Procurement Functionalities and Processes (iv.c)**

#### *Finding:*

127. A formal procurement action is required for all procurements valued at €20,000 or higher, requiring considerable manual effort and processing by PRS staff and lengthy administrative lead times.

128. UNIDO's procurement processes and practices are not automated. The currently used IT-system offers neither a contract management nor eProcurement/eSourcing modules. These will have to be purchased separately.

129. There is no automated business work flow, impairing management to have overall control and oversight on the status and progress on procurement plans, procurement requisitions, purchase orders and contract implementation.

130. There are only basic procurement and contracting related reporting functionalities available.



*Solution:*

131. For the start of the purchase cycle, software including contract management and integrating with the financial transactions of purchasing has to be acquired and supported. This software, covering the entire procurement management, has to be deployed with its full range of functionalities at Headquarters and with appropriate functions to support procurement activities in the field offices. This will enable PRS to focus more on suppliers and market analysis.

132. Furthermore, automated orders for standardized products will accelerate the cycle time and enable dealing with higher purchase volumes with minor manual intervention within established guidelines. In the medium to long run the current finance system's procurement functionalities need to be reviewed in relation to UNIDO's medium and long-term procurement requirements. UNIDO staff in the field has to be familiarized with the procurement platform and IT in general.

**Strengthen Accountability**

133. Across all functional areas the introduction of an electronic workflow, supported by document archiving, can provide a tangible improvement and was analysed according to suitability/timeline for achieving change in the different scenarios.

134. Additionally accountability will be greatly strengthened by the expansion/introduction of a standardized formal risk management process and systems based on RBM principles.

**Workflow and Archiving****Workflow***Finding:*

135. Most processes within UNIDO show system breaks (Change of medium from electronic to paper and vice versa) due to manual approval steps and the necessity of data transfers between non-integrated systems.

136. These system breaks appear when an electronic document is converted into paper (e.g. printout), a paper based document is converted into an electronic document (e.g. manual data entry into a system, facsimile, scan) or data has to be transferred manually from one system to another due to missing electronic interfaces.

137. Many system breaks emerge from approvals. The approvals for certain transactions are given by a signature on printouts of electronic documents followed by scanning the signed documents to make them available in an electronic version again. This proceeding is inefficient, unsafe and time-consuming.

138. Several UNIDO systems are not integrated with electronic interfaces e.g. travel and finance systems causing system breaks and making manual data transfers between different systems necessary. This leads to inefficient, unsafe, and time-consuming processes and makes it difficult to trace back the origin of data.

139. Furthermore system breaks bear the continuous risks of data manipulation, data loss and process delays. Therefore, they have to be avoided.

*Solution:*

140. Enhance electronic workflow and approval management and implement system interfaces to make real efficiency gains.

141. Evaluate current UNIDO processes with respect to system breaks, identify affected processes and implement electronic workflows where appropriate. Avoid signing of paper documents and transfer approval activities into electronic workflows.

142. Migrate paper-based processes to electronic workflows in order to speed up processes and to avoid data manipulation and data loss.

143. Implement system interfaces, where applicable, to avoid manual data transfers.

### **Archiving (d)**

*Finding:*

144. Archiving of documents is mainly paper-based.

145. Most of the processes in scope are paper-based, thus creating an enormous number of documents, which are primarily archived as hard copy. This method is both labour intensive and time consuming for filing as well as retrieval.

*Solution:*

146. Implementation of an electronic archiving and document management solution.

147. Following best practices findings at Deloitte's clients in the public sector the introduction of an electronic archiving solution reduces workload, saves space and facilitates locating of archived documents, especially during audits. The evaluation of an appropriate archiving solution requires detailed analysis regarding the possibilities of integration into the current systems.

### **Risk Management**

*Finding:*

148. Within UNIDO there is no formal, standardized organization-wide Risk Management Framework established. Tools are missing for an integrated overview or consolidated information about the risks relevant for UNIDO. Risks affecting the whole organization or individual projects are generally known by responsible management but not identified, assessed, monitored and managed in a standardized and structured way. Therefore, an integrated overview about critical issues relevant for UNIDO is not available on a short notice.

149. Tasks and responsibilities regarding Risk Management are embedded in the functional roles of line-managers within the organization. Currently, it is the responsibility of each manager to take care of the specific risks of his or her unit or project and to set appropriate mitigation measures. Critical issues are identified in principle but not monitored or managed in a standardized way.

150. The current Risk Management activities performed at UNIDO are not supported by an appropriate Risk Management Tool. Therefore, managers dealing with risks rely on individual IT Tools, which are not integrated in any way or supported by the central IT service.

151. Due to the missing Risk Management Framework the current risk exposure for UNIDO is uncertain. Risks can affect UNIDO without appropriate mitigation measures resulting in the loss of reputation and money. Especially project risks have to be better attended by appropriate tools.

*Solution:*

152. Set up of an organization-wide Risk Management Framework covering project risks as well.

153. Setting up an efficient Risk Management framework requires defined processes, roles, responsibilities and tools. The first step within the Risk Management process is the identification of risks relevant for UNIDO within predefined risk categories. The following assessment of the risks is necessary for the prioritization of the identified risks in order to focus on the risks with the most impact on the organization. Especially for critical risks, mitigation measures have to be defined to either accept or avoid the occurrence of risks, to reduce the impact of risks, or to transfer risks. Once the risks have been identified and assessed and mitigation measures have been defined, the risks and the measures have to be monitored regarding their current status and their development on a regular basis. In this context a Risk Management Reporting has to be defined and integrated into the existing Management Reporting.

154. A defined and documented Risk Management process will assure an accurate and standardized treatment of risks in order to avoid or reduce reputational or financial damage in case of risk occurrence. The definition of clear roles and responsibilities within the Risk Management Process is a necessary prerequisite to ensure that the risk portfolio of UNIDO is monitored, updated and managed regularly in an efficient way.

155. In order to support the Risk Management activities in an efficient way, an appropriate IT Tool has to be selected and implemented across the whole organization. This Tool has to support the efficient identification of risks (e.g. by using predefined risk catalogues), the assessment of risks, the definition of mitigation measures to manage risks and the monitoring of risk status and development. Due to the fact that the risks UNIDO is facing are to a great extent project related, the management of project risks has to be supported by the IT Tool as a primary focus. According to the decentralized structure of UNIDO, with a central Headquarters and decentralized field/project offices, the consolidation of risks should be a relevant feature for the IT Tool.

156. An organization-wide Risk Management Framework will increase transparency regarding risks and permit an easy information exchange within the organization.

## **Increase Effectiveness**

157. All above dimensions of change aim at increasing the effectiveness of UNIDO's delivery capacity. In Deloitte's experience with similar organizations, facing a potential system replacement, efficiency/effectiveness gains of up to 30 per cent are possible when Business Process Reengineering is performed before systems are replaced and the effectiveness criteria are part of the evaluation for the selection process for the future system.

158. In Deloitte's view, this up to 30 per cent gain would allow channelling of the capacities absorbed by current labour and paper based processes into the technical cooperation activities. The automation would also allow a better integration of field offices into the core operations of the Organization. Such efficiency/effectiveness gains, together with all other direct benefits from increased integrated system support, should allow UNIDO to significantly increase its delivery capacity and do more in its core functional area.

159. There are high priority solutions in the dimension of process change that have no direct costs associated with them, but will only work effectively if they are supported by a system change, as envisioned in Scenarios II, III and IV, thus only being realized by a system change or upgrade.

160. These process changes are then the enablers for enhancing the delivery capacity by actually simplifying operations. Increased efficiency/effectiveness can only be reached with a simplified process before it is automated – and it is quite an effort to change a process covering several integrated functional areas.

161. In terms of a project management system, this approach has to be integrated with the planning, monitoring and evaluation needs for project management cycle and incorporated in any new system.

162. By way of example, in the HR function, re-engineering the consultant recruitment process will lead to significant efficiency gains as pre-selection of consultants currently takes up to 16 steps. Best practice suggests this can be reduced to two to three steps. Thus clear gains in effectiveness and efficiency can be achieved and support the efforts in doubling capacity.

## **6. Implementation Scenarios Adapted to UNIDO**

163. A prioritization of possible solutions, following the above dimensions, best practice examples and Deloitte's experience with similar organizations, was utilized to find solutions for viable alternative processes and operational structures for UNIDO, taking into consideration the current system and IT architecture as well as possible future changes according to the four generic implementation scenarios.

164. The findings and solutions were grouped according to their relevance regarding process changes, structure optimizations and potential change of ICT tools. The established scenarios are primarily differentiated according to their change impact, but their implementation speed as well as to overall costs and potential support of the goals of increasing the service delivery capacity, improving transparency, supporting the UN system-wide coherence process, improving the

utilization of the organization's capacities both at Headquarters and field levels, reporting based on RBM principles, etc, were also considered.

165. To support UNIDO's vision of change, four different generic scenarios are feasible, which cover the whole spectrum from purely reactive change to a changing environment and outside pressures up to a proactive rebuilding of the overall supporting infrastructure, including the restructuring of ICT tools.

166. Four possible specific implementation scenarios were developed for UNIDO. Scenarios I & II are reactive to change requirements, Scenarios III and IV are proactively anticipating change aimed at achieving the vision.

### **Reactive Scenarios**

#### **Implementation Scenario I – Status Quo**

*Maintain current processes and systems, resulting in no visible change*

167. Maintain current processes and systems. The change process is reactive to pressure or growing demands, but not necessarily from within the organization. Little to no long-term change can be achieved with this scenario.

168. UNIDO's current HR mainframe system, the lack of procurement system support and insufficient tools to support project management will only be changed due to donor pressure or outside demands. Processes will remain as they are, capacity to deliver is not enlarged and UNIDO will not be able to meet its challenges and maintain its competitive edge.

169. The proposed solutions for improving process productivity can be delivered partially in this scenario if a stringent BPR-methodology is followed across the whole organization. At the same time, the goal of higher accountability and raising the effectiveness cannot be reached due to the fact of no additional investment. Delivery capacity can be slightly enhanced if all proposed solutions for enhancing capacity are implemented.

170. ICT tools are NOT efficiently used or even available when needed, posing, e.g. a great risk to strengthening accountability, implementing RBM and not increasing productivity at all by continuing to do project planning, monitoring and evaluation basically without IT tools. The lack of investment into automated workflows, archiving and additional risk management tools poses a great threat.

171. Ad-Hoc reactive investments for e.g. a replacement of the HR system will be very expensive and not be based on a long-term plan or vision.

- **Strengths:** Low to no additional investments today, no need to change current systems and processes;
- **Weaknesses:** Limited scope to increase delivery capacity to meet increased demand and short-term inability to meet Member States and donor requirements (e.g. GEF fiduciary standards);
- **UN system-wide coherence:** This scenario does NOT support the system wide coherence process, except in the current financial reporting;

- **Risk:** With every year, the probability of a system breakdown and non-fulfilment of donor requirements rises to a level that will prohibit UNIDO from fully performing its services;
- **Cost/time estimate:** Within current operating costs for the next 2-3 years, after which immediate funding will be needed for ad-hoc replacement of systems/processes as they become obsolete. This will be especially the case in the area of HR, depending on mainframe technology and project management needed to fulfil donors requirements within a risk and control framework;
- **Conclusion: NOT RECOMMENDED** – seriously endangering UNIDO operations and services to Member States.

## Implementation Scenario II – Incremental Improvements

*Invest sequentially in processes and separate systems over multiple budget periods, resulting in a non-integrated system architecture*

172. Invest sequentially in processes and separate systems over a longer time frame, following an evolutionary path based on situation and circumstances. Change is incremental and mainly subject to availability of funds, people and reaction to pressure, and not with a clear vision for the whole picture of change.

173. UNIDO will invest sequentially in processes, IT tools and systems including project management, analytical reporting, HR system replacement and procurement enhancements over several budget periods. With donor pressure to fulfil certain requirements this sequence can and will be changed reactively.

174. The proposed solutions for improving process productivity can be delivered in this scenario only if a stringent BPR-methodology is followed across the whole organization. This requires simultaneous coordination in several functional areas. Delivery capacity can be enhanced over a long time span if all proposed solutions are implemented in sequence of IT tools and system replacements.

175. ICT tools are not efficiently integrated or even in place when additional requirements arise. UNIDO will only be able to react to changing demands, possible changes are effected, which will in turn be only available at least one budget period later. Solutions proposed for workflow cannot utilize parallel changes in all functional areas, rendering them inefficient for several years and definitely not increasing effectiveness at all. The ineffective investment into automated workflows and archiving and additional risk management processes pose a great threat to the capability to act on current requirements i.e. by donors for project reporting or the threat of discontinuation of the mainframe for HR processing.

- **Strengths:** Staggered investments to change selected systems and processes primarily using internal staff resources;
- **Weaknesses:** This lengthy process places high demands on capacity to change. Lack of integration in changing systems and processes leads to sub-optimal use of resources;
- **UN system-wide coherence:** This scenario can support the system-wide coherence process if the additional investments are channelled towards

interoperability and interfaces with other UN organizations' processes and systems. However, there is a limit to that in respect of the need of integrated information architecture, which is not foreseen in this scenario;

- **Risk:** Inability to reach the required level of operations and delayed compliance with external requirements and expansion of scope over time resulting in higher costs;
- **Cost/time estimate:** Total external costs of at least €10 million (€1 to 1.5 million annually) plus internal capacity for the whole duration. There are constant costs for parallel processing and the need of additional support for connecting to areas not yet affected by the initiative. Estimated duration of investment to reach full capacity as envisioned is eight years, mainly due to the sequential investments and the need for temporary solutions;
- **Conclusion: NOT RECOMMENDED** – will not allow timely achievement of required capacity and compliance with external requirements.

### Proactive scenarios

### Implementation Scenario III – Holistic Change

*Invest simultaneously in processes and integrated systems; achieving ERP functionality around and connected to the existing finance system*

176. To achieve the change vision, invest simultaneously in a short time frame in processes and integrated systems with an implementation roadmap to realize the goal. The vision is built around essential components of the current systems, utilizing existing knowledge and motivation from within the organization. This is supplemented by a mandate to change as quickly as possible.

177. The parallel investment in different systems, such as Human Resources including payroll or Project Management, towards enabling Results Based Management allows the elimination of current inefficiencies and the adaptation to current and future requirements of management and donors in a short time frame.

178. The current finance system is maintained and used as a basis for all other systems. The knowledge of UNIDO personnel of the existing system is utilized and dispersed even further into the field offices and project sites. The renewal of existing systems around the finance system is integrated with automated workflows and risk management tools (e.g. timely production of reports).

179. In this scenario, all solutions towards this goal are considered simultaneously with their effects on the finance system. The holistic change approach of Scenario III is well suited to create a sense of urgency within the organization. Therefore it can be expected that the support of the affected personnel can be maintained for the time needed to realize changes.

- **Strengths:** Simplifying processes through a BPR exercise as a one-time investment against a known base-line. Building on some existing systems and processes allows rapid simultaneous investment in all areas to reach capacity targets and comply with external requirements. Supporting staff motivation and willingness to change;

- **Weaknesses:** High demands on all parts of the organization, high requirement for outside support in order to be able to affect the change in a short time frame;
- **UN system-wide coherence:** This scenario supports the system-wide harmonization process by considering interoperability and interfaces with other UN organizations' processes and systems already in the design phase of the implementation. This will be especially the case for the new project management system, supporting Results Based Management;
- **Risk:** Sub-optimal integration of processes and systems;
- **Gains:** Short-term results are possible by enabling UNIDO to implement larger projects more quickly. Within a timeframe of 4-5 years the delivery capacity can be doubled in this scenario;
- **Cost/time estimate:** One time external costs of about €9 million, including short term parallel processing. Estimated duration to reach full capacity is three years, starting with BPR to enable a common workflow;
- **Conclusion: RECOMMENDED** – most cost effective scenario in achievement of required capacity and compliance with external requirements. This scenario can be assessed as fulfilling the operational needs of UNIDO for several budget cycles (five to ten years), depending mainly on the software-release cycles of the core finance system.

## Implementation Scenario IV – Fundamental Rebuilding

*Replace all existing systems and related processes, replacing the finance system and all other modules by an integrated ERP*

180. Replace all existing systems and related processes by a new ERP system, based on a single common vendor and around a single platform. The solution is based on the selected system's capacity, depending to a large extent on the right fit of the current and expected requirements of the selected package.

181. The adoption of this scenario has to start with a full Business Process Reengineering exercise to simplify processes, in parallel to the selection of potential software systems. A prototyping approach to quickly analyse the suitability and needs for adaptation has to build upon the reengineered, simplified processes.

182. The actual replacement of the existing systems at UNIDO will then be in parallel to the realized gains by using parts of the newly implemented system (in a prototype, first release mode) for e.g. selected projects or selected functionalities, such as payroll processing, ahead of introducing the full system.

183. A fundamental redesign of the operational processes and organizational structure, as well as the underlying IT systems, bears several risks, which have to be managed carefully. Fundamental redesign is an extraordinary burden for the whole organization without an upfront guarantee for a successful change.

184. The advantages of implementing Scenario IV are the streamlined business processes supported by a fully integrated ERP system. Within the context of the



UN system-wide coherence process, interfacing will have to be an integral part of the design.

- **Strengths:** Simplifying processes through BPR as a one-time push. Replacement of all existing systems by a new ERP system allows rapid simultaneous investments in all functional areas to reach capacity targets and comply with external requirements;
- **Weaknesses:** High demands on the organization, high dependency on external support to be able to affect the change due to total replacement and may be disruptive in the short term;
- **UN system-wide coherence:** This scenario allows the support of the system-wide coherence process by considering interoperability and interfaces with other UN organizations' processes and systems already during the selection of the new system. This support of common systems or procedures is a key point in the software selection;
- **Risk:** Functionality of the selected ERP and its adaptation will initially not fulfil or match the organizational needs and capabilities of UNIDO;
- **Gains:** Long-term results are supported strongly by enabling UNIDO to run larger projects more quickly. Within a time frame of 5-7 years the delivery capacity can be more than doubled in this scenario;
- **Cost estimate:** One-time external costs of at least €20 million, including parallel processing for most of the project duration. Estimated duration of investment to reach full capacity is five years, longer duration is mainly due to the replacement of the core finance system;
- **Conclusion:** **RECOMMENDED** – most technically viable and comprehensive solution that allows custom adaptation of the chosen system to exactly match UNIDO circumstances and requirements in one integrated package, albeit at higher costs. This scenario can be assessed as fulfilling the operational needs of UNIDO for a time-span of several software releases, typically for 10-20 years.

## 7. Conclusion

185. The four different scenarios in the context of UNIDO are compared in the figures below and their main dimensions are depicted in separate lines.

### Cost/Risk Analysis

186. The following table compares the main components for external costs estimated in each scenario. Each line compares the approximate external costs, the estimated time for conclusion and the estimated additional internal costs. All numbers are in €million.

Table V

Scenarios	I Status Quo	II Incremental Improvement	III Holistic Change	IV Fundamental Rebuild
<b>Total external costs in €m</b>	depending on ad hoc requirements	<b>10</b>	<b>9</b>	<b>20</b>
Software and Hardware		2.5	2.5	4
Implementation Partner		3.5	3.5	7
CM and BPR experts		2	1.5	4
Training		0.3	0.3	1.0
Replacement costs of staff		1.0	0.5	2.0
Project Control		1.0	0.8	2.5
<b>Estimated timeline</b>		<b>8 years</b>	<b>3 years</b>	<b>5 years</b>
<b>Additional Internal Costs</b>	<b>none</b>	<b>high</b>	<b>medium</b>	<b>very high</b>

187. The cost analysis is based on similar project requirements in public and/or NGO environments, considering the required modules of commercial packages currently available and adaptations necessary for UNIDO. Experiences with other UN organizations and change initiatives similar to Scenarios III and IV have been taken into consideration while arriving at the above figures.

188. The costs depicted are one-time costs. Scenarios II and III will have additional running costs, which can be covered from shutting down existing systems and applying efficiency gains. As for Scenario IV, there are higher increases in operating costs than those in Scenarios I to III.

189. Although well-structured, the current IT department is very small and the support for a totally new ERP system will thus create additional costs and an expansion of maintenance and support services. Here different modes of operating the actual system have to be investigated during the system selection and considered as Total Costs of Ownership (TCO-model).

190. Regarding potential benefits and gains within each scenario, Scenario III allows a doubling of capacity after 3-4 years. In Scenario IV, capacity will not rise until year 4 to 5 but afterwards it will be possible to get an even higher throughput with the same structure. In other words, efficiency/effectiveness gains are much higher in the new system of Scenario IV than in scenario III because the system is not constrained by the limits of integrating several modules/components around the existing finance system.

191. The following table summarizes several risk components towards the goal of enabling UNIDO to meet all its aims and challenges.

192. The entries for each scenario are a summary derived from the detailed analysis of each. When implementing one of the scenarios, all elements have to be considered together since they are partially dependent on each other.

Table VI

Scenarios	I Status Quo	II Incremental Improvement	III Holistic Change	IV Fundamental Rebuilding
Process change	None	Sequential	Simultaneous	Simultaneous
Implementation Costs	Varying	High	High	Very high
Annual Maintenance	Varying	High	Medium	High
Implementation Risk	High	High	Medium	High
Risk of lack of CM support	High	High	Low	Medium
Risk of low ERP Functionality	High	High	Medium	Low
Estimated timeline		8 years	3 years	5 years
Additional Internal Costs	None	High	Medium	Very high

## Recommendations

193. The table below compares the approximate external costs, the estimated time for conclusion and the estimated additional internal costs of all four scenarios.

194. The difference in effort between Scenarios II, III and IV lies primarily in the implementation time and the cost for implementation, each scenario yielding different potential gains to enable UNIDO to fulfil its goal of achieving a quantum leap in its capacity to deliver TC services to its Member States as well as creating efficiency gains.

Table VII

Scenarios	I Status Quo	II Incremental Improvement	III Holistic Change	IV Fundamental Rebuilding
Total external costs	*)	10 M€	9 M€	20 M€
Estimated timeline		8 years	3 years	5 years
Additional Internal Costs	none	High	medium	very high

\*) Scenario I does not have a timeline nor a cost estimate due to its purely reactive nature and ad-hoc need for investment when there is a need to fix or to respond to a potential breakdown in operations.

195. All four scenarios were duly analysed and evaluated. Considering their respective advantages and disadvantages, the following summarized recommendations are given:

**Scenario I: NOT RECOMMENDED** – seriously endangering UNIDO operations and services to Member States.

**Scenario II: NOT RECOMMENDED** – will not allow timely achievement of required capacity and compliance with external requirements.

**Scenario III: RECOMMENDED** – cost effective scenario to achieve required capacity and compliance with external requirements, integrating new processes and systems while keeping the current financial system.

**Scenario IV: RECOMMENDED** – most technically viable and comprehensive solution that allows custom adaptation of chosen new system to exactly match UNIDO circumstances and requirements in one integrated ERP package, including a finance system, albeit at higher costs and in a longer time frame.

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION



## SECRETARIAT

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## DIRECTOR-GENERAL'S BULLETIN

## CODE OF ETHICAL CONDUCT

## I. Purpose and Scope

- (a) The purpose of the Code of Ethical Conduct (hereinafter, the "Code") is to reiterate the guiding ethical principles and values of the Organization and its personnel and provide specific guidelines to assist the personnel in achieving the Organization's mission, in accordance with the purposes of the United Nations Charter and the UNIDO Constitution.
- (b) The foundation of the Code is paragraph 5 of article 11 of the UNIDO Constitution, which provides that "[t]he paramount consideration in the employment of the staff and in determining the conditions of service shall be the necessity of securing the highest standards of efficiency, competence and integrity." It is modelled after the Standards of Conduct for the International Civil Service, which shall remain applicable.
- (c) In this Code, the term "personnel" shall mean, unless the context otherwise provides, all staff, holders of (special) service agreements, individuals on reimbursable and non-reimbursable loan, Goodwill Ambassadors, and other individuals associated with UNIDO.<sup>1</sup>
- (d) The Code is not intended to provide personnel with answers or guidance for every issue that may arise in the course of the Organization's activities or in its personnel's working relationships or personal conduct. Reference to the Code and reliance on common sense and good judgment will help resolve issues not specifically dealt with in the Code. However, in case of doubt, personnel should initially contact the Focal Point for Ethics and Accountability (hereinafter, the "Ethics Office") for advice.

<sup>1</sup> Including, but not limited to interns and other parties in contractual relations with UNIDO as contained in the provisions of this Code.



## II. Guiding Principles and Values

### Fundamental Human Rights

- (a) Respect for fundamental human rights, social justice, the dignity and worth of the human person, and the equal rights of men and women and of all nations.
- (b) Freedom from discrimination is a basic human right. Personnel are called upon to respect the dignity, worth and equality of all people without distinction. Assumptions based on stereotypes must be assiduously avoided and personnel diversity respected.

### Integrity

- (c) The concept of integrity enshrined in the Constitution of UNIDO embraces all aspects of behaviour of personnel, including such qualities as honesty, truthfulness, impartiality and incorruptibility. Those qualities are as basic as those of competence and efficiency, also enshrined in the Constitution.

### Independence and Impartiality

- (d) Personnel should preserve impartiality, remain independent of any authority outside UNIDO, and should not seek or accept instructions from any government, person or entity external to UNIDO. Personnel are not representatives of governments or other entities, nor are they proponents of their policies. This applies equally to personnel who are seconded from governments and to those whose services have been made available from elsewhere.
- (e) In all countries and regions where UNIDO operates, personnel are called upon to exercise special care in maintaining their independence. At times, personnel may receive requests from the government of the host country or from other partners, but this should not compromise their independence. If at any time personnel consider that such requests threaten their independence, their supervisor should be consulted for guidance.
- (f) Independence does not conflict with or obscure the fact that it is the Member States that collectively make up the Organization. Conduct that furthers good relations with individual Member States and that contributes to their trust and confidence in UNIDO strengthens the Organization and promotes its interests.
- (g) Impartiality implies tolerance and restraint, particularly in dealing with political or religious convictions. While personal views remain inviolate, personnel do not have the freedom of private persons to take sides or to express convictions publicly on controversial matters, either individually or as members of a group. This can mean that in certain situations, personal views should only be expressed with tact and discretion. This does not mean that personnel give up their personal views or national perspectives. It does mean, however, that they should at all times maintain a broad international outlook and an understanding of the international community as a whole.

### Loyalty and Accountability

- (h) Personnel should maintain UNIDO's vision, values, and interests in the context of decision-making and action.
- (i) Personnel should be loyal to UNIDO and to the United Nations system as a whole. It is the obligation of personnel to understand and exemplify this wider loyalty through a cooperative and understanding attitude towards international civil servants of other UN organizations, especially when serving in the same country or region.
- (j) Personnel shall be accountable to UNIDO for the proper discharge of their functions and for their decisions and actions.

### Respect for Diversity

- (k) Tolerance and understanding, with respect for all persons without distinction shall be exercised by all personnel. This respect fosters a working environment sensitive to the needs of all. To achieve this in a multicultural setting calls for positive affirmation that goes well beyond passive acceptance.

- (l) An international outlook stems from the understanding of and loyalty to UNIDO's objectives and purposes as set forth in its legal and policy instruments. This implies, among other things, a respect for the rights of others to hold different points of view and to follow different cultural patterns. It requires a willingness to work without bias with persons of both genders, all nationalities, religions and cultures, and to learn from each other. It calls for constant sensitivity as to how proposals, events and statements may look to others. It requires punctilious avoidance of any expressions that could be interpreted as biased or intolerant. Working methods can be different in different cultures. Personnel should not be bound to the attitudes, working methods or work habits of their own country or region.

### **III. The Code of Ethical Conduct**

#### **1. Relations with Governments & Member States**

- (a) UNIDO is constituted of Member States and its Secretariat has the responsibility of providing services to them. One of the main functions of the Secretariat is to assist the policymaking organs in their work and to carry out their decisions. It should be understood that personnel must serve only the interests of the Organization.
- (b) It is entirely improper for personnel to lobby or seek support from government representatives or members of legislative organs to obtain advancement, either for themselves or for others, or to block or reverse unfavourable decisions regarding their status or that of others.
- (c) Personnel must maintain the best possible relations with governments and avoid any action that might impair these relations. They must not interfere in the policies or affairs of governments. It is unacceptable for personnel, either individually or collectively, to criticize or try to discredit a government. At the same time, it is understood that personnel may speak freely in support of the Organization's policies. Any activity, direct or indirect, to undermine or overthrow a government constitutes serious misconduct.
- (d) Personnel are not representatives of their countries, nor do they have authority to act as liaison agents between international organizations and any government. Exceptionally, the Director-General may request a staff member to undertake such duties – a unique role for which international loyalty and integrity are essential.
- (e) Personnel must immediately report to their supervisors any real or perceived undue pressure exercised by any government or its agents.

#### **2. Exercise of Authority**

Personnel must wield their authority with utmost discretion and respect in managing other personnel, clients, as well as in relation with suppliers. Personnel need to be sensitive to the potential damage that an indiscreet or disrespectful exercise of authority can inflict on others.

#### **3. Harassment**

- (a) Harassment in any form is an affront to human dignity. Personnel must not engage or be involved in harassment. Personnel have the right to an environment free of harassment.
- (b) Sexual exploitation or any other kind of exploitation and abuse violate universally recognized international legal norms and principles. They have always been unacceptable behaviour and prohibited conduct for personnel.
- (c) Any of the above behaviour constitutes serious misconduct to which disciplinary measures and/or other appropriate measures apply.

#### **4. Relations with the Public**

- (a) For UNIDO to function successfully, it should have the support of the public. Thus, all personnel have a continuing responsibility to promote public understanding of the objectives and work of UNIDO. This requires the personnel to be well informed of the achievements of UNIDO and the UN system as a whole.
- (b) Personnel may occasionally be subject to criticism from outside the Organization. In keeping with their responsibilities, personnel must respond with tact and restraint. They have the right to be defended by their Organization against criticism for actions taken in fulfilment of their duties and they should be confident that this will be done.
- (c) It is not correct for personnel to air personal grievances or criticize the Organization in public. Personnel must at all times promote a positive image of the Organization. This obligation does not cease upon separation from UNIDO.

#### **5. Relations with the Media**

Personnel must regard themselves as speaking in the name of UNIDO and avoid personal references and views. Under no circumstances should personnel use the media to further their own interests, air their own grievances, and reveal unauthorized information. No attempt should be made to influence policy decisions UNIDO may be facing for personal benefit.

#### **6. Staff-Management Relations**

- (a) Relations between management and staff should be guided by mutual respect and trust. UNIDO Staff Rules, in accordance with the principle of freedom of association, provide for the right of staff members to form and join associations, unions or other groupings, elect their representatives and defend their interests. Elected staff representatives have a cardinal role to play in the consideration of conditions of employment and work, and also in all matters of staff welfare.
- (b) Continuing dialogue between staff and management is indispensable and both shall facilitate it.
- (c) Elected staff representatives enjoy the rights that derive from their status. These rights should be exercised in compliance with the Staff Regulations and Staff Rules and the Statute of the Staff Union, and in a manner that does not undermine the independence and integrity of the international civil service. In using the broad freedom of expression they enjoy, elected staff representatives must exercise responsibility and avoid undue criticism of the Organization.
- (d) Elected staff representatives must be protected against discriminatory or prejudicial treatment based on their status or activities as elected staff representatives, both during the term of office and after it has ended. At the same time elected staff representatives must not take advantage of their positions.

#### **7. Respect for Different Customs and Cultures**

- (a) To maintain the professional image of the Organization, personnel should ensure conformity to a standard of dress and grooming generally accepted in the international civil service environment. This is particularly important when representing the Organization in an official capacity, for example, when on official mission, presenting a seminar, or attending a conference or official function.
- (b) The world is home to a myriad of different peoples, languages, cultures, customs and traditions. It is self-evident that a genuine respect for all of them is fundamental for personnel. Any behaviour that is not acceptable in a particular cultural context should be avoided. However, if a tradition is directly contrary to any human rights instrument adopted by the UN system, then personnel should



be guided by the latter. Personnel must avoid overbearing behaviour.

## **8. Security and Safety**

- (a) UNIDO will take measures to protect the safety of its personnel and that of their family members in accordance with guidelines issued by the UN Department of Security and Safety.
- (b) It is incumbent on personnel to comply with all instructions designed to protect their safety.

## **9. Personal Conduct**

- (a) The private life of personnel is their own concern, and the Organization should not intrude upon it. There can be situations, however, in which the behaviour of personnel can reflect on UNIDO. Personnel must bear in mind that their choice regarding standards of living, conduct and activities outside and inside the workplace, even if unrelated to official duties, may compromise the image and credibility of UNIDO. This can also result from the conduct of family members. It is the personnel's responsibility to make sure that their households are fully aware of this.
- (b) The privileges and immunities applicable to personnel are conferred solely in the interests of UNIDO. They do not exempt personnel from observing local laws, nor do they provide an excuse for ignoring private legal or financial obligations. It should be remembered that only the Director-General is competent to waive the immunity accorded to personnel or to determine its scope.
- (c) Violations of law can range from trivial offences to serious criminal activities. UNIDO may be called upon to exercise judgment in light of the nature and circumstances of individual cases. A conviction by a national court would usually, although not always, be persuasive evidence of the act for which an international civil servant was prosecuted. Acts that are generally recognized as offences under national criminal law will normally be violations of the Code as well.

## **10. Conflict of Interest**

- (a) Conflicts of interest arise when personnel benefit improperly – directly or indirectly – or allow a third party to benefit improperly, from their association in the management or holding of a financial or other private interest in an entity that engages in business or transactions with UNIDO.
- (b) Personnel must carry out their official duties in a manner that prevents real, apparent or potential conflicts of interest from arising.
- (c) Personnel must disclose to their supervisor and/or the Director-General in advance or as soon as they become aware of it, any potential or actual conflict of interest that arises in the course of carrying out their duties. If in doubt about disclosing information, personnel shall initially consult the Ethics Office for advice.
- (d) In addition, concerned personnel must also comply with the UNIDO Policy on Financial Disclosure of Declaration of Interests.
- (e) In particular:
  - 1) Personnel must not solicit or accept any benefits including economic benefit, for themselves or allow a third party to benefit improperly, directly or indirectly;
  - 2) Personnel must not assist private entities, governments or persons in their dealing with UNIDO where this would result in their preferential treatment;
  - 3) Personnel must not take advantage of or benefit or allow a third party to benefit improperly, directly or indirectly, from information obtained in the course of their official duties and that is not generally available to the public;
  - 4) Personnel must not directly or indirectly use, or allow the use of, UNIDO property and the property entrusted to UNIDO of any kind, for anything other than officially approved activities;

- 5) Personnel must not allow their actions and decisions to be influenced by the prospect of employment for themselves and their family members with parties who have dealings with UNIDO.

## 11. Outside Employment and Activities

### Staff members<sup>2</sup>

- (a) It is the obligation of staff members to devote their energies to the work of UNIDO. It is therefore improper for staff members to engage, without prior authorization, in any outside activity, whether remunerated or not, that interferes with that obligation or is incompatible with their employment status with UNIDO or conflicts with the interests of the Organization. Any questions on this point should be referred to the Ethics Office for advice.
- (b) Staff members, subject to the provisions of (a) above, are encouraged to participate in outside professional activities that foster contacts with private and public bodies and thus serve to maintain and enhance their professional and technical competencies.
- (c) When requesting authorization for engagement in an outside activity under paragraph (a) above, staff members must disclose the nature and scope of the activity and whether any honorarium or other compensation will be received.
- (d) Staff members on leave, with or without pay, must bear in mind that while on approved leave of absence they remain subject to the terms of their appointments and contracts with UNIDO. Accordingly, staff members may only engage in outside activities during leave, paid or unpaid, after receipt of a written authorization.
- (e) While retaining the right to vote, in view of the independence and impartiality that staff members are expected to maintain, they must not participate in political activities, such as standing for election or holding a political office. Staff members must exercise discretion in their support for a political party or campaign, and must not accept or solicit funds, write articles, or make public speeches, statements or endorsements to the press for this purpose. This does not, however, preclude participation in local community or civic activities, provided that such participation is consistent with service in UNIDO. These cases require the exercise of judgment and where there is any doubt, staff members must seek advice of the Ethics Office.
- (f) In general, staff members may be members of a political party provided that its prevailing views and the obligations imposed on its members are consistent with the staff's status as international civil servants.

### Other personnel

- (g) UNIDO personnel other than staff as defined in Section I (c) above while performing their work for UNIDO may, without prior written authorization from UNIDO, engage or continue to be engaged in the outside employment or activities subject to the terms of their respective contracts with UNIDO or similar arrangement. In this regard, personnel is also expected to disclose any such employment or activity and its nature and scope to UNIDO prior to the commencement of their relationship with UNIDO and/or prior to the commencement of the outside employment or activity. Any such outside employment or activity must be compatible with the purposes and principles of the United Nations and UNIDO and the proper discharge of the duties by such personnel on behalf of UNIDO. Without prejudice to this principle, such other personnel who are employed by UNIDO on a full-time basis for continuous periods of six months or longer may engage in a new outside employment or activity during the course of their relationship with UNIDO only upon a written authorization from their UNIDO supervisor(s), which shall be granted in accordance with the principles and conditions outlined in paragraphs (a) to (f) above.

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<sup>2</sup> Staff Rules 101.01, 201.01, 301.02.

## 12. Gifts, Honours & Remuneration

To protect UNIDO from impropriety:

- (a) Staff shall not accept any favour, gift or remuneration from any Government. They shall not accept any honour or decoration from any Government or accept any honour, favour, gift or remuneration from any other private or public source external to the Organization, without approval by the Director-General. Approval shall be granted only in exceptional cases and where such acceptance is not incompatible with the UNIDO Staff Regulations and Staff Rules and the individual's status as an international civil servant.
- (b) Personnel must not accept, without prior authorization by the Director-General, any gift, honour, decoration, remuneration, favour or in-kind economic benefit of more than nominal value from any non-governmental source, including commercial firms, or other entities or individuals. The assessment of what constitutes nominal value is left to the best judgment of the personnel in the light of the circumstances at the duty station concerned, but shall not exceed EUR 100 or equivalent. However, in case of a real, perceived or potential conflict of interest, no authorization shall be granted and no acceptance is permitted, regardless of the value.
- (c) Where no real, perceived or potential conflict of interest exists, authorization may be granted where such acceptance is not incompatible with the interests of UNIDO and with the personnel's contractual status. For example, authorization may be granted to personnel to accept from a non-governmental source or a university, academic awards, distinctions, and tokens of a commemorative or honorary character, such as scrolls, certificates, trophies or other items of nominal or lesser monetary value.
- (d) With regard to gifts, honours, decorations, remuneration, favours or in-kind economic benefits of a nominal or lesser value, personnel may occasionally accept them without prior authorization provided they disclose the fact to the head of their office in writing, who may direct, in light of the specific circumstances, that what was received be retained by the personnel or entrusted to UNIDO.
- (e) Without prejudice to the above, where refusal of an unanticipated gift, honour, decoration, remuneration, favour or in-kind economic benefit of more than nominal value would cause embarrassment to UNIDO, personnel may receive it on behalf of UNIDO and then report and entrust it to the Director-General.
- (f) As part of their official functions, personnel may be expected to attend Government or non-government functions or events such as receptions. Such attendance is not considered receipt of a favour, gift, remuneration or in-kind economic benefit within the meaning of this Code.

## 13. Use and Protection of Information

- (a) The disclosure of confidential information may seriously jeopardize the efficiency and credibility of UNIDO. Personnel are responsible for exercising discretion in all matters of official business. They must not divulge confidential information without authorization, nor shall personnel use to private advantage, or allow the use of, information that has not been made public and is known to them by virtue of their official position. These obligations do not cease upon separation from service.
- (b) When using UNIDO's information and communication technology (ICT) resources, personnel shall not knowingly or through negligence create false or misleading data; make data available to unauthorized persons; damage, delete, alter or conceal data or attempt to access data on any system without authorization.
- (c) Confidential information including personnel files, medical records, and information concerning audits, investigations, and disciplinary actions shall be kept from inappropriate use and access shall only be granted to designated officials for authorized and legitimate needs.

#### 14. Protecting the Assets of UNIDO and Its Trust Funds

- (a) Personnel must use and maintain assets such as cash, facilities, equipment, software, hardware and supplies with utmost care and respect, guarding them against waste and abuse. UNIDO assets and funds shall be used for purposes directly related to conducting UNIDO activities or for purposes authorized by the Director-General.
- (b) Financial assets: Personnel are expected to ensure that the Financial Regulations and Rules and related policies, procedures and instructions are fully adhered to. Any breakdown in the system of internal control must be immediately reported to the appropriate authority.
- (c) Information & Communication Technology (ITC) assets: Personnel must not engage in activities that disrupt the operations of UNIDO's ICT resources, nor those of other entities connected via data and/or communications networks. The use of ICT resources for private purposes is permitted, so long as it does not compromise UNIDO's interests or reputation, affect the productivity of the user, give rise to costs or reduce the performance of the system.
- (d) Other Property, Plant, and Equipment (PPE): Personnel have a duty to protect and conserve UNIDO PPE. Items which have been entrusted or issued to UNIDO personnel must be used in accordance with applicable guidelines and any movement (transfer, relocation, etc.) of these PPE must be authorized by the responsible branch/unit to ensure accuracy of PPE records in the UNIDO asset register. Personnel may not use, or allow the use of, UNIDO PPE for non-official activities without specific authorization.

#### 15. Publications and Copyright

- (a) All publications produced under the auspices of UNIDO, whether financed by regular or extra-budgetary funds, must be authorized in accordance with the UNIDO publications policy and related guidelines.
- (b) All rights, including title, copyright and patent rights, in any work created by personnel as part of official duties with UNIDO shall be vested in UNIDO.

### IV. Administration of the Code of Ethical Conduct

- (a) UNIDO's Member States and senior management are committed to the Code of Ethical Conduct and believe that it is an important part of good governance within UNIDO.
- (b) The Ethics Office exercises the ethics function within UNIDO. As such, the Ethics Office is responsible for development, promulgation, and monitoring of ethics policies, advising staff on ethics issues, administering UNIDO's policy for financial disclosure and declaration of interests, and reviewing cases of possible retaliation against whistleblowers.
- (c) Personnel are responsible for following the Code and for obtaining approvals for actions and activities that are regulated by the Staff Regulations and Rules, the Financial Regulations and Rules or other administrative issuances.
- (d) Personnel are responsible for reporting any conflicts of interest or failures to follow the Code, which they may become aware of, either to the Ethics Office, the Human Resource Management Branch (HRM) or the Office of Internal Oversight Services (IOS). Such reports and the subsequent discussion of the alleged violations of the Code will be treated as confidential. In this regard, personnel may confidentially contact the Ethics Office, HRM or IOS in person, by telephone, e-mail or registered post. Contact information is posted on UNIDO's intranet and internet sites.
- (e) Reported alleged violations of the Code will be dealt with by the receiving office in accordance with its mandate. Namely, the Ethics Office receives reports of alleged violations and has the authority to refer them to IOS for investigation if appropriate. Should an investigation be necessary, it will be carried out by IOS in accordance with its rules and procedure.

- (f) Cases of personnel where the investigation by IOS results in *prima facie* evidence of misconduct will be reviewed by HRM in accordance with the existing rules and procedure on disciplinary measures and/or terms of the personnel's employment status with UNIDO.
- (g) Personnel who reported misconduct in good faith or who duly cooperated with an audit or investigation are entitled to protection against retaliation by the Organization. Modalities of such protection as well as the procedure for review and investigation of complaints of retaliation and/or requests for protection against retaliation are defined in UNIDO's policy on protection against retaliation ("Whistleblower Protection" policy).
- (h) Failure to follow the Code can result in counselling, corrective or disciplinary measures, a written record of breach of the Code, or disciplinary action, including suspension, demotion or dismissal. Personnel are required to read the "Code of Ethical Conduct" and adhere to it. Issues arising out of non-compliance will be recorded in personnel files, reported to supervisors, and incorporated in performance evaluations.
- (i) Personnel may be held financially responsible, either in full or in part, for losses suffered by UNIDO due to violations of this Code, including violations which have been a result of negligence on their part.



## SECRETARIAT

UNIDO/DGB/(M).116  
1 March 2010

Distribution: All staff members at Headquarters  
and established offices

Staff Regulations: 11.2, 1.1-1.7  
Staff Rules: 111.02, 211.01  
& 311.01

**DIRECTOR-GENERAL'S BULLETIN****Protection against retaliation for reporting misconduct  
or cooperating with audits or investigations**

1. The purpose of the present policy is to establish the framework and procedures for the protection of those individuals working for the Organization who report misconduct, provide information in good faith on alleged wrongdoing, or cooperate with an audit or investigation. In the interest of simplicity, and for the purpose of this bulletin, the term "whistleblower" will be used for such individuals. This bulletin is based on the policy established by the Secretary-General of the United Nations.<sup>1</sup>
2. In the case of staff members,<sup>2</sup> retaliation and other misconduct identified in the present bulletin will be dealt with according to the procedure laid out in the Administrative Circular UNIDO/DA/PS/AC.87 on Disciplinary Measures. In the case of non-staff employees, retaliation and other misconduct identified in the present bulletin will be dealt with in accordance with the relevant provisions of their respective contracts.
3. The present bulletin shall also be read in conjunction with other administrative issuances regulating matters of relevance to the present policy such as the Internal Audit Group Charter UNIDO/DGB/(M).92/Rev.1 issued on 8 November 2005, UNIDO/ADM/HRM/INF.17 of 4 March 2003 on Standards of Conduct for the International Civil Service 2001, UNIDO/ADM/HRM/INF.57 of 27 October 2005 on Standards of Conduct, Personal Behaviour of Staff, and UNIDO/DGB/(M).115 of 1 March 2010 entitled "UNIDO Code of Ethical Conduct."
4. The procedures laid out in the present bulletin are without prejudice to the rights of whistleblowers to seek redress through either the internal recourse mechanisms set forth in Chapter XII and Appendix K to the 100, 200 and 300 series of the Staff Rules or through any applicable mechanism described in their respective contracts.

1. Secretary-General's Bulletin ST/SGB/2005/21 of 19 December 2005 entitled "Protection for reporting misconduct and for cooperating with duly authorized audits or investigations."

2. That is individuals employed under the 100, 200 and 300 series of the Staff Rules.



## **Section 1 - General**

### Definition

5. Retaliation means any direct or indirect detrimental action recommended, threatened or taken by any party against a whistleblower because he/she engaged in an activity protected by the present policy. When established, retaliation constitutes misconduct and will lead to disciplinary actions and/or other appropriate measures.

### Rights and Duties of Individuals

6. No individual associated with UNIDO shall retaliate against a whistleblower, including where the whistleblower is an outside party such as a contractor and/or its employee, agent or representative or any other individual engaged in any dealings with UNIDO.
7. While it is the duty of individuals to report any breach of the Organization's regulations and rules to the officials whose responsibility it is to take appropriate action, individuals who make such a report in good faith have the right to be protected against retaliation.
8. It is also the duty of the individuals to cooperate with audits and investigations. Individuals who cooperate in good faith with an audit or investigation also have the right to be protected against retaliation.
9. All offices and individuals shall cooperate with the Office of Internal Oversight Services (IOS) and the Human Resource Management Branch (HRM) and provide access to the relevant records and documents, except for medical records that should not be made available without the express consent of the person concerned. For the respective roles of the Focal Point for Ethics and Accountability (hereinafter, the "Ethics Office"), IOS, and HRM, the reader is referred to paragraphs 21, 25 and 30 to 33 below. Provisions concerning confidentiality of information are contained in Section 7 of the present bulletin.

### Scope of application

10. The present bulletin and the protection against retaliation applies to whistleblowers who are either staff members appointed under any of the series of the Staff Rules, or who are non-staff employees such as consultants, experts and interns, regardless of the duration of the appointment or equivalent arrangement.
11. While anonymous reports will receive due consideration by the Organization based on their own merits, protection under this bulletin cannot apply to the anonymous whistleblower.
12. Protection against retaliation under this bulletin applies to whistleblowers referred to in paragraph 10 above who:

- (a) report in good faith the alleged misconduct of one or more staff members or other personnel employed or supervised by UNIDO, such as the failure to comply with, or a request or instruction to violate, the Financial or Staff Regulations and Rules, relevant administrative issuances, the Standards of Conduct for the International Civil Service or the UNIDO Code of Ethical Conduct. For the whistleblower to be protected under this bulletin, the reporting must be made as soon as possible but not later than one year after the individual first became aware of the misconduct, and accompanied by available information or evidence that supports a reasonable belief that misconduct has occurred; or
  - (b) cooperate with an audit or investigation.
13. The present bulletin is without prejudice to the legitimate application of regulations, rules and administrative procedures, including those governing evaluation of performance, non-extension or termination of appointment. However, the Organization bears the burden of providing evidence that an alleged act of retaliation would have taken place absent the protected activity.
  14. The transmission or dissemination of rumours is not a protected activity. In addition, making a report or providing information that is intentionally false or misleading constitutes misconduct by itself and may result in disciplinary or other appropriate action.
  15. No payment or any other benefit shall be offered or accepted from any party for reporting misconduct or cooperating with audits or investigations.
  16. Protected activity as described in paragraph 12 above does not relieve the whistleblower from his/her own responsibility and liability under the applicable legal framework of the Organization.

### Reporting misconduct

17. As per existing administrative issuances<sup>3</sup> and depending on the nature of the misconduct, reports of misconduct should be made to one of the following offices:
  - (a) the Director, Human Resource Management Branch;
  - (b) the Office of Internal Oversight Services; or
  - (c) the Ethics Office.
18. Should a whistleblower report misconduct to a supervisor, chief, director or managing director of a unit, branch or division, the recipient should relay the information to the relevant office, as mentioned below.
19. It is the duty of the officials/offices mentioned in paragraphs 17 and 18 above to protect the confidentiality of the whistleblower's identity in all communications through those channels. Strict confidentiality requirements should be observed and are elaborated in

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3. See UNIDO/DGB/(M).92/Rev.1 of 8 November 2005 and UNIDO/DGB/(M).94 of 6 June 2005 entitled "Policy on Fraud Awareness and Prevention."



Section 7 below.

## **Section 2 – Review of allegations of retaliation**

### **Reporting retaliation and preliminary review of complaint**

20. Whistleblowers who believe that retaliatory action has been or will be taken against them because they have reported misconduct or cooperated with an audit or investigation may seek protection against retaliation by forwarding their complaints as soon as possible to the Ethics Office with all information and documentation available to them to support their complaints. In this connection, the complaints may be made in person, or sent by registered mail, e-mail, or fax.
21. The functions of the Ethics Office with respect to protection against retaliation are as follows:
  - (a) to receive complaints regarding retaliation or threats of retaliation;
  - (b) to keep a confidential record of all complaints received;
  - (c) to conduct a preliminary review of the complaint to determine if (i) the complainant engaged in a protected activity; and (ii) there is a *prima facie* case that the protected activity was a contributing factor in causing the alleged retaliation or threat of retaliation.
22. The Ethics Office will seek to complete its preliminary review within 45 working days as of the date of receipt of the complaint of retaliation.
23. All offices, staff members and other personnel of UNIDO shall cooperate with the Ethics Office and provide access to all records and documents requested by the Ethics Office, except for medical records that are not available without the express consent of the staff member concerned and IOS records that are subject to confidentiality requirements.
24. If the Ethics Office finds that there is no *prima facie* case of retaliation or threat of retaliation, it will inform the complainant accordingly and advise him/her to seek redress through other available recourse mechanisms under the Staff Regulations, if necessary.
25. If the Ethics Office finds that there is a *prima facie* case of retaliation or threat of retaliation, it will refer the matter in writing to IOS for investigation and will immediately notify in writing the complainant that the matter has been so referred.
26. Where, in the opinion of the Ethics Office, there may be a conflict of interest in IOS conducting the investigation as referred to above, the Ethics Office may recommend to the Director-General that the complaint be referred to an alternative investigating mechanism.

### Investigation or fact-finding by IOS of alleged retaliation

27. IOS or the alternative investigating mechanism will seek to complete its investigation and communicate its preliminary findings on the alleged retaliation to the complainant and other individuals directly concerned for comment within 85 working days as of the date of receipt of the case, unless the circumstances surrounding the investigation dictate otherwise.
28. Upon receipt of the preliminary findings, the individuals concerned shall provide their comments to IOS or the alternative investigating mechanism within 10 working days as of the date of receipt of the request.
29. Upon receipt of the comments from the individuals, IOS or the alternative investigating mechanism will incorporate them into the final report as deemed appropriate by the authors and will seek to finalize the report within 10 working days and submit it to the Director-General for further action as necessary. The comments made by the parties concerned shall be attached as an annex to the final report. The date of submission of the final report to the Director-General shall also be communicated to the complainant and to the Ethics Office.
30. Upon receipt of the final investigation report, the Director-General will review the recommendations contained therein and will decide either (i) to close the case in the event the report does not establish a credible case of retaliation or (ii) refer the case to HRM for appropriate action against the retaliator under the procedures set forth in UNIDO/DA/PS/AC.87 on disciplinary measures. The Director-General's decision on the report shall also be communicated to the complainant and to the Ethics Office.

### **Section 3 – Interim protective measures**

31. Pending completion of the preliminary review of the complaint under paragraph 22 above and/or the investigation under paragraph 27 above, the Ethics Office may, in its judgment, or based on the *prima facie* evidence or findings of the preliminary review, recommend that the Director-General take, within the provisions of the Staff Rules appropriate interim measures to safeguard the interests of the parties. Such measures may include but are not limited to, temporary withholding of the implementation of the action reported as retaliatory and, with the consent of the party concerned, temporary reassignment of that party within or outside the party's office, function or project (in the case of project personnel) for which the whistleblower is qualified, or placement of that party on special leave with full pay.

### **Section 4 – Redress measures**

32. If the case of retaliation against a whistleblower has been established, HRM may, after taking into account recommendations made by IOS or the alternative investigating mechanism and after consultation with the whistleblower concerned, recommend to the Director of the Branch or Managing Director of the Division concerned appropriate measures aimed at correcting any negative consequences that might have occurred. Such measures may include, but are not limited to, the rescission of the retaliatory decision,

including reinstatement, or, if requested by the whistleblower, transfer to another office, function or project (in the case of project personnel) for which the whistleblower is qualified, and whereby the whistleblower will gain independence of the retaliator.

33. Should HRM not be satisfied with the response from the Director or Managing Director concerned, it can make a recommendation on the appropriate action to the Director-General who will make the final decision.
34. Furthermore, the Organization's rules contain provisions whereby individuals, if affected, may seek appropriate redress.

#### **Section 5 - Action against individual(s) who engaged in retaliation**

35. Retaliation constitutes misconduct which, if established, will lead to the following measures depending on the employment status of the retaliator:
  - (a) staff members: disciplinary measures and appropriate other actions including, but not limited to, the non-renewal of appointment *in lieu* of disciplinary measures, termination of appointment or summary dismissal as provided for in the Staff Rules and Administrative Circular UNIDO/DA/PS/AC.87 on Disciplinary Measures;
  - (b) consultants, experts, and interns: appropriate actions provided for in the contracts or arrangements concluded with the individual(s) concerned, including, but not limited to, non-renewal of appointment or termination of the contract or arrangement.

#### **Section 6 - Prohibition of retaliation against outside parties**

36. Without widening the scope of the present bulletin, any retaliatory measures against a contractor or its employees, agents or representatives or any other individual engaged in any dealings with UNIDO because such a person has reported misconduct by UNIDO staff members or other personnel will be considered misconduct that, if established, will lead to disciplinary or other appropriate action against the retaliator.

#### **Section 7 - Confidentiality of information**

37. Strict standards of confidentiality shall be adhered to throughout the entire process described in the present bulletin by all parties, the whistleblower included.
38. The identity of the whistleblower shall not be disclosed.
39. Without prejudice to the above, disclosure of the identity of the whistleblower may be authorized under one of the following conditions:
  - (a) where the whistleblower has consented to the disclosure in writing;
  - (b) where it is determined from an earlier procedure described in this bulletin that the whistleblower knowingly and wilfully submitted a false complaint;
  - (c) where such a disclosure is necessary to ensure due process or for disciplinary or judicial proceedings, provided that the Director-General has approved the disclosure and that the whistleblower has been informed about the decision to disclose his/her identity prior to the disclosure.

40. Shall it indeed be necessary to disclose the identity of the whistleblower within the provisions of paragraph 39 above, he/she would continue to have a right to protection against retaliation, including additional measures in case there is a reason to believe that his/her safety might be jeopardized by the disclosure.
41. Further to the provisions and conditions mentioned above, the disclosure of any information related to an investigation or fact-finding, including the identity of the staff members or others involved, the subject-matter of the investigation or fact-finding, and even the very fact of the investigation or fact-finding, is restricted to a "need-to-know" standard, i.e. the information can be revealed by the investigative entity to specific individuals only if it is necessary to proceed with the investigation or fact-finding exercise. Consequently, the individuals to whom the information is released shall not disclose such information to anybody else without written authorization from the investigative entity.
42. No individual, the whistleblower included, should release information on, or reveal the existence of, any process or event governed by this bulletin.
43. Unauthorized disclosure by a staff member, consultant, expert or intern of confidential information related to an investigation or fact-finding constitutes misconduct which may result in disciplinary measures or appropriate action.

#### **Section 8 - Entry into force**

44. The present bulletin shall enter into force as of its date of issuance.



# United Nations Industrial Development Organization

Distr.: General  
18 December 2009

Original: English

## General Conference

### Thirteenth regular session

Vienna, 7-11 December 2009

### Decisions and resolutions of the General Conference

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### Decisions\*

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\* All decisions were adopted by consensus. Discussions related to the adoption of the decisions are reflected in the summary records cited in the present contents.



**GC.13/INF.4**

<i>Decision No.</i>	<i>Title</i>	<i>Item</i>	<i>Page</i>
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GC.13/Dec.10	Financial situation of UNIDO (GC.13/12; GC.13/CRP.3*; GC.13/L.2; GC.13/SR.8, paras. 14-15)	10 (b)	8
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GC.13/Dec.18	Appointment of the Director-General (IDB.36/21; GC.13/SR.1, paras. 24-38)	22	14
GC.13/Dec.19	Terms and conditions of appointment of the Director-General (GC.13/SR.1, paras. 28-29)	22	14
GC.13/Dec.20	Date and place of the fourteenth session (GC.13/L.2/Add.2; GC.13/SR.8, paras. 51-52)	23	15

**Resolutions\***

<i>Resolution No.</i>	<i>Title</i>	<i>Item</i>	<i>Page</i>
GC.13/Res.1	Financial regulations (GC.13/L.2/Add.2; GC.13/SR.8, paras. 18-19)	10 (e)	16

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\* All resolutions were adopted by consensus. Discussions related to the adoption of the resolutions are reflected in the summary records cited in the present contents.

<i>Resolution No.</i>	<i>Title</i>	<i>Item</i>	<i>Page</i>
GC.13/Res.2	Regional programme for Latin America and the Caribbean (GC.13/5; GC.13/5/Add.1; GC.13/L.2/Add.1; GC.13/SR.8, paras. 23-24)	11 (a)	16
GC.13/Res.3	Medium-term programme framework, 2010-2013 (IDB.35/8; IDB.35/8/Add.1; IDB.35/8/Add.1/Corr.1 (English only); GC.13/L.2; GC.13/SR.8, paras. 25-26)	12	17
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GC.13/Res.6	The crucial role of the productive sectors in supporting the achievements of the Millennium Development Goals (GC.13/L.2/Add.1; GC.13/SR.8, paras. 31-32)	12	23
GC.13/Res.7	Cooperation agreement with the United Nations Development Programme (GC.13/6; GC.13/7; GC.13/CRP.1; GC.13/L.2/Add.1; GC.13/SR.8, paras. 43-44)	15	24
GC.13/Res.8	UNIDO activities in the field of energy and environment (GC.13/18; GC.13/L.2/Add.1; GC.13/SR.8, paras. 45-46)	17	25

## **Introductory note**

1. The decisions and resolutions adopted by the General Conference at its thirteenth regular session (2009) are reproduced in the present document.
2. The table of contents, for ease of reference, lists a serial number by which each decision or resolution may be cited, the title of each decision and resolution, the pertinent background document(s), a reference to the summary record of the plenary meeting at which the decision or resolution was adopted and the relevant agenda item. Decisions and resolutions are, as far as possible, set out in the order of the agenda.
3. The present document should be read in conjunction with the summary records of the General Conference, where details of the proceedings are provided.



## Agenda of the thirteenth regular session

1. Opening of the session.
2. Election of officers.
3. Adoption of the agenda.
4. Organization of work.
5. Credentials of representatives to the Conference.
6. Elections to organs:
  - (a) Industrial Development Board;
  - (b) Programme and Budget Committee.
7. Annual reports of the Director-General on the activities of the Organization for 2007 and 2008.
8. Reports of the Industrial Development Board on the work of its thirty-fourth, resumed thirty-fourth, thirty-fifth and thirty-sixth regular sessions.
9. Forum on industrial development issues.
10. Financial matters:
  - (a) Scale of assessments of Member States;
  - (b) Financial situation of UNIDO;
  - (c) Working Capital Fund;
  - (d) Accounting standards;
  - (e) Financial regulations;
  - (f) Appointment of an External Auditor.
11. Implementation of the medium-term programme framework, 2008-2011, including:
  - (a) Regional programme for Latin America and the Caribbean;
  - (b) Regional programme for Africa;
  - (c) Arab regional programme; and
  - (d) Other regional programmes.
12. Medium-term programme framework, 2010-2013.
13. UNIDO major conferences.
14. Programme and budgets, 2010-2011.
15. Cooperation Agreement with the United Nations Development Programme.
16. UNIDO activities in agro-related industries and agribusiness.
17. UNIDO activities in the field of energy and environment.
18. UNIDO Staff Pension Committee.
19. New social security agreement between UNIDO and the Republic of Austria.
20. Modification of Headquarters Agreement incorporating a new conference facility (M-building).
21. Matters related to intergovernmental, non-governmental, governmental and other organizations.
22. Appointment of the Director-General.
23. Date and place of the fourteenth session.
24. Closure of the session.

## Decisions

### GC.13/Dec.1 ELECTION OF THE PRESIDENT

The General Conference elected by acclamation H.E. Mr. Ali Asghar Soltanieh (Iran, Islamic Republic of) President of the Conference at its thirteenth session.

*1st plenary meeting  
7 December 2009*

### GC.13/Dec.2 ELECTION OF THE VICE-PRESIDENTS

The General Conference elected the following Vice-Presidents of the Conference at its thirteenth session: H.E. Mr. Gianni Ghisi (Italy), H.E. Mr. Yasuyoshi Komizo (Japan), H.E. Mr. Henry Kiprono Kosgey (Kenya), H.E. Mr. Alejandro Díaz y Pérez Duarte (Mexico), H.E. Mr. José Luis Chicoma Lúcar (Peru), H.E. Mr. Marcin Korolec (Poland), H.E. Mr. Alexander Yakovenko (Russian Federation), H.E. Mr. Musthafa Mohamed Jaffeer (Sri Lanka), H.E. Mr. Mahmoud Hassan Elamin (Sudan).

*1st plenary meeting  
7 December 2009*

### GC.13/Dec.3 ADOPTION OF THE AGENDA

*The General Conference:*

(a) Decided to suspend rule 42 of its rules of procedure for the first day of the Conference only, paragraph 1 (a) of which covers functions of the General Committee with regard to the adoption of the agenda;

(b) Adopted the agenda of its thirteenth session as contained in document GC.13/1/Rev.2.

*1st plenary meeting  
7 December 2009*

### GC.13/Dec.4 ORGANIZATION OF WORK

*The General Conference:*

(a) Decided to cover agenda items 7 to 21 and 23 in the plenary in the form of a general debate;

(b) Also decided to establish, in accordance with rule 44 of its rules of procedure, one Main Committee, under the chairmanship of Mr. Guido Kemmerling (Germany) on which each Member participating in the Conference may be represented;

(c) Further decided to refer agenda items 7 to 21 and 23 to the Main Committee for a more focused debate aimed at the preparation of consensus draft decisions and resolutions for submission to the plenary and requested the Chairman of the Main Committee to submit to the Conference on 11 December 2009, a written report on its work in accordance with decision GC.3/Dec.11.

*3rd plenary meeting  
8 December 2009*

### GC.13/Dec.5 APPOINTMENT OF THE CREDENTIALS COMMITTEE

The General Conference appointed the following Members to serve on the Credentials Committee: Brazil, China, Costa Rica, Ireland, Philippines, Russian Federation, Spain, United Republic of Tanzania and Zambia.

*3rd plenary meeting  
8 December 2009*

### GC.13/Dec.6 CREDENTIALS OF THE REPRESENTATIVES OF THE THIRTEENTH SESSION OF THE GENERAL CONFERENCE

*The General Conference:*

(a) Having considered the report of the Credentials Committee and the recommendations contained therein;

(b) Approved the report of the Credentials Committee.

*7th plenary meeting  
10 December 2009*

### **GC.13/Dec.7 ELECTION OF TWENTY-SEVEN MEMBERS TO THE INDUSTRIAL DEVELOPMENT BOARD**

The General Conference, in pursuance of Article 9.1 of the Constitution, elected the following twenty-seven members to the Industrial Development Board to hold office until the close of the fifteenth regular session of the Conference in 2013:

(a) Eighteen members from States in List A and C of Annex I of the Constitution: Algeria, Angola, Cameroon, Chile, Côte d'Ivoire, Cuba, Guatemala, India, Indonesia, Iran (Islamic Republic of), Iraq, Kazakhstan, Namibia, Peru, Saudi Arabia, Senegal, Uruguay and Zimbabwe.

(b) Seven members from States in List B of Annex I to the Constitution: Austria, Greece, Ireland, Portugal, Spain, Switzerland and Turkey.

(c) Two members from States in List D of Annex I to the Constitution: Russian Federation and Ukraine.

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As a result, the Industrial Development Board is composed of the following States: Algeria\*\*, Angola\*\*, Austria\*\*, Belgium\*, Cameroon\*\*, Chile\*\*, China\*, Colombia\*, Costa Rica\*, Côte d'Ivoire\*\*, Cuba\*\*, Ecuador\*, France\*, Germany\*, Ghana\*, Greece\*\*, Guatemala\*\*, Hungary\*, India\*\*, Indonesia\*\*, Iran (Islamic Republic of)\*\*, Iraq\*\*, Ireland\*\*, Italy\*, Japan\*, Kazakhstan\*\*, Libyan Arab Jamahiriya\*, Mexico\*, Morocco\*, Namibia\*\*, Norway\*, Pakistan\*, Peru\*\*, Philippines\*, Poland\*, Portugal\*\*, Republic of Korea\*, Romania\*, Russian Federation\*\*, Saudi Arabia\*\*, Senegal\*\*, South Africa\*, Spain\*\*, Sudan\*, Sweden\*, Switzerland\*\*, Syrian Arab Republic\*, Tunisia\*, Turkey\*\*, Ukraine\*\*, United Kingdom of Great Britain and Northern Ireland\*, Uruguay\*\*, Zimbabwe\*\*.

\* Twenty-six States whose term of office expires at the end of the fourteenth regular session of the General Conference in 2011 (decision GC.12/Dec.7 of 7 December 2007).

\*\* Twenty-seven States whose term of office expires at the end of the fifteenth regular session of the General Conference in 2013 (decision GC.13/Dec.7 of 11 December 2009).

### **GC.13/Dec.8 ELECTION OF TWENTY-SEVEN MEMBERS TO THE PROGRAMME AND BUDGET COMMITTEE**

The General Conference, in pursuance of Article 10.1 of the Constitution, elected the following twenty-seven members to the Programme and Budget Committee to hold office until the close of the fourteenth regular session of the Conference in 2011:

(a) Fifteen members from States in List A and C of Annex I to the Constitution: Algeria, Brazil, Cameroon, China, Côte d'Ivoire, Ecuador, India, Kenya, Lebanon, Mexico, Pakistan, Republic of Korea, Sudan, Tunisia and Venezuela (Bolivarian Republic of).

(b) Nine members from States in List B of Annex I to the Constitution: Austria, France, Germany, Italy, Japan, Norway, Switzerland, Turkey and United Kingdom of Great Britain and Northern Ireland.

(c) Three members from States in List D of Annex I to the Constitution: Poland, Russian Federation and Ukraine.

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### **GC.13/Dec.9 SCALE OF ASSESSMENTS OF MEMBER STATES**

*The General Conference:*

(a) Took note of the information in document IDB.36/3;

(b) Also took note of Board decision IDB.36/Dec.7;

(c) Decided to establish a scale of assessments for the regular budget expenditures of UNIDO for the fiscal period 2010-2011, based on United Nations General Assembly resolution 61/237, adjusted to the membership of UNIDO on the understanding that new members shall be assessed for the year in which they become members on the basis of the United Nations scale of assessments, as applicable to UNIDO.

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## GC.13/Dec.10 FINANCIAL SITUATION OF UNIDO

*The General Conference:*

(a) Took note of the information provided in document GC.13/12;

(b) Urged those Member States and former Member States that had not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;

(c) Requested the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears.

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## GC.13/Dec.11 WORKING CAPITAL FUND

*The General Conference:*

(a) Took note of Board decision IDB.36/Dec.8;

(b) Decided that the level of the Working Capital Fund for the biennium 2010-2011 should remain at €7,423,030 and that the authorized purposes of the Fund for the biennium 2010-2011 should remain the same as for the biennium 2008-2009, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

(c) Urged Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums from the Working Capital Fund to meet shortfalls in the payment of assessed contributions.

*8th plenary meeting  
11 December 2009*

## GC.13/Dec.12 FINANCIAL REGULATIONS

*The General Conference:*

(a) Took note of the recommendation of the Industrial Development Board on financial regulations as contained in decision IDB.36/Dec.9;

(b) Also took note of the proposed initial amendments to the Financial Regulations of UNIDO in

light of the adoption of the International Public Sector Accounting Standards (IPSAS) by 2010, as approved by the General Conference at its twelfth session and as contained in the note by the Secretariat (IDB.36/11);

(c) Decided to adopt the interim amendments to the Financial Regulations of UNIDO as set out in the annex to document IDB.36/11 and deemed necessary for IPSAS adoption effective 1 January 2010, and as set out in the annex to the present decision.

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### Annex

#### Proposed amendments to the financial regulations

#### ARTICLE II. FINANCIAL PERIODS

Regulation 2.1: The financial period for the purpose of the biennial programme and budgets shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year.

Regulation 2.2: The financial period for the preparation of annual financial statements shall consist of a calendar year (hereinafter referred to as a financial year), starting from 1 January and ending on 31 December inclusive.

#### ARTICLE III. PROGRAMME AND BUDGETS

##### Preparation of the budgets

Regulation 3.1: The Director-General shall prepare and submit to the Industrial Development Board (hereinafter referred to as the "Board") through the Programme and Budget Committee, at a time specified in financial regulation 3.5 a draft programme of work for the following biennium, together with the corresponding estimates for those activities to be financed from the regular budget. The Director-General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization.

Regulation 3.2: The financial estimates shall cover income and expenditures for the biennium to which they relate and shall be presented in euros.

### Review of the budgets

Regulation 3.5: The Director-General shall, in the second year of each biennium, submit a draft programme of work and the corresponding estimates for the regular budget and the operational budget for the following biennium to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.

Regulation 3.8: The Conference shall, prior to the end of the second year of a biennium, consider and approve by a two-thirds majority of the Members present and voting the programme of work and the corresponding regular budget and operational budget submitted to it by the Board for the following biennium. The Conference may make amendments in the programme of work and the corresponding budgets, in accordance with financial regulation 3.11.

### Supplementary estimates for the current biennium

Regulation 3.9: Supplementary estimates for the current biennium for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the approved budgets, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates in regulations 3.5 to 3.8 and 3.11.

### Revised estimates for the following biennium

Regulation 3.10: Revised estimates for the following biennium for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the initial estimates in regulations 3.5 to 3.8 and 3.11, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates except that the applicable time limits for the submission of documents may be waived if necessary.

### Commitments for future bienniums

Regulation 3.12: The Director-General may enter into commitments for future bienniums, provided that such commitments:

(a) Are for activities which have been approved by the Conference and are expected to continue beyond the end of the current biennium; or

(b) Are authorized by specific decisions of the Conference.

## ARTICLE IV. BUDGETARY APPROVAL

### Current and future bienniums

#### Regulation 4.2:

(a) Regular budget appropriations shall be available for obligation during the biennium to which they relate;

(b) Regular budget appropriations shall remain available for twelve months following the end of the biennium to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that biennium and to liquidate any other outstanding obligation of that biennium. The unencumbered balance of the appropriations at the end of a biennium shall be surrendered to the Members at the end of the first financial year following the biennium after deducting therefrom any contributions from Members relating to that biennium which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of financial regulations 4.2 (c) and 5.2 (d);

(c) At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the biennium of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second financial year following the biennium to which the appropriations relate, provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Any unliquidated regular budget obligation of the biennium in question shall at that time either be cancelled or, where the obligation

remains a valid charge, transferred as an obligation against the current appropriations.

#### Transfer of expenditure

##### Regulation 4.3:

(a) No change;

(b) No change;

(c) Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible provided that in the first biennium following its creation, a Professional-level post may not be transferred to another programme or subprogramme.

#### ARTICLE V. PROVISION OF FUNDS FOR THE REGULAR BUDGET

##### Appropriation and assessment

##### Regulation 5.1:

(a) No change;

(b) No change;

(c) For each financial year of the biennium, Members shall contribute one half of the total approved amount;

(d) No change.

Regulation 5.2: For each of the financial years of the biennium, the assessment of Members shall be adjusted in respect of:

(a) No change;

(b) Half of the estimated miscellaneous income to the regular budget for the biennium and credits in respect of income not previously taken into account;

(c) No change;

(d) No change.

#### Collection of contributions and advances

##### Regulation 5.5:

(a) After the Conference has approved the estimates for the regular budget, established the scale of assessments and determined the amount and purposes of the Working Capital Fund, the Director-General shall as soon as possible with respect to each year of the biennium:

(i) Transmit the relevant documents to Members;

(ii) Inform Members of their obligations in respect of annual contributions to the regular budget and of advances to the Working Capital Fund;

(iii) Request Members to remit their contributions and advances;

(b) Contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director-General, referred to in subparagraph (a) above, or as of the first day of the financial year to which it relates, whichever is later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears;

(c) No change;

(d) No change;

(e) No change.

#### ARTICLE VI. VOLUNTARY CONTRIBUTIONS AND OTHER INCOME

##### Regulation 6.5:

(a) No change;

(b) Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts of the financial year.

#### ARTICLE VIII. INVESTMENT OF FUNDS

Regulation 8.2: The Director-General shall include in the financial statements submitted to the Programme

and Budget Committee and the Board a statement of the investments currently held.

#### ARTICLE IX. INTERNAL CONTROL

Regulation 9.2: Obligations for the current biennium or commitments for current and future bienniums shall be incurred only after allotments or other appropriate authorizations have been made in writing under the authority of the Director-General.

##### Ex gratia payments

Regulation 9.3: The Director-General may make such ex gratia payments as he deems to be necessary in the interest of the Organization. A statement of such payments shall be submitted with the annual financial accounts.

##### Writing-off of losses or deficiencies

Regulation 9.4: The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets other than arrears of assessed contributions, provided that if such write-off involves a substantial amount as determined in the financial rules, the write-off shall require prior approval of the Board upon recommendation of the Programme and Budget Committee. A statement of all such amounts written off during each financial year shall be submitted to the External Auditor with the annual financial accounts.

#### ARTICLE X. THE ACCOUNTS

##### Accounts and schedules

##### Regulation 10.2:

(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, in accordance with the accounting standards framework applicable to the United Nations system organizations;

(b) The Director-General shall prepare and submit financial accounts for each financial year, including:

- (i) A statement of financial position;

- (ii) A statement of financial performance;
  - (iii) A statement of changes in net assets/equity;
  - (iv) A cash flow statement;
  - (v) A comparison of budget and actual amounts on the basis of the budget; and
  - (vi) Notes, comprising a summary of significant accounting policies and other explanatory notes;
- (c) For the regular budget, the Director-General also shall prepare and submit:
- (i) The original budget appropriations;
  - (ii) Any supplementary appropriations;
  - (iii) The appropriations as modified by any transfers;
  - (iv) Credits, if any, other than the appropriations voted by the Conference;
  - (v) The amounts charged against those appropriations and/or other credits.

##### Operational budget accounts

Regulation 10.3: The Director-General shall establish such accounts and maintain such accounting records as are necessary for the purpose of accounting for the income and expenditures of the operational budget, including the Industrial Development Fund and any trust fund, reserve or special account, during each financial year.

##### Annual financial report

Regulation 10.6: At the beginning of the second financial year of each biennium, the Director-General shall submit to the Programme and Budget Committee a financial report on significant financial developments that have affected the Organization during the first financial year of the biennium concerned.

##### Submission of accounts

Regulation 10.7: The final accounts for the biennium shall be submitted by the Director-General to the External Auditor not later than 31 March following the end of the biennium to which they relate. Annual accounts for the first financial year of each biennium shall be submitted by the Director-General to the

External Auditor not later than 31 March following the end of the financial year concerned.

#### ARTICLE XI. EXTERNAL AUDIT

Regulation 11.10: The External Auditor's reports, together with the audited financial statements, shall be completed by not later than 1 June, following the biennium to which they relate and shall be transmitted through the Programme and Budget Committee to the Board in accordance with directions given by the Conference. The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments, as it deems appropriate.

#### GC.13/Dec.13 APPOINTMENT OF AN EXTERNAL AUDITOR

The General Conference decided to extend the current appointment of the Auditor General of Pakistan as the External Auditor for UNIDO for a period of two years, from 1 July 2010 to 30 June 2012, under the terms of reference specified in the Financial Regulations of UNIDO.

*8th plenary meeting  
11 December 2009*

#### GC.13/Dec.14 PROGRAMME AND BUDGETS, 2010-2011

*The General Conference:*

(a) Took note of decision IDB.36/Dec.11 of the Industrial Development Board;

(b) Also took note of the programme and budget proposals for the biennium 2010-2011 as contained in document IDB.36/7;

(c) Approved estimates of regular budget gross expenditures of €161,819,688 to be financed from assessed contributions in the amount of €156,609,188 and other income of €5,210,500;

(d) Also approved estimates of gross expenditures totalling €22,806,877 for the purpose of the operational budget for the biennium 2010-2011 to be financed from voluntary contributions in the amount of €22,187,677 and other income amounting to

€619,200 as may be provided for in the financial regulations;

(e) Further approved the partial utilization of the accumulated balance of the reserve for exchange rate fluctuations to finance any shortfall in the income estimates in order to fully implement the programmes as described in document IDB.36/7.

*8th plenary meeting  
11 December 2009*

#### GC.13/Dec.15 UNUTILIZED BALANCES OF APPROPRIATIONS

*The General Conference:*

(a) Took note of the documentation submitted by the Director-General on unutilized balances of appropriations (IDB.36/12 and Add.1, GC.13/8 and Add.1 and GC.13/CRP.3\*);

(b) Recalled Board decision IDB.36/Dec.12 on unutilized balances of appropriations;

(c) Also took note of the feasibility study on a comprehensive change management initiative contained in the report by the Director-General which, inter alia, highlights the unique challenges being faced by the Organization in terms of potential implications on future funding for technical cooperation activities, institutionalization of results-based management, effective utilization of field resources, contributing to United Nations system-wide coherence and the serious risk of breakdowns of outdated systems (GC.13/8/Add.1);

(d) Requested the Director-General to provide information on the various cost elements of the enterprise resource planning system for the Organization, as referred to in decision IDB.36/Dec.12, to the Board at its thirty-eighth session;

(e) Recalled that the proposed programme and budgets for the biennium 2010-2011 did not contain dedicated budgetary resources for the change management initiative and replacement of the outdated information technology systems;

(f) Further took note of the report of the Vice-President of the Board on the implementation of decision IDB.36/Dec.12 (GC.13/17);



(g) Recalled conclusion 2009/3 and decision IDB.36/Dec.12, in which respectively the Programme and Budget Committee and the Industrial Development Board decided that unutilized balances of appropriations for the biennium 2006-2007 amounting to €6.8 million should be returned to Member States in accordance with the Financial Regulations of UNIDO;

(h) Decided, as an exceptional measure, without setting a precedent for the future work of the Organization and taking into account the unique challenges faced by the Organization, that from the amount of unutilized balances of appropriations due to Member States in 2010 remaining on 31 December 2009, up to €9,113,949 shall be utilized for financing the change management initiative, and up to €3 million shall be utilized for special accounts for technical cooperation activities during the biennium 2010-2011, aimed at (i) increased food security through agribusiness and agro-industry promotion, and (ii) renewable energy for productive activities;

(i) Requested the Director-General to implement the present decision in consultation with Member States and in accordance with the recommendations contained in the feasibility study (GC.13/8/Add.1) by selecting the most suitable and sustainable technical solution that is feasible considering the financial provisions of paragraph (h) above, augmented by any budgetary savings from the Major Programmes other than C, D, E and F that might become available during the implementation period. All funds for the implementation of the change management initiative shall be managed through a special account established for this purpose, which shall remain open throughout the duration of the implementation process;

(j) Strongly encouraged Member States to contribute voluntarily to the special accounts mentioned in paragraphs (h) and (i) above;

(k) Requested the Director-General to report to the Board at its thirty-eighth and thirty-ninth sessions, through the Programme and Budget Committee, on the implementation of the present decision.

*Note:* The African Group reserved its position on this decision.

*8th plenary meeting  
11 December 2009*

## **GC.13/Dec.16 UNIDO STAFF PENSION COMMITTEE**

*The General Conference:*

(a) Took note of Board decision IDB.36/Dec.14;

(b) Decided to elect the following two members and two alternate members to the UNIDO Staff Pension Committee for the biennium 2010-2011:

Members: Ms. Gloria Maria (Ecuador)  
Polastri Amat

Ms. Ilse Adonis (South Africa)

Alternate Mr. Satya Rodrigo (Sri Lanka)

members: Ms. Lauren Keyte (United Kingdom)

*8th plenary meeting  
11 December 2009*

## **GC.13/Dec.17 NEW SOCIAL SECURITY AGREEMENT**

*The General Conference:*

(a) Took note of the report of the Director-General and of the note by the Secretariat on the new social security agreement with the Republic of Austria (IDB.36/20 and GC.13/19);

(b) Also took note of the recommendation of the Board in decision IDB.36/Dec.15;

(c) Decided to approve the new social security agreement with the Republic of Austria as contained in the annex to document GC.13/19;

(d) Authorized the Director-General to bring the new agreement into force in the manner prescribed in paragraph 1 of article 18 thereof.

*8th plenary meeting  
11 December 2009*

# **GC.13/Dec.18 APPOINTMENT OF THE DIRECTOR-GENERAL**

*The General Conference:*

(a) Took note of decision IDB.36/Dec.4;

(b) In accordance with Article 11.2 of the Constitution, decided to appoint Mr. Kandeh K. Yumkella as Director-General of UNIDO for a period of four years from 8 December 2009 or until the Director-General to be appointed at the fifteenth regular session of the General Conference assumes office, whichever is later.

*1st plenary meeting  
7 December 2009*

# **GC.13/Dec.19 TERMS AND CONDITIONS OF APPOINTMENT OF THE DIRECTOR-GENERAL**

*The General Conference:*

(a) Took note of decision IDB.36/Dec.5;

(b) Approved the contract annexed to the present decision, which establishes the terms and conditions of appointment of the Director-General, including the salary and emoluments attached to the office.

*1st plenary meeting  
7 December 2009*

## **Annex**

## **DRAFT CONTRACT FOR APPOINTMENT OF THE DIRECTOR-GENERAL**

THIS CONTRACT is made

between the United Nations Industrial Development Organization (hereinafter called the Organization) for the one part

and Kandeh Kolleh YUMKELLA (hereinafter called the Director-General) for the other part.

WHEREAS

The Director-General, upon recommendation of the Board, has been duly appointed by the Conference

at its thirteenth session held from 7 to 11 December 2009.

IT IS HEREBY AGREED AS FOLLOWS:

### **1. Term of Office**

The Director-General shall be appointed for a period of four years from the eighth day of December two thousand nine (2009), or until the Director-General to be appointed at the fifteenth regular session of the General Conference assumes office, whichever is later.

### **2. Official Duty Station**

The official duty station for the Director-General shall be Vienna, Austria.

### **3. Official Duties**

In accordance with Article 11 of the Constitution of the Organization, the Director-General shall be the chief administrative officer of the Organization.

### **4. Privileges and Immunities**

The Director-General shall enjoy all the privileges and immunities in keeping with his office as determined by the Constitution of the Organization, Article 21, and any relevant legal instruments already in force or to be concluded in the future.

### **5. Staff Regulations**

The Director-General shall be subject to the Staff Regulations of the Organization, together with such amendments as may be made thereto, in so far as they are applicable to him.

### **Assessable Salary and Allowances**

(a) The annual gross salary of the Director-General shall be US dollars two hundred and thirty nine thousand six hundred thirty-one (239,631), corresponding to an annual net base salary equivalent to US dollars one hundred and sixty eight thousand seven hundred and sixty (168,760) (dependency rate) or US dollars one hundred and fifty thousand seventy-nine (150,079) (single rate) respectively. The gross and net base salary shall be adjusted whenever the General Assembly decides to adjust the gross and net base salary levels of staff in the Professional and higher categories;

(b) He shall receive post adjustment, allowances and benefits, including social security benefits, for which a staff member in the Professional

category of the UNIDO Secretariat would be eligible under the Staff Regulations and Staff Rules of the Organization, provided the purpose of such emolument, allowance or benefit has not already been met by other provisions of the present contract;

(c) The Director-General shall receive a representation allowance of Euros thirty two thousand and one hundred (32,100) per annum, adjusted for the budgeted annual inflation rate, to meet his share of the obligations which the Organization incurs in the form of representation and hospitality expenditure;

(d) He shall receive a housing allowance amounting to Euros fifty thousand and five hundred (50,500) per annum adjusted for the budgeted annual inflation rate;

(e) The above salary, allowances and benefits to which the Director-General is entitled under this agreement shall be subject to adjustment by the Board, after consultations with the Director-General, to keep them in line with those of the executive heads of other specialized agencies within the common system of the United Nations.

#### 7. Pension and After-Service Health Insurance

(a) The Director-General shall participate in the United Nations Joint Staff Pension Fund in accordance with the provisions of decision IDB.10/Dec.17 (d) of the Industrial Development Board. His pensionable remuneration shall be determined and adjusted in accordance with the provisions of articles 54 (c) and (b) of the regulations and rules of the United Nations Joint Staff Pension Fund;

(b) The Director-General shall be eligible for subsidized after-service health insurance as continuation of his in-service health insurance coverage as of the date he will be in receipt of a deferred retirement benefit from the United Nations Joint Staff Pension Fund.

#### 8. Currency of Payments

Payments will be effected in the currency applicable to staff in the Professional and higher categories serving at the official duty station Vienna, Austria.

#### 9. Notice of Resignation

The Director-General may at any time give three months' notice of resignation in writing to the Board, which is authorized to accept his resignation on behalf of the General Conference, in which case, upon expiration of such period of notice, he shall cease to be Director-General of the Organization and this contract shall terminate.

#### 10. Entry into Force

This contract shall enter into force as of the eighth day of December 2009.

SIGNED this seventh day of December 2009 at Vienna.

\_\_\_\_\_  
Ali Asghar Soltanieh

President of the Conference  
acting on behalf of the  
Organization

\_\_\_\_\_  
Kandeh Kolleh Yumkella

Director-General

#### **GC.13/Dec.20 DATE AND PLACE OF THE FOURTEENTH SESSION**

##### *The General Conference:*

(a) Noted that the fourteenth session of the Conference had been tentatively scheduled for 28 November to 2 December 2011 in Vienna, as stated in the annotated agenda (GC.13/1/Add.1);

(b) Acknowledged the expression of interest by Indonesia to host the fourteenth session of the Conference;

(c) Requested the Director-General to undertake the necessary consultations with that Member State, with particular regard to rule 8 of the Rules of Procedure of the General Conference;

(d) Delegated to the Industrial Development Board, in accordance with Article 8 (2) (b) and Article 8 (4) of the Constitution of UNIDO, the authority to consider and determine at its thirty-seventh session the venue and date of the fourteenth session of the General Conference.

*8th plenary meeting  
11 December 2009*

## Resolutions

### GC.13/Res.1 FINANCIAL REGULATIONS

*The General Conference,*

*Aware* of the relevance of initiatives oriented at contributing to improving the financial management of UNIDO,

*Requests* the Industrial Development Board at its thirty-seventh session to explore the possibility of reconvening an informal open-ended working group on the Financial Regulations of UNIDO.

*8th plenary meeting  
11 December 2009*

### GC.13/Res.2 REGIONAL PROGRAMME FOR LATIN AMERICA AND THE CARIBBEAN

*The General Conference,*

*Recalling* resolution GC.11/Res.1, entitled regional programme for Latin America and the Caribbean, in which the Director-General was requested to establish a regional programme for Latin America and the Caribbean,

*Also recalling* resolution GC.12/Res.1, entitled regional programme for Latin America and the Caribbean, in which the Director-General was requested to adopt the necessary measures so that the activities in execution of the regional programme for Latin America and the Caribbean are duly reflected in the medium-term programme framework, 2008-2011, in order to sustain the work initiated,

*Further recalling* decision IDB.36/Dec.3, entitled regional programme for Latin America and the Caribbean, in which the Director-General was requested to update the existing initiatives and define new activities; to continue to develop the strategy for the mobilization of voluntary resources for the effective implementation of the activities, projects and programmes contained in the regional programme; and to provide an updated report on the current status of implementation of the regional programme for Latin America and the Caribbean, which was approved during the second expert group meeting in

November 2007, including contributions, disbursements and remaining balances,

*Recognizing* the joint efforts of Member States and the Secretariat with the objective of defining the regional programme, and in particular the conclusions contained in the document approved by the second expert group meeting for Latin America and the Caribbean, held in Vienna from 28 to 30 November 2007,

*Considering* that the realities and needs of the Latin American and Caribbean countries, at the regional and national levels, as well as the different integration processes and the current initiatives, should be taken into account when identifying, planning and implementing UNIDO's technical cooperation activities in the region through close consultation with the Secretariat,

*Further considering* that the regional programme for Latin America and the Caribbean was conceived in order to establish a framework of action for the medium- and long-term work of UNIDO to support the industrial development efforts of the countries in the region,

*Emphasizing* the need that UNIDO, drawing from the experience gathered in the formulation and execution of technical cooperation programmes in various countries in the Latin American and Caribbean region, address also the challenges and opportunities that affect the sustainable industrial development in the entire region,

*Taking into account* that decision IDB.36/Dec.3 has not yet been fully implemented,

*Considering* that in the above-mentioned resolutions and decision, the Secretariat was requested, inter alia, to continue its efforts, in close consultation with the Member States in the region, to identify and mobilize voluntary financial resources which would permit the implementation of the regional programme for Latin America and the Caribbean,

*Requests* the Director-General:

(a) To continue to undertake all the necessary actions to complete the full implementation of the

regional programme for Latin America and the Caribbean;

(b) To provide an updated report before March 2010 on the current status of the implementation of the regional programme, which was approved during the second expert group meeting in November 2007, including contributions, disbursements and remaining balances;

(c) To update and improve the existing initiatives and define new activities, projects and programmes in the three priority areas of the Organization, considering the realities and needs of the Latin American and Caribbean countries with emphasis on the regional level, in close consultation with the Member States of the region; and, to that effect, to convene, within existing resources, the third meeting of experts, to be held in 2010, with policymakers and experts, including staff of the Investment and Technology Promotion Offices, to be identified by the Secretariat in consultation with the Member States;

(d) To continue his efforts, in consultation with the Member States of the region, to identify and mobilize additional voluntary financial resources required for the full implementation of the programme, at the same time calling upon the international community to provide financial support to the programme;

(e) To inform on a regular basis the members of the group of the Latin American and Caribbean countries about the implementation of ongoing programmes and the resource mobilization strategy for the effective implementation of the activities, projects and programmes contained in the regional programme for Latin America and the Caribbean;

(f) To report periodically to the policymaking organs of UNIDO on the measures adopted in fulfilment of the present resolution.

*8th plenary meeting  
11 December 2009*

### **GC.13/Res.3 MEDIUM-TERM PROGRAMME FRAMEWORK, 2010-2013**

*The General Conference,*

*Recalling* its decision GC.2/Dec.23, as amended in decision GC.6/Dec.10, requesting the

Director-General to submit to the Board a medium-term programme framework,

*Acknowledging* the importance of providing the Organization with a comprehensive and coherent framework to respond effectively to the challenges of a rapidly changing environment for industrial development,

*Expressing* its appreciation for the contents of the medium-term programme framework as contained in IDB.35/8/Add.1, in particular the combination of programme continuity and a number of programmatic enhancements,

*Welcoming* the new format and innovative features, especially the introduction of programmatic components, the envisaged alignment with the programme and budgets preparation and the introduction of an aggregate results matrix with performance indicators,

*Also welcoming* the presentation of separate regional programmes in the medium-term programme framework for Africa, the Arab region, Asia and the Pacific, Europe and the Newly Independent States, Latin America and the Caribbean, including the introduction of region-specific response strategies,

1. *Recognizes* that the medium-term programme framework is an important and flexible tool for implementing the Organization's mandates;

2. *Takes* note with appreciation of the medium-term programme framework, 2010-2013;

3. *Invites* the Director-General to report on the implementation of the medium-term programme framework in the annual report.

*8th plenary meeting  
11 December 2009*

### **GC.13/Res.4 MULTILINGUALISM AT UNIDO**

*The General Conference,*

*Recalling* that the universality of UNIDO is based, inter alia, on multilingualism and respect for the equality and diversity of the languages chosen by Member States,

*Recalling also* that, in accordance with article 61 of the Rules of Procedure of the General Conference,

article 65 of the Rules of Procedure of the Industrial Development Board and article 55 of the Rules of Procedure of the Programme and Budget Committee, Arabic, Chinese, English, French, Russian and Spanish are the languages of the General Conference, the Industrial Development Board and the Programme and Budget Committee,

*Recalling, moreover,* all United Nations General Assembly resolutions related to the official languages of all United Nations organs,

*Underscoring* the importance, for industrial development, of ensuring that all Member States and also the general public, particularly in developing countries, enjoy the greatest possible access to the Organization's information and documentation,

*Noting* the necessity of balanced use of six official languages in the work of the Secretariat,

1. *Emphasizes* the paramount importance of the equality of the six languages of the United Nations Industrial Development Organization;

2. *Requests* the Director-General to take, within existing resources, all measures necessary to ensure strict implementation of the rules of the Organization that govern its language arrangements with respect both to the Organization's relations with its Member States and to the use of languages in the work of the Secretariat;

3. *Stresses* the importance of respect for the equality of official United Nations languages of the Secretariat, and *requests* the Director-General to continue taking appropriate measures thereon, in conformity with Article 11, paragraph 5 of the Constitution of UNIDO;

4. *Requests* the Director-General to designate a coordinator for multilingualism within existing posts in the Organization;

5. *Also requests* the Director-General to take all measures necessary to ensure that the Organization's basic technical information, whether written, audiovisual or digital, is disseminated in the languages of the Organization on the basis of the needs and priorities of the different regions and countries, in order to provide all Member States with the greatest possible access;

6. *Stresses* the importance, in application of United Nations General Assembly resolution 61/266 on multilingualism, of providing information, technical assistance (documents and expertise) and training materials relating to the Organization in the languages of the beneficiary countries, when those languages are languages of the Organization;

7. *Requests* the Director-General to continue, within existing resources and without detriment of resources designated to technical cooperation, the task of uploading the already translated essential material, issued since UNIDO became a specialized agency, onto the Organization's website in all six official languages;

8. *Also requests* the Director-General to ensure, within existing resources, that, by using new information and communication technologies, the Organization's latest documents are made accessible on its website in all languages of the Organization, and also to progressively develop the possibilities of making the website home page, navigation and research tools and search results available in all of the Organization's languages;

9. *Further requests* the Director-General to establish cooperative arrangements with educational institutions in order to increase the number of web pages available in the Organization's languages;

10. *Requests* the Director-General to present to the Industrial Development Board at its thirty-seventh session a progress report on the implementation of this resolution.

*8th plenary meeting  
11 December 2009*

**GC.13/Res.5 VIENNA MINISTERIAL  
DECLARATION AND PLAN OF  
ACTION OF THE LEAST  
DEVELOPED COUNTRIES**

*The General Conference,*

*Taking note* of the Ministerial Conference of the Least Developed Countries convened in Vienna on 3 and 4 December 2009,

*Also taking note* of the Vienna Ministerial Declaration and the Plan of Action of the Least Developed Countries adopted by the Ministerial

Conference and contained in the annex to the present resolution,

1. *Invites* the Director-General, in implementing the medium-term programme framework, 2010-2013, to take special account of the Plan of Action and Declaration adopted at the 2009 LDC Ministerial Conference on 4 December in Vienna, and *urges* UNIDO and all relevant development partners to contribute towards achieving the objectives of the Plan of Action in the lead-up to the Fourth United Nations Conference on the Least Developed Countries in Turkey in 2011 and beyond;

2. *Requests* the Director-General to report on related UNIDO activities to the next LDC Conference, as well as to the next session of the General Conference, on the implementation of the present resolution.

*8th plenary meeting  
11 December 2009*

## **Annex**

### **2009 Least Developed Countries Ministerial Plan of Action**

#### **Introduction**

1. The global economic crisis that emanated from the financial institutions of the North in 2007/8, quickly developed into a global recession with far-reaching impact. While a great deal has been written and said about the effect of the crisis on more developed countries and the need for greater regulation of the financial sector, its implications on the productive sectors among the world's 49 Least Developed Countries (LDCs) are far less clear.

2. The group of Countries designated as Least Developed Countries by the United Nations constitute the most disadvantaged and vulnerable countries in the world. Characteristics of LDCs include high levels of poverty, structural and resource weaknesses, and acute susceptibility to external economic factors, climate change and disasters. Of the total of 49 countries currently categorized as LDCs, 33 are located in Africa, 15 in Asia and the Pacific and one in the Americas.

3. Since the late 1960s, the United Nations system has paid increasing attention to the specific needs of LDCs. The first United Nations Conference on LDCs was held in Paris in 1981, resulting in a comprehensive Substantial New Programme of Action (SNPA) for the 1980s for the LDCs. The SNPA was subsequently endorsed by the United Nations General Assembly in its resolution 36/194 of 17 December 1981. This was followed by the Second United Nations Conference on the Least Developed Countries (LDCII) in Paris in 1990 leading to the Paris Declaration and the Programme of Action for the LDCs. Subsequently, the Third United Nations Conference on the Least Developed Countries (LDCIII) was held in Brussels, hosted by the European Union, from 14 to 20 May 2001, resulting in the Brussels Programme of Action.

4. As the decade for the Brussels Programme of Action draws to a close, we have witnessed an unprecedented period of economic growth among LDCs based primarily on a boom in the terms of trade for primary commodities over the period 2000-2007. However, this trend was uneven and came to an abrupt end in 2008, when the world experienced an exceptional increase in primary commodity prices for both food and energy. The situation rapidly resulted in high inflation rates and growing concern over food shortages globally, followed by a sudden collapse in commodity prices. Furthermore the ongoing global and financial crisis threatens to reverse the gains made in recent years.

5. Among the LDCs, the focus was on imported food and energy prices, and the vulnerability of the general population to price-induced food shortages. The susceptibility of imported food supplies to external factors set alarm bells ringing among the populations of many poorer nations exhibiting inadequate levels of affordable and local food production.

6. The experience of the last decade and the current global recession points to the need for greater economic resilience among LDCs. Partners are agreed that the answer to building such resilience is in greater economic diversification, and moving away from dependence on (a) food imports and non-renewable resources and (b) the export of a narrow range of primary commodities.

7. In the context of the above and lessons learned, LDCs should focus on industrialization and

modernization, particularly in the following key sectors and drivers of diversification:

- a. Agro-industries;
- b. Innovation, technology transfer and productivity;
- c. Private sector development and investment;
- d. Industrial infrastructure;
- e. Policy space, governance and institution-building.

## **I. Objectives**

8. This Plan of Action has the overall aim of enhancing productive capacities for economic development among LDCs.

9. More concretely, the objective is to achieve economic diversification among LDCs in order to enhance food security and productive capacities and to reduce vulnerability to external shocks.

10. With the lessons from the crisis in mind, United Nations agencies and development partners will increasingly concentrate their efforts on supporting economic diversification among LDCs as the overall theme of their future agenda and work with LDCs.

11. Within the above framework, this Plan of Action helps define a road map among various partners in the build up to LDC-IV in 2011, and to identify concrete solutions to the problem of diversification over the next decade.

## **II. Approach**

12. In their efforts to achieve the above-mentioned objectives, United Nations agencies and development partners must adopt pragmatic, flexible, and locally and regionally pertinent approaches to issues such as development policy, trade regimes, the role of the state and the policy space for LDC decision-makers.

13. Special attention will be paid to identifying public-private partnership opportunities and best practices in all sectors, as well as institutional capacities and related issues.

14. Intellectual property rights as they relate to industry should be used to support the development of LDCs.

15. Without losing focus on productive capacities and economic diversification, the policy review will include pertinent analyses of trade issues in all sectors under study as deemed necessary.

16. Where necessary, and without prejudice, United Nations agencies and development partners will prepare policy advice and recommendations on which local, regional and global practices, institutions or agreements are in need of reform and how.

17. In all their efforts under this Plan of Action, United Nations agencies will pay special attention to ensuring synergies, coordination and complementarities with regards to their assistance programmes for LDCs.

18. The policy proposals will include a review of the potential role of transnational corporations in various sectors with particular attention to specific approaches and solutions to the transfer of know-how and technology.

19. While LDCs are the least polluting countries globally, the policies and programmes will pay particular attention, where appropriate, to green industries and green and renewable technologies as promising sectors for economic renewal and modernization.

20. United Nations agencies and development partners will mobilize and provide appropriate technical and adequate financial assistance for LDCs to cope with the adverse environmental impacts of climate change.

21. In addition, there will be special consideration of the growing role of South-South cooperation and its rising potential in all sectors identified. In addition special support will be given to regional integration processes.

22. United Nations agencies and partners will partner with key academic and research and development institutions with proven track records in the focus areas outlined above as well as with relevant regional economic commissions and interested donors.

23. The proposals will also address resource constraint issues and various scenarios for private and public fundraising in identified sectors with focus on local, regional and global possibilities for LDCs.



### III. Policy and strategies

24. United Nations agencies and development partners will scale up their policy and research inputs in support of LDCs in the period leading up to LDC-IV expected to be held in Turkey in mid-2011. This will be concentrated on the five priority areas as key drivers of diversification for LDCs:

- a. Agro-industries;
- b. Innovation, technology transfer and productivity;
- c. Private sector development and investment;
- d. Industrial infrastructure;
- e. Policy space, governance and institution-building.

25. In these five priority areas, particular attention will be paid to human resource development with specialized skills for absorption of appropriate technologies and know-how.

26. The time available is sufficient for in-depth analysis in the five thematic areas, starting from regional studies in 2010, and leading to a global publication by mid-2011 for distribution at LDC-IV.

#### Agro-industries

27. Agriculture is the pivotal sector in the LDCs, as it underpins food security, foreign exchange earnings, industrial and rural development, and employment generation. Existing and new research will be compiled into succinct and pertinent policy and strategy proposals for various regions and LDC groupings.

#### Innovation, technology transfer and productivity

28. Technology management and acquisition together with low productivity remain among the biggest obstacles to economic development and diversification among LDCs. While some developing countries have made major strides in recent decades, LDCs on the whole remain locked in low technology and low productivity. The United Nations agencies and partners will bring together a wide array of research and studies to develop clear and appropriate response strategies for various LDCs.

### Private sector development and investment

29. In a climate of financial crisis and severe competition, access to investment resources for further growth of a more diversified range of small, medium and large enterprises is severely hampered. Nevertheless, there are clear success stories among many developing countries in recent decades. The policy and strategy proposals of development partners must be further coordinated and strengthened in order to identify clear-cut solutions, factors of resilience and innovative approaches that can help discover local, regional and wider resources and solutions (inter alia, through the use of systems such as BOT), and reduce overdependence on FDI for stimulating local business development and investments. Attention will be paid to promoting public-private partnerships. In addition, the important role of the informal sector must be recognized, and mechanisms established to develop them further and to graduate to formal SMEs. LDCs and partners will join efforts to highlight strategic responses and promising sectors.

#### Industrial infrastructure

30. Despite important advances in several countries, the development of industrial infrastructure remains a strong challenge for most LDCs. Tied in closely with the challenges of technology dependence, investment generation and high costs of unsustainable energy resources, LDCs and partners will work together to highlight success stories, and innovative and practical solutions in the areas of infrastructure development such as water and transport and energy generation.

#### Policy space, governance and institution-building

31. The experience of the LDCs and various development cooperation partners over the past few decades clearly points to the need for a new development paradigm. In the lead up to LDC-IV, LDCs and partners will work together to carve out the contours of a new approach that is pragmatic and flexible, with emphasis on locally and regionally pertinent approaches to issues such as development policy, trade regimes, governance, and policy space for LDC decision-makers.

#### IV. Programmes

32. In line with the above objectives and approach, LDCs and development partners will launch a concerted effort to scale up their technical cooperation efforts geared toward the enhancement of productive sectors.

33. These will build on existing interagency and multi-sectoral mechanisms and approaches of various parties, for example through the Enhanced Integrated Framework mechanism and the Aid for Trade agenda.

34. Direct synergies will be created between the research work outlined above and demonstration/pilot projects, best practices with demonstrated results providing an opportunity to combine theory and practice, and to revisit the issues by the MDGs' target year of 2015. This will provide a useful opportunity for a second round of stock-taking and lesson-learning within five years.

35. LDCs and development partners will aim to obtain greater allocation of national and partners' resources for productive capacity-building programmes, including a fundraising strategy.

36. One of the key programmatic areas of concentration will be the integration of diversification and allocation of necessary resources in national and subregional policies and strategies of LDCs and their development partners alike.

#### V. Follow-up mechanism

37. The Secretariat will submit six-monthly progress reports to the Conference Bureau (the Conference Chair, Vice Chair and Rapporteur) in the period leading up to LDC-IV in Turkey.

#### Ministerial Declaration

*We the Ministers of Industry* representing the governments of Least Developed Countries (LDCs), participating in the UNIDO-UN-OHRLLS Conference on the "Impact of the Economic Crisis on LDCs' Productive Capacities and Trade Prospects: Threats and Opportunities",

*Gathered* here in Vienna in December 2009, in the penultimate year of the Brussels Programme of Action for LDCs for the decade 2001-2010,

*Guided* by the Charter of the United Nations and the principles set out in the Millennium Declaration and the Brussels Declaration and their recognition of the shared responsibility to uphold dignity and a decent standard of living for all humanity,

*Reiterating* productive capacity-building and the need for economic diversification and balanced trade as top priorities for LDCs' wealth generation and economic development in line with Commitments 4, 5 and 7 of the Brussels Programme of Action related to productive capacity-building, trade and mobilizing financial resources,

*Determined* to reinvigorate national, regional and international partnerships and efforts in support of balanced and sustainable economic development within an open, stable and objective policy space,

*Recognizing* that despite relative successes in terms of economic growth among LDCs since the turn of the new Millennium, the LDCs remain largely marginalized and excessively dependent on the export of primary commodities and the import of food products, and the exploitation of non-renewable natural resources,

*Mindful* that the goals of the Brussels Programme of Action are unlikely to be met by the end of the decade due to long-standing structural impediments coupled with the alarming impact and implications of the current global economic and financial crises for the development prospects, food security and energy security of LDCs,

*Concerned* that the current global economic and financial crises threaten to reverse the gains made by LDCs in recent years,

*Having* adopted a Plan of Action for LDCs in anticipation of the forthcoming United Nations LDC-IV Conference to be convened in Turkey in 2011, as called for by the United Nations General Assembly in resolution 63/227 of 19 December 2008,

*Recalling* the Sixth LDC Trade Ministers' Meeting held from 14 to 16 October 2009 in Dar es Salaam, and the Ezulwini Declaration adopted in Swaziland in October 2009, regarding landlocked developing countries.

*Declare* that:

1. We remain firmly **committed** to the principles and aims of the Millennium Declaration and the Brussels Declaration and its Programme of Action for LDCs for the decade 2001-2010,

2. We **believe** that the prosperity of all nations and peoples are interconnected and interdependent, and that the current global recession has reaffirmed the need for international solidarity for the mutual benefit of all humanity,

3. We **recognize** that the primary responsibility for development in LDCs rests with the LDCs themselves, but that international partnership and cooperation is important in this endeavour including with the private sector and civil society,

4. We are **convinced** that effective development must be based on sustained economic diversification and growth based on nationally owned industrialization and modernization of the economy, enhancing productive capacity-building strategies, raising quality and standards, transfer of technology, improved competitiveness, and the allocation of adequate national resources for building productive capacities,

5. We **pledge** our support to green industrialization of LDCs in providing necessary infrastructure for energy, transport, water and other activities, with assistance from development partners,

6. We are **particularly concerned** that total global aid commitments earmarked for productive sectors stood at only \$7.5 billion in 2007 against a total global aid flow of \$121 billion, representing a mere 6 per cent of the total,

7. We **believe** that an appropriate balance needs to be struck between the role of the state and the private sector in each country context, and that the relative positions of these should be determined locally rather than through external prescriptions and conditionalities,

8. We **commit** ourselves to seizing the opportunity provided by the upcoming LDC-IV in Turkey in 2011 to proactively work towards redirecting national and international development cooperation efforts and resources towards economic diversification and the development of productive capacities in LDCs, through technology transfer, human resource development, infrastructure development, private sector development, intensifying intra-regional trade and

South-South cooperation, research and development, and strengthening leading sectors,

9. We **call on** all United Nations agencies and development partners concerned with support to LDCs' industrialization and modernization by enhancing productive capacities to redouble their programmatic efforts in this area and document relevant policy lessons, including stock-taking exercises in some LDCs and sharing of best practices, in the period leading up to LDC-IV starting from the national and regional to the global levels, and **urge** our development partners to allocate more of their aid contributions toward productive activities in LDCs, and

10. We further **call for** an early and ambitious conclusion of the WTO Doha Round of Negotiations, which will ensure beneficial integration of LDC in the multilateral trading system.

Adopted on 4 December 2009, Vienna

[Signed]

H.E. Mr. Ahmadou Abdoulaye DIALLO

Minister of Industry, Investments and Commerce, Mali  
Vice-Chair of the 2009 LDC Ministerial Conference

#### **GC.13/Res.6 THE CRUCIAL ROLE OF THE PRODUCTIVE SECTORS IN SUPPORTING THE ACHIEVEMENT OF THE MILLENNIUM DEVELOPMENT GOALS**

*The General Conference,*

*Recalling* resolution GC.10/Res.5 on the role of UNIDO in achieving the Millennium Development Goals,

*Also recalling* decision IDB.36/Dec.13 on United Nations system-wide coherence: UNIDO's role, and in particular paragraph (d) of the same decision stressing the essential contribution of industrial development in achieving the Millennium Development Goals,

*Underlining* the importance of achieving the Millennium Development Goals,

*Stressing* the key role of the productive sectors in reducing poverty and supporting sustainable development,

*Noting* that the development of the productive sectors is necessary to achieve the Millennium Development Goals,

1. *Takes note of* the initiative taken in the Chief Executives Board Inter-agency Cluster on Trade and Productive Capacity on the contribution of industrial development, in particular the productive sectors, to the achievement of the Millennium Development Goals;
2. *Requests* the Director-General to report on specific means through which UNIDO can further contribute to the achievement of the Millennium Development Goals to the thirty-seventh session of the Industrial Development Board before the 2010 high-level plenary meeting of the United Nations General Assembly.

*8th plenary meeting  
11 December 2009*

**GC.13/Res.7 COOPERATION AGREEMENT  
WITH THE UNITED NATIONS  
DEVELOPMENT PROGRAMME**

*The General Conference,*

*Recalling* that the Business Plan on the Future Role and Functions of UNIDO called for an effective decentralization of activities and strengthened field representation,

*Recalling* its resolution GC.10/Res.2 encouraging the Director-General to carry forward the process of decentralization to the field and further strengthen and rationalize the field operations of the Organization,

*Also recalling* that UNIDO's strategic long-term vision statement, as adopted in resolution GC.11/Res.4, stresses that an effective decentralization of the Organization's functions and activities to the field be continued and strengthened, as one of the regional dimensions of UNIDO's work,

*Further recalling* its resolution GC.11/Res.5 on the cooperation agreement with the United Nations Development Programme,

*Taking into account* the findings and recommendations of the joint terminal evaluation of the implementation of the cooperation agreement between the United Nations Industrial Development

Organization and the United Nations Development Programme (GC.13/6 and GC.13/CRP.1), and the joint management response thereto (GC.13/7),

1. *Expresses thanks* to the staff of the UNDP and UNIDO evaluation offices and the independent consultants for their efforts in carrying out the terminal evaluation;

2. *Appreciates* the reform policies, and in particular the field mobility scheme for the Professional staff, introduced by the current Director-General;

3. *Emphasizes* the importance of recent administrative initiatives transforming UNIDO into a more effective and efficient Organization, capable of better addressing the needs of developing countries;

4. *Requests* the Director-General:

- (a) To continue undertaking measures towards effective decentralization, inter alia, through redeployment of human resources and appropriate delegation of authority to field offices;

- (b) To conclude an appropriate operational and administrative arrangement with UNDP in 2010, consistent with the findings and recommendations of the joint terminal evaluation and taking into account the requirements of Member States. In this regard, particular attention should be placed on the review of the functioning of UNIDO desks established within UNDP premises and the role of UNIDO desks;

- (c) To report to the Industrial Development Board at its thirty-seventh session on the follow-up to the present resolution, including on the following aspects:

- (i) Ways and means of strengthening and enhancing UNIDO's field representation, taking into account the recommendations of the joint terminal evaluation, with the objective of improving technical cooperation delivery;

- (ii) A comprehensive impact analysis of any envisaged field representation expansion on technical cooperation delivery and programme implementation, as well as its long-term financial implications, in close consultation with Member States;

- (iii) The establishment of a selection and review mechanism, taking into account the discussions at

previous sessions of the governing bodies on this matter.

*8th plenary meeting  
11 December 2009*

**GC.13/Res.8 UNIDO ACTIVITIES IN THE  
FIELD OF ENERGY AND  
ENVIRONMENT**

*The General Conference,*

*Recognizing* that industrialization is key to economic growth and development of all nations,

*Affirming* the legitimate right of developing countries in improving the lives of their people through industrialization,

*Emphasizing* the importance of sustained economic growth and sustainable development for the future of the globe,

*Recalling* the Business Plan on the Future Role and Functions of UNIDO as endorsed by the General Conference in resolution GC.7/Res.1,

*Also recalling* UNIDO's strategic long-term vision statement as adopted in resolution GC.11/Res.4,

*Further recalling* General Conference resolutions GC.8/Res.2 "Global Environment Facility and technical cooperation activities" and GC.10/Res.5 "Role of UNIDO in achieving the Millennium Development Goals",

*Welcoming* UNIDO's role in the "Clean Technology Forum", held in Manama, Bahrain, from 2 to 4 February 2009, the Vienna Energy Conference held from 22 to 24 June 2009, the International Conference on Green Industry in Asia held in Manila, the Philippines from 9 to 11 September 2009 and the Global Renewable Energy Forum held in León, Mexico, from 7 to 9 October 2009,

*Taking note of* the outcomes of the above-mentioned conferences, as well as initiatives such as the Resource-Efficient and Cleaner Production Conference held in Lucerne, Switzerland, from 20 to 22 October 2009,

1. *Requests* the Director-General to continue to develop, within the Organization's mandate under

the thematic priority environment and energy, activities towards sustainable industrial development, including:

(a) Implementation of the medium-term programme framework, 2010-2013, to promote and raise awareness of cleaner, resource-efficient and sustainable low-carbon pattern of production and investment;

(b) Follow-up on the recommendations of the relevant conferences in the field of environment and energy;

(c) Exploiting the increasing relevant funding opportunities available for the purpose of enhancing UNIDO's contribution to global, regional and national efforts to address climate change;

(d) Continuation of assistance in the fields of renewable energy for productive uses, industrial energy efficiency, cleaner production, green industries and sustainable low carbon emissions industries, including capacity-building required to shift to more sustainable patterns of production;

(e) Collection and dissemination of best industrial practices on the most suitable environmentally sound technologies, and explore, in consultation with Member States, an institutional mechanism to support this idea;

(f) Formulation and implementation of programmes, including facilitating the transfer of adequate technologies, for changes in product design and production technology which maximize the reuse and recycling of resources;

(g) Strengthening the role of the Investment and Technology Promotion Offices, the National Cleaner Production Centres, the South-South Cooperation Centres, the International Centre for Science and High Technology, the Renewable Energy Observatory for Latin America and the UNIDO International Centre for Hydrogen Energy Technologies in order to promote and facilitate the access of developing countries to the appropriate advanced technologies;

(h) Fostering, in line with national needs and priorities, transfer of adequate technologies for renewable energy in all its forms;

(i) Coordination and cooperation, through appropriate cooperation mechanisms including agreements on the implementation of projects and

initiatives, within the framework of UN-Energy, with other international and regional organizations in the field of environment and energy in order to create synergies and avoid duplication;

(j) Acceleration of the implementation of the initiatives co-financed by the Global Environment Facility, and intensifying discussions both with beneficiary countries and all possible donors, including multilateral funding institutions on projects approved by the Global Environment Facility;

2. *Encourages* the Secretariat to strengthen its efforts for mobilizing funds for the implementation of the above-mentioned activities;

3. *Invites* the development partners to enhance their financial support to the Organization for the implementation of the present resolution;

4. *Requests* the Director-General to submit a report on the progress made in implementing the present resolution to the Industrial Development Board at its thirty-eighth session.

*8th plenary meeting  
11 December 2009*

**Annex****Documents submitted to the General Conference at its thirteenth regular session**

<b>Symbol</b>	<b>Agenda item</b>	<b>Title</b>
GC.13/1/Rev.2	3	Provisional agenda
GC.13/1/Add.1	3	Annotated provisional agenda
GC.13/2	8	Report of the Industrial Development Board on the work of its thirty-fourth session (14-16 May 2008)
GC.13/2/Add.1	8	Report of the Industrial Development Board on the work of its resumed thirty-fourth session (2 September 2008)
GC.13/3	8	Report of the Industrial Development Board on the work of its thirty-fifth session (2-3 December 2008)
GC.13/4	8	Report of the Industrial Development Board on the work of its thirty-sixth session (23-26 June 2009)
GC.13/5	11	Implementation of the medium-term programme framework, 2008-2011. Report by the Director-General
GC.13/5/Add.1	11	Implementation of the medium-term programme framework, 2008-2011. Report by the Director-General. Addendum
GC.13/6	15	Cooperation agreement with the United Nations Development Programme. Executive summary of the joint terminal evaluation
GC.13/7	15	Joint management response to the joint terminal evaluation of the cooperation agreement with the United Nations Development Programme
GC.13/8	14	Unutilized balances of appropriations. Report by the Director-General
GC.13/8/Add.1	14	Unutilized balances of appropriations. Report by the Director-General. Addendum
GC.13/9	9	Forum on industrial development issues. Issues paper by the Secretariat
GC.13/10	10 (d)	International Public Sector Accounting Standards. Progress report by the Secretariat
GC.13/11	21	Matters related to intergovernmental, non-governmental, governmental and other organizations. Note by the Director-General
GC.13/12	10 (b)	Financial situation of UNIDO. Report by the Director-General
GC.13/13	13	UNIDO major conferences. Report by the Secretariat

## GC.13/INF.4

Symbol	Agenda item	Title
GC.13/13/Corr.1 (Español solamente)	13	Grandes conferencias de la ONUDI. Informe de la Secretaría. Corrección
GC.13/14	16	UNIDO activities in agro-related industries and agribusiness. Note by the Secretariat
GC.13/15	20	Modification of Headquarters Agreement incorporating a new conference facility (M-building). Note by the Secretariat
GC.13/16	16	Implementation of decision IDB.36/Dec.16 on UNIDO activities in agro-related industries and agribusiness. Report of the President of the Industrial Development Board (H.E. Mr. J. S. Ugokwe, Nigeria)
GC.13/17	14	Implementation of decision IDB.36/Dec.12 on the unutilized balances of appropriations. Report of the Vice-President of the Industrial Development Board (H.E. Mr. H. Böck, Austria)
GC.13/18	17	UNIDO activities in the field of energy and environment. Note by the Secretariat
GC.13/19	19	New social security agreement between UNIDO and the Republic of Austria. Note by the Secretariat
GC.13/20	-	Report of the Main Committee. Submitted by the Chair of the Main Committee, Mr. Guido Kemmerling (Germany)
		*****
GC.13/L.1	5	Credentials of representatives to the Conference. Report of the Credentials Committee
GC.13/L.2	10 (a), 10 (b), 10 (c), 10 (e), 10 (f), 12, 18, 19	Draft decisions and resolutions submitted on behalf of the Main Committee by its Chairman
GC.13/L.2/Add.1	11 (a), 12, 15, 17	Draft resolutions submitted on behalf of the Main Committee by its Chairman
GC.13/L.2/Add.2	10 (e), 23	Draft decisions and resolutions submitted on behalf of the Main Committee by its Chairman
GC.13/L.2/Add.3	14	Draft decisions submitted on behalf of the Main Committee by its Chairman
		*****
GC.13/CRP.1	15	Joint terminal evaluation of the implementation of the cooperation agreement between the United Nations Industrial Development Organization and the United Nations Development Programme
GC.13/CRP.2	4	Report on the results of the informal consultations of Permanent Missions in Vienna for the preparation of the General Conference. Submitted by the President of the Industrial Development Board,



Symbol	Agenda item	Title
		H.E. Mr. J. S. Ugokwe (Nigeria)
GC.13/CRP.3*	10 (b) and 14	Status of assessed contributions and unencumbered balances of appropriations. Note by the Secretariat
		*****
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IDB.36/6	10 (d)	International Public Sector Accounting Standards. Progress report by the Secretariat
IDB.36/7	14	Programme and budgets, 2010-2011. Proposals of the Director-General
IDB.36/10	10 (f)	Candidates for the appointment of External Auditor. Report by the Director-General
IDB.36/10/Add.1	10 (f)	Candidates for the appointment of External Auditor. Addendum

<b>Symbol</b>	<b>Agenda item</b>	<b>Title</b>
IDB.36/10/Add.2	10 (f)	Candidates for the appointment of External Auditor. Addendum
IDB.36/11	10 (e)	Financial regulations of UNIDO. Note by the Secretariat
IDB.36/12	14	Unutilized balances of appropriations. Note by the Director-General
IDB.36/12/Add.1	14	Unutilized balances of appropriations. Revised proposal by the Director-General. Addendum
IDB.36/19	18	Personnel matters. Report by the Director-General
IDB.36/20	19	New social security agreement between UNIDO and the Republic of Austria. Report by the Director-General
IDB.36/21	22	Candidates for the post of Director-General. Note by the Secretariat
IDB.36/22	22	Recommendation of a candidate for the post of Director-General. Draft contract for appointment of the Director-General. Note by the Secretariat
IDB.36/25	4	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
IDB.36/26	14	Implementation of Programme and Budget Committee conclusion 2009/3 on the unutilized balances of appropriations. Report of the Vice-Chairman, Programme and Budget Committee (H.E. Mr. Shahbaz, Pakistan)



# United Nations Industrial Development Organization

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## General Conference

### Thirteenth session

Vienna, 7-11 December 2009

Agenda item 8

### Reports of the Industrial Development Board on the work of its thirty-fourth, resumed thirty-fourth, thirty-fifth and thirty-sixth regular sessions

## Report of the Industrial Development Board on the work of its thirty-sixth session (23-26 June 2009)

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## Introduction

1. The report of the Industrial Development Board on the work of its thirty-sixth session is presented to the General Conference in accordance with Article 9.4 (c) of the Constitution. The summary records of the Board (IDB.36/SR.1-6), where the details of the proceedings are contained, form an integral part of the present report.

2. The following decisions of the Board, reproduced in annex I, are related to the work of the General Conference at its thirteenth session:

IDB.36/Dec.2	Multilingualism at UNIDO
IDB.36/Dec.4	Recommendation of a candidate for the post of Director-General
IDB.36/Dec.5	Terms and conditions of appointment of the Director-General
IDB.36/Dec.7	Scale of assessments for apportionment of the regular budget expenses for the biennium 2010-2011
IDB.36/Dec.8	Working Capital Fund for the biennium 2010-2011
IDB.36/Dec.9	Financial regulations
IDB.36/Dec.10	Appointment of an External Auditor
IDB.36/Dec.11	Programme and budgets, 2010-2011
IDB.36/Dec.12	Unutilized balances of appropriations
IDB.36/Dec.14	Personnel matters
IDB.36/Dec.15	New social security agreement
IDB.36/Dec.16	UNIDO's activities in agro-related industries and agribusiness
IDB.36/Dec.17	Preparations for the thirteenth session of the General Conference

## I. Organizational and procedural matters

3. The thirty-sixth session of the Board was held at UNIDO Headquarters, Vienna International Centre, from 23 to 26 June 2009 (6 plenary meetings – see IDB.36/SR.1-6).

## Participation

4. All 53 members of the Board were represented at the session: Afghanistan, Algeria, Austria, Belgium, Bolivia (Plurinational State of), Burkina Faso, China, Colombia, Costa Rica, Côte d'Ivoire, Cuba, Czech Republic, Ecuador, Egypt, Ethiopia, France, Germany, Ghana, Greece, Guatemala, Hungary, India, Iran (Islamic Republic of), Ireland, Italy, Japan, Kenya, Libyan Arab Jamahiriya, Luxembourg, Mexico, Morocco, Nigeria, Norway, Pakistan, Paraguay, Philippines, Poland, Republic of Korea, Romania, Russian Federation, Saudi Arabia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syrian Arab Republic, Thailand, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, Uruguay.

5. The following 58 Member States of UNIDO also participated in the session: Albania, Angola, Argentina, Azerbaijan, Belarus, Belize, Benin, Bosnia and Herzegovina, Brazil, Bulgaria, Cameroon, Chile, Croatia, Cyprus, Democratic People's Republic of Korea, Dominican Republic, El Salvador, Finland, Gambia, Georgia, Indonesia, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Lebanon, Lesotho, Liberia, Lithuania, Malaysia, Mali, Malta, Mauritania, Mongolia, Montenegro, Myanmar, Namibia, Netherlands, New Zealand, Oman, Panama, Peru, Portugal, Qatar, Senegal, Serbia, Sierra Leone, Slovakia, Slovenia, The former Yugoslav Republic of Macedonia, Ukraine, United Arab Emirates, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

6. The Holy See participated as observer.

7. Palestine participated as observer.

8. The Sovereign Military Order of Malta participated as observer.

9. The following United Nations bodies were represented: Economic Commission for Latin America and the Caribbean (ECLAC), United Nations Development Programme (UNDP), United Nations High Commissioner for Refugees (UNHCR).

10. The following United Nations specialized agencies and related organizations were represented: Food and Agriculture Organization of the United Nations (FAO), International Atomic Energy Agency (IAEA), World Trade Organization (WHO).

11. The following other intergovernmental organizations were represented: African Union (AU), Arab Industrial Development and Mining Organization (AIDMO), Asian-African Legal Consultative Organization (AALCO), European Commission, International Centre for Genetic Engineering and Biotechnology (ICGEB), League of Arab States (LAS).

12. The following non-governmental organizations were represented: Association of Former United Nations Industry and Development Experts (AFIDE), Forum Francophone des Affaires (FFA), Institut Supérieur de Gestion (ISG), International Congress of Industrialists and Entrepreneurs (ICIE), International Council of Women (ICW), International Organisation of Employers (IOE), Soroptomist International (SI).

## **Opening of the session**

13. The thirty-sixth session of the Board was declared open by the President of the thirty-fourth, the resumed thirty-fourth and thirty-fifth sessions, Mr. H. Bazoberry Otero (Plurinational State of Bolivia).

## **Officers of the session**

14. In accordance with rule 23 of the rules of procedure, the Board elected by acclamation Mr. J. S. Ugokwe (Nigeria) as President, Mr. H. Böck (Austria), Mr. S. Kumar (India) and Ms. A. Leśnodorska (Poland) as Vice-Presidents, and Mr. R. J. Martínez Covarrubias (Plurinational State of Bolivia) as Rapporteur.

## **Agenda of the session**

15. The Board adopted the following agenda:

1. Election of officers.
2. Adoption of the agenda.
3. Annual report of the Director-General for 2008 on the activities of the Organization.
4. Implementation of the medium-term programme framework, 2008-2011, including:
  - (a) Regional programme for Latin America and the Caribbean;
  - (b) Regional programme for Africa;
  - (c) Arab regional programme; and
  - (d) Other regional programmes.
5. Report of the Programme and Budget Committee:
  - (a) Interim report of the External Auditor, including the implementation of recommendations of the External Auditor for the biennium 2006-2007; financial performance report and programme performance report for the biennium 2008-2009;
  - (b) Financial situation of UNIDO;
  - (c) Scale of assessments for apportionment of the regular budget expenses for the biennium 2010-2011;
  - (d) Working Capital Fund for the biennium 2010-2011;
  - (e) Accounting standards;
  - (f) Financial regulations;
  - (g) Mobilization of financial resources;
  - (h) Appointment of an External Auditor.



6. Programme and budgets, 2010-2011.
7. United Nations system-wide coherence: UNIDO's role.
8. Cooperation Agreement with the United Nations Development Programme.
9. Global food crisis: UNIDO's response.
10. Impact of the global financial crisis on industrial development in developing countries: UNIDO's response.
11. Activities of the Joint Inspection Unit.
12. Personnel matters, including new social security agreement.
13. Matters related to intergovernmental, non-governmental, governmental and other organizations.
14. Recommendation of a candidate for the post of Director-General.
15. Preparations for the thirteenth session of the General Conference.
16. Provisional agenda and date of the thirty-seventh session.
17. (a) Review of the place of the agro-industry sector in UNIDO's work programmes and strategy, with special emphasis on technology development and upgradation and dissemination, for accelerating its modernization and growth;
- (b) Implications of climate change for sustained growth and expansion of agro-industries, particularly in the developing world, and vice versa of the potential positive impact of agro-industries for mitigating the effects of climate change worldwide.
18. Adoption of the report.

16. During the adoption of the agenda, the Board agreed not to take up consideration of agenda item 8, Cooperation Agreement with the United Nations Development Programme, but only to take note of the entry contained in the annotated agenda (IDB.36/1/Add.1/Rev.1).

17. The Board adopted a proposal by the President to ensure the maximum utilization of available conference-servicing resources (see annex I, decision IDB.36/Dec.1, IDB.36/SR.1, paras. 47 and 48).

18. The Board decided to set up informal in-session consultations with the aim of facilitating the drafting of decisions and entrusted Vice-President Mr. H. Böck (Austria) to chair those consultations (see IDB.36/SR.2, paras. 1 and 2).

**II. Annual report of the Director-General for 2008 on the activities of the Organization (item 3); Implementation of the medium-term programme framework, 2008-2011, including:**

- (a) Regional programme for Latin America and the Caribbean;**
- (b) Regional programme for Africa;**
- (c) Arab regional programme; and**
- (d) Other regional programmes (item 4)**

19. The Board decided to discuss simultaneously items 3 and 4, including sub-items (a) to (d). The debate on these items is reflected in summary record IDB.36/SR.1, paras. 49 to 67, IDB.36/SR.2, paras. 20 to 116 and IDB.36/SR.3, paras. 1 to 16.

**A. Annual report of the Director-General for 2008 on the activities of the Organization (item 3)**

20. Under item 3, the Board had before it the Annual Report of UNIDO 2008 (including interim programme performance report for the biennium 2008-2009) (IDB.36/2). At the proposal of the President, the Board took note of the documentation provided.

**B. Implementation of the medium-term programme framework, 2008-2011, including:**

- (a) Regional programme for Latin America and the Caribbean;**
- (b) Regional programme for Africa;**
- (c) Arab regional programme; and**
- (d) Other regional programmes (item 4)**

21. Under item 4, including sub-items (a) to (d), the Board had before it the *Annual Report of UNIDO 2008* (IDB.36/2) and a report by the Director-General on the implementation of the medium-term programme framework, 2008-2011 (GC.13/5-IDB.36/14). The Board considered two draft decisions submitted by the President (IDB.36/L.13 and IDB.36/L.15) and adopted decisions IDB.36/Dec.2 and IDB.36/Dec.3 (see annex I).

**III. Recommendation of a candidate for the post of Director-General (item 14)**

22. Under item 14, the Board had before it a note by the Secretariat containing candidates for the post of Director-General (IDB.36/21) and a note by the Secretariat containing a draft contract for appointment of the Director-General

(IDB.36/22). The public debate is reflected in summary record IDB.36/SR.2, paras. 3 to 17. The Board considered two draft decisions submitted by the President and adopted decisions IDB.36/Dec.4 and IDB.36/Dec.5 (see annex I).

#### **IV. Report of the Programme and Budget Committee (items 5 (a) to (h))**

23. Under item 5, including sub-items (a) to (h), the Board had before it the report of the Programme and Budget Committee on the work of its twenty-fifth session (IDB.36/13). The debate on this item is reflected in summary record IDB.36/SR.3, paras. 17 to 45.

##### **A. Interim report of the External Auditor, including the implementation of recommendations of the External Auditor for the biennium 2006-2007; financial performance report and programme performance report for the biennium 2008-2009**

24. Under sub-item 5 (a), the Board had before it the interim report of the External Auditor (IDB.36/8), the interim financial performance report for the biennium 2008-2009 submitted by the Director-General (IDB.36/9) and the interim programme performance report for the biennium 2008-2009 which is included in the *Annual Report of UNIDO 2008* (IDB.36/2). At the proposal of the President, the Board took note of the documentation provided.

##### **B. Financial situation of UNIDO**

25. Under sub-item 5 (b), the Board had before it a report by the Director-General on the financial situation of UNIDO (IDB.36/5) and updated information on the status of assessed contributions (IDB.36/CRP.2). The Board considered a draft decision submitted by the President (IDB.36/L.2) and adopted decision IDB.36/Dec.6 (see annex I).

##### **C. Scale of assessments for apportionment of the regular budget expenses for the biennium 2010-2011**

26. Under sub-item 5 (c), the Board had before it a note by the Secretariat on scale of assessments for the fiscal period 2010-2011 (IDB.36/3). The Board considered a draft decision submitted by the President (IDB.36/L.3) and adopted decision IDB.36/Dec.7 (see annex I).

##### **D. Working Capital Fund for the biennium 2010-2011**

27. Under sub-item 5 (d), the Board had before it proposals by the Director-General on the Working Capital Fund for the biennium 2010-2011 (IDB.36/4). The Board considered a draft decision submitted by the President (IDB.36/L.4) and adopted decision IDB.36/Dec.8 (see annex I).

### **E. Accounting standards**

28. Under sub-item 5 (e), the Board had before it a progress report by the Secretariat on International Public Sector Accounting Standards (IDB.36/6). At the proposal of the President, the Board took note of the documentation provided.

### **F. Financial regulations**

29. Under sub-item 5 (f), the Board had before it a note by the Secretariat on financial regulations of UNIDO (IDB.36/11). The Board considered a draft decision submitted by the President (IDB.36/L.5) and adopted decision IDB.36/Dec.9 (see annex I).

### **G. Mobilization of financial resources**

30. Under sub-item 5 (g), the Board had before it the information contained in the *Annual Report of UNIDO 2008* on the mobilization of financial resources (IDB.36/2, chap. 1 B) and a conference room paper prepared by the Secretariat on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2008 (PBC.25/CRP.2). At the proposal of the President, the Board took note of the documentation provided.

### **H. Appointment of an External Auditor**

31. Under sub-item 5 (h), the Board had before it three reports by the Director-General on candidates for the appointment of an External Auditor (IDB.36/10, Add.1 and Add.2) and a conference room paper on candidates for the appointment of External Auditor (PBC.25/CRP.3). The Board considered a draft decision submitted by the President (IDB.36/L.6) and adopted decision IDB.36/Dec.10 (see annex I).

## **V. Programme and budgets, 2010-2011 (item 6)**

32. Under item 6, the Board had before it proposals of the Director-General on programme and budgets, 2010-2011 (IDB.36/7) and two notes by the Director-General on unutilized balances of appropriations (IDB.36/12 and Add.1) and a report of the Vice-Chairman of the Programme and Budget Committee, H.E. Mr. Shahbaz, Pakistan, on the implementation of Programme and Budget Committee conclusion 2009/3 on the unutilized balances of appropriations (IDB.36/26). The debate on this item is reflected in summary record IDB.36/SR.3, paras. 46 to 68. The Board considered two draft decisions submitted by the President (IDB.36/L.7 and IDB.36/L.14) and adopted decisions IDB.36/Dec.11 and IDB.36/Dec.12 (see annex I).

## **VI. United Nations system-wide coherence: UNIDO's role (item 7)**

33. Under item 7, the Board had before it a report by the Director-General on United Nations system-wide coherence (IDB.36/15) and a note by the Secretariat on the UNIDO initiative on the Millennium Development Goals (IDB.36/16). The debate on this item is reflected in summary record IDB.36/SR.4, paras. 1 to 73. The Board considered a draft decision submitted by the President (IDB.36/L.12) and adopted decision IDB.36/Dec.13 (see annex I).

## **VII. Activities of the Joint Inspection Unit (item 11)**

34. Under item 11, the Board had before it a report by the Director-General on activities of the Joint Inspection Unit (IDB.36/18). At the proposal of the President, the Board took note of the documentation provided (IDB.36/SR.4, paras. 74 to 90).

## **VIII. Personnel matters, including new social security agreement (item 12)**

35. Under item 12, the Board had before it a report by the Director-General on personnel matters (IDB.36/19), a report by the Director-General on the new social security agreement between UNIDO and the Republic of Austria (IDB.36/20) and a conference room paper entitled "List of staff of the UNIDO Secretariat" (IDB.36/CRP.3). The debate on this item is reflected in summary record IDB.36/SR.4, paras. 91 to 116. The Board considered two draft decisions submitted by the President (IDB.36/L.8 and IDB.36/L.9) and adopted decisions IDB.36/Dec.14 and IDB.36/Dec.15 (see annex I).

## **IX. Global food crisis: UNIDO's response (item 9); Impact of the global financial crisis on industrial development in developing countries: UNIDO's response (item 10); (a) Review of the place of the agro-industry sector in UNIDO's work programmes and strategy, with special emphasis on technology development and upgradation and dissemination, for accelerating its modernization and growth; (b) Implications of climate change for sustained growth and expansion of agro-industries, particularly in the developing world, and vice versa of the potential positive impact of agro-industries for mitigating the effects of climate change worldwide (item 17)**

36. The Board decided to discuss simultaneously items 9, 10 and 17. The debate on these items is reflected in summary record IDB.36/SR.4, paras. 117 to 143 and IDB.36/SR.5, paras. 1 to 72.

**A. Global food crisis: UNIDO's response (item 9)**

37. Under item 9, the Board took note of the entry contained in the annotated agenda on this item (IDB.36/1/Add.1/Rev.1). At the proposal of the President, the Board took note of the update provided by the Secretariat.

**B. Impact of the global financial crisis on industrial development in developing countries: UNIDO's response (item 10)**

38. Under item 10, the Board had before it a report by the Director-General on impact of the global financial crisis on industrial development in developing countries: UNIDO's response (IDB.36/17). At the proposal of the President, the Board took note of the documentation provided.

**C. (a) Review of the place of the agro-industry sector in UNIDO's work programmes and strategy, with special emphasis on technology development and upgradation and dissemination, for accelerating its modernization and growth; (b) Implications of climate change for sustained growth and expansion of agro-industries, particularly in the developing world, and vice versa of the potential positive impact of agro-industries for mitigating the effects of climate change worldwide (item 17)**

39. Under item 17, the Board had before it a conference room paper on UNIDO activities in agro-related industries and agribusiness (IDB.36/CRP.5). The Board considered a draft decision submitted by the President (IDB.36/L.16) and adopted decision IDB.36/Dec.16 (see annex I).

**X. Matters related to intergovernmental, non-governmental, governmental and other organizations (item 13)**

40. Under item 13, the Board took note of the entry contained in the annotated agenda on this item (IDB.36/1/Add.1/Rev.1) (IDB.36/SR.6, paras. 50 and 51).

**XI. Preparations for the thirteenth session of the General Conference (item 15)**

41. Under item 15, the Board had before it a report by the Director-General on preparations for the thirteenth session of the General Conference (IDB.36/23). The debate on this item is reflected in summary record IDB.36/SR.5, para. 73. The Board considered a draft decision submitted by the President (IDB.36/L.10) and adopted decision IDB.36/Dec.17 (see annex I).

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## **XII. Provisional agenda and date of the thirty-seventh session (item 16)**

42. Under item 16, the Board had before it a note by the Director-General on the provisional agenda and date of the thirty-seventh session (IDB.36/CRP.4). The debate on this item is reflected in summary record IDB.36/SR.5, para. 79. The Board considered a draft decision submitted by the President (IDB.36/L.11) and adopted decision IDB.36/Dec.18 (see annex I).

## **XIII. Adoption of the report (item 18)**

43. Under item 18, the Board considered the draft report (IDB.36/L.1) and adopted it as a whole with the understanding that the Rapporteur would be entrusted with the task of finalizing the report (see summary record IDB.36/SR.6, paras. 61 to 63).

## **XIV. Closure of the session**

44. On 26 June 2009, at 6.20 p.m., the Board closed its thirty-sixth session (see IDB.36/SR.6, paras. 64 to 68).

## Annex I

### Decisions adopted by the Board at its thirty-sixth session

#### IDB.36/Dec.1 Utilization of available conference-servicing resources

The Industrial Development Board, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 32 of its rules of procedure relating to the quorum, for the meetings of its thirty-sixth session only, provided no substantive decisions were taken at those meetings.

*1st plenary meeting  
23 June 2009*

#### IDB.36/Dec.2 Multilingualism at UNIDO

The Industrial Development Board, at its thirty-sixth session, recommended that the General Conference adopt the following resolution at its thirteenth session:

*“The General Conference,*

*“Recalling that the universality of UNIDO is based, inter alia, on multilingualism and respect for the equality and diversity of the languages chosen by Member States,*

*“Recalling also that, in accordance with article 61 of the Rules of Procedure of the General Conference, article 65 of the Rules of Procedure of the Industrial Development Board and article 55 of the Rules of Procedure of the Programme and Budget Committee, Arabic, Chinese, English, French, Russian and Spanish are the languages of the General Conference, the Industrial Development Board and the Programme and Budget Committee,*

*“Recalling, moreover, all United Nations General Assembly resolutions related to the official languages of all United Nations organs,*

*“Underscoring the importance, for industrial development, of ensuring that all Member States and also the general public, particularly in developing countries, enjoy the greatest possible access to the Organization’s information and documentation,*

*“Noting the necessity of balanced use of six official languages in the work of the Secretariat,*

*“1. Emphasizes the paramount importance of the equality of the six languages of the United Nations Industrial Development Organization;*

*“2. Requests the Director-General to take, within existing resources, all measures necessary to ensure strict implementation of the rules of the Organization that govern its language arrangements with respect both to the Organization’s relations with its Member States and to the use of languages in the work of the Secretariat;*

*“3. Stresses the importance of respect for the equality of official United Nations languages of the Secretariat, and requests the Director-General to continue*



taking appropriate measures thereon, in conformity with Article 11, paragraph 5 of the Constitution of UNIDO;

“4. *Requests* the Director-General to designate a coordinator for multilingualism within existing posts in the Organization;

“5. *Also requests* the Director-General to take all measures necessary to ensure that the Organization’s basic technical information, whether written, audio-visual or digital, is disseminated in the languages of the Organization on the basis of the needs and priorities of the different regions and countries, in order to provide all Member States with the greatest possible access;

“6. *Stresses* the importance, in application of United Nations General Assembly resolution 61/266 on multilingualism, of providing information, technical assistance (documents and expertise) and training materials relating to the Organization in the languages of the beneficiary countries, when those languages are languages of the Organization;

“7. *Requests* the Director-General to continue, within existing resources and without detriment of resources designated to technical cooperation, the task of uploading the already translated essential material, issued since UNIDO became a specialized agency, onto the Organization’s website in all six official languages;

“8. *Also requests* the Director-General to ensure, within existing resources, that, by using new information and communication technologies, the Organization’s latest documents are made accessible on its website in all languages of the Organization, and also to progressively develop the possibilities of making the website home page, navigation and research tools and search results available in all of the Organization’s languages;

“9. *Further requests* the Director-General to establish cooperative arrangements with educational institutions in order to increase the number of web pages available in the Organization’s languages;

“10. *Requests* the Director-General to present to the Industrial Development Board at its thirty-seventh session a progress report on the implementation of this resolution.”

*6th plenary meeting  
26 June 2009*

### **IDB.36/Dec.3 Regional programme for Latin America and the Caribbean**

#### *The Industrial Development Board:*

(a) Recalled resolutions GC.11/Res.1 and GC.12/Res.1, entitled Regional programme for Latin America and the Caribbean, in which the Director-General had been requested to establish a regional programme for Latin America and the Caribbean;

(b) Requested the Director-General:

(i) To provide an updated report on the current status of implementation of the regional programme for Latin America and the Caribbean, which was approved during the second meeting of experts in November 2007, including contributions, disbursements and remaining balances;

- (ii) To continue to undertake actions to complete its full implementation;
- (iii) To update the existing initiatives and define new activities, projects and programmes in the three priority areas of the Organization, considering the realities and needs of the Latin American and the Caribbean countries at the regional and national levels, in close consultation with the Member States of the region and to that effect convene the third meeting of experts;
- (iv) To continue to develop the strategy for the mobilization of voluntary resources for the effective implementation of the activities, projects and programmes contained in the regional programme for Latin America and the Caribbean;
- (v) To report periodically to the policymaking organs of UNIDO on the measures adopted in fulfilment of the present decision.

*6th plenary meeting  
26 June 2009*

#### **IDB.36/Dec.4 Recommendation of a candidate for the post of Director-General**

The Industrial Development Board, acting in accordance with Article 11.2 of the Constitution, decided to recommend to the General Conference the appointment of Mr. Kandeh K. Yumkella as Director-General of UNIDO for a period of four years from 8 December 2009 or until the Director-General to be appointed at the fifteenth regular session of the General Conference assumes office, whichever is later.

*2nd plenary meeting  
23 June 2009*

#### **IDB.36/Dec.5 Terms and conditions of appointment of the Director-General**

The Industrial Development Board, further to its decision IDB.36/Dec.4, and acting in accordance with rule 103 of the rules of procedure of the General Conference, decided to recommend to the Conference for approval the contract annexed to the present decision, which establishes the terms and conditions of appointment of the Director-General, including the salary and emoluments attached to the office.

*2nd plenary meeting  
23 June 2009*

### **Annex**

#### **Draft contract for appointment of the Director-General**

THIS CONTRACT is made

between the United Nations Industrial Development Organization (hereinafter called the Organization) for the one part

and ..... (hereinafter called the Director-General) for the other part.

WHEREAS

The Director-General, upon recommendation of the Board, has been duly appointed by the Conference at its thirteenth session held in December 2009.

IT IS HEREBY AGREED AS FOLLOWS:

1. Term of Office

The Director-General shall be appointed for a period of four years from the ..... day of ..... two thousand nine (2009), or until the Director-General to be appointed at the fifteenth regular session of the General Conference assumes office, whichever is later.

2. Official Duty Station

The official duty station for the Director-General shall be Vienna, Austria.

3. Official Duties

In accordance with Article 11 of the Constitution of the Organization, the Director-General shall be the chief administrative officer of the Organization.

4. Privileges and Immunities

The Director-General shall enjoy all the privileges and immunities in keeping with his office as determined by the Constitution of the Organization, Article 21, and any relevant legal instruments already in force or to be concluded in the future.

5. Staff Regulations

The Director-General shall be subject to the Staff Regulations of the Organization, together with such amendments as may be made thereto, in so far as they are applicable to him.

6. Assessable Salary and Allowances

(a) The annual gross salary of the Director-General shall be US dollars two hundred and thirty nine thousand six hundred thirty-one (239,631), corresponding to an annual net base salary equivalent to US dollars one hundred and sixty eight thousand seven hundred and sixty (168,760) (dependency rate) or US dollars one hundred and fifty thousand seventy-nine (150,079) (single rate) respectively. The gross and net base salary shall be adjusted whenever the General Assembly decides to adjust the gross and net base salary levels of staff in the Professional and higher categories;

(b) He shall receive post adjustment, allowances and benefits, including social security benefits, for which a staff member in the Professional category of the UNIDO Secretariat would be eligible under the Staff Regulations and Staff Rules of the Organization, provided the purpose of such emolument, allowance or benefit has not already been met by other provisions of the present contract;

(c) The Director-General shall receive a representation allowance of Euros thirty two thousand and one hundred (32,100) per annum, adjusted for the budgeted annual inflation rate, to meet his share of the obligations which the Organization incurs in the form of representation and hospitality expenditure;

(d) He shall receive a housing allowance amounting to Euros fifty thousand and five hundred (50,500) per annum adjusted for the budgeted annual inflation rate;

(e) The above salary, allowances and benefits to which the Director-General is entitled under this agreement shall be subject to adjustment by the Board, after consultations with the Director-General, to keep them in line with those of the executive heads of other specialized agencies within the common system of the United Nations.

7. Pension and After Service Health Insurance

(a) The Director-General shall participate in the United Nations Joint Staff Pension Fund in accordance with the provisions of decision IDB.10/Dec.17 (d) of the Industrial Development Board. His pensionable remuneration shall be determined and adjusted in accordance with the provisions of articles 54 (c) and (b) of the regulations and rules of the United Nations Joint Staff Pension Fund;

(b) The Director-General shall be eligible for subsidized after-service health insurance as continuation of his in-service health insurance coverage as of the date he will be in receipt of a deferred retirement benefit from the United Nations Joint Staff Pension Fund.

8. Currency of payments

Payments will be effected in the currency applicable to staff in the Professional and higher categories serving at the official duty station Vienna, Austria.

9. Notice of Resignation

The Director-General may at any time give three month's notice of resignation in writing to the Board, which is authorized to accept his resignation on behalf of the General Conference, in which case, upon expiration of such period of notice, he shall cease to be Director-General of the Organization and this contract shall terminate.

10. Entry into force

This contract shall enter into force as of the ..... day of ..... 2009.

SIGNED this ..... day of ..... 2009 at Vienna.

\_\_\_\_\_

(.....)

President of the Conference acting  
on behalf of the Organization

\_\_\_\_\_

(.....)

Director-General

**IDB.36/Dec.6 Financial situation of UNIDO**

The Industrial Development Board:

- (a) Took note of the information provided in document IDB.36/5;
- (b) Urged those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;
- (c) Requested the Director-General to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.7 Scale of assessments for apportionment of the regular budget expenses for the biennium 2010-2011**

The Industrial Development Board:

- (a) Took note of document IDB.36/3;
- (b) Recommended to the General Conference the establishment of a scale of assessments for the regular budget expenditures of UNIDO for the fiscal period 2010-2011, based on the United Nations General Assembly resolution 61/237, or any subsequent General Assembly resolution on scale of assessments for the apportionment of the expenses of the United Nations adopted prior to the thirteenth session of the General Conference, adjusted to the membership of UNIDO on the understanding that new Members shall be assessed for the year in which they become Members on the basis of the United Nations scale of assessments, as applicable to UNIDO.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.8 Working Capital Fund for the biennium 2010-2011**

The Industrial Development Board:

- (a) Took note of document IDB.36/4;
- (b) Recommended to the General Conference that the level of the Working Capital Fund for the biennium 2010-2011 should remain at €7,423,030 and that the authorized purposes of the Fund for the biennium 2010-2011 should remain the same as for the biennium 2008-2009, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);
- (c) Urged Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums from the Working Capital Fund to meet shortfalls in the payment of assessed contributions.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.9 Financial regulations**

The Industrial Development Board:

- (a) Took note of the information contained in document IDB.36/11;
- (b) Decided to submit to the General Conference at its thirteenth session for consideration and adoption the interim amendments to the Financial Regulations of UNIDO as set out in the annex of document IDB.36/11 and deemed necessary for IPSAS adoption effective 1 January 2010;
- (c) Requested the External Auditor to conduct the annual financial audit for the year 2010 within the approved budgetary provisions for external audit fees.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.10 Appointment of an External Auditor**

The Industrial Development Board:

- (a) Took note of documents IDB.36/10, Add.1 and Add.2;
- (b) Appreciated the work performed by the current External Auditor (the Auditor General of Pakistan), during the first year of his appointment, as contained in his interim report (IDB.36/8) and the interim financial performance report for the biennium 2008-2009 (IDB.36/9);
- (c) Recommended to the General Conference to extend the current appointment of the Auditor General of Pakistan as the External Auditor of UNIDO for a period of two years, from 1 July 2010 to 30 June 2012, under the terms of reference specified in the Financial Regulations of UNIDO;
- (d) Requested the External Auditor to conduct the annual financial audit for the year 2010 within the approved budgetary provisions for external audit fees, in line with Programme and Budget Committee conclusion 2009/7, para. (c).

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.11 Programme and budgets, 2010-2011**

The Industrial Development Board:

- (a) Having considered the programme and budgets for the biennium 2010-2011 as contained in document IDB.36/7;
- (b) Recommended to the General Conference the approval of estimates of regular budget gross expenditures of €161,819,688 to be financed from assessed contributions in the amount of €156,609,188 and other income of €5,210,500;
- (c) Also recommended to the General Conference the approval of estimates of gross expenditures totalling €22,806,877 for the purpose of the operational budget for the biennium 2010-2011 to be financed from voluntary contributions in the amount of €22,187,677 and other income amounting to €619,200 as may be provided for in the financial regulations;

(d) Further recommended to the General Conference the approval of the partial utilization of the accumulated balance of the reserve for exchange rate fluctuations to finance any shortfall in the income estimates in order to fully implement the programmes as described in document IDB.36/7.

*6th plenary meeting  
26 June 2009*

#### **IDB.36/Dec.12 Unutilized balances of appropriations**

The Industrial Development Board:

(a) Took note of the proposals by the Director-General on unutilized balances of appropriations as contained in documents IDB.36/12 and Add.1;

(b) Further took note of the report by the Vice-Chairman of the Programme and Budget Committee (IDB.36/26) as orally updated at the thirty-sixth session of the Board and of the recommendation that informal consultations need to be continued in order for Member States to make an informed decision;

(c) Also took note of conclusion 2009/3 of the twenty-fifth session of the Programme and Budget Committee, and decided that unspent balances of collections for the biennium 2006-2007 that amounted to €6.8 million should be returned to Member States in accordance with the relevant Financial Regulations of UNIDO;

(d) Decided that the use of the remaining amount of unutilized balances shall be determined by the General Conference at its thirteenth session;

(e) Requested the Director-General:

(i) To further elaborate on his initial proposals on the use of unutilized balances of appropriations and provide Member States with a revised proposal on the return or use of the remaining amount of unutilized balances 45 days before the thirteenth session of the General Conference;

(ii) To carry out, within available resources, a feasibility study which considers the expected impact of the change management initiative on the overall cost efficiency of the Organization, with particular emphasis on the various cost elements involved in the implementation of an enterprise resource planning system for the Organization, as well as the possible alternatives for its funding;

(f) Entrusted the Vice-Chairman of the Programme and Budget Committee, H.E. Mr. Shahbaz, to continue the open-ended informal consultations on possible ways of dealing with the remaining amount of unutilized balances due to Member States in 2010.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.13 United Nations system-wide coherence: UNIDO's role**

The Industrial Development Board:

(a) Took note of the information contained in document IDB.36/15 on United Nations system-wide coherence: UNIDO's role, as well as of document IDB.36/16 on the UNIDO initiative on the Millennium Development Goals;

(b) Appreciated UNIDO's continued active participation in the "Delivering as One" initiative in the pilot countries in line with United Nations General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system;

(c) Encouraged the Director-General to continue to participate actively in the ongoing discussions on United Nations system-wide coherence in line with resolution GC.12/Res.6 and to keep Member States informed thereof;

(d) Stressed the essential contribution of industrial development in achieving the Millennium Development Goals and emphasized the importance of the process initiated by UNIDO for clearly defining the targets and indicators that systematically capture this contribution;

(e) Requested the Director-General to actively pursue this initiative and to report on progress made to the governing bodies in their respective sessions.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.14 Personnel matters**

The Industrial Development Board:

(a) Took note of the information contained in document IDB.36/19;

(b) Noted the amendments made in pursuance to staff regulation 13.3 to Schedule I and annexes I and II of the staff regulations in order to bring them into conformity with the decision of the General Assembly set out in resolution 63/251;

(c) Further noted the amendment to appendices A, E and G to the staff rules and to the staff rules 103.10 (b) and 104.04;

(d) Recommended to the General Conference at its thirteenth session the following candidates for the election of two members and two alternate members of the UNIDO Staff Pension Committee for the biennium 2010-2011:

Members: Ms. Gloria Maria Polastri Amat (Ecuador)

..... (country)

Alternate Members: ..... (country)

..... (country)

*6th plenary meeting  
26 June 2009*



**IDB.36/Dec.15 New social security agreement**

The Industrial Development Board:

(a) Took note of the report of the Director-General on the new social security agreement with the Republic of Austria (IDB.36/20);

(b) Decided that the new agreement between UNIDO and the Republic of Austria on social security as contained in the annex to document IDB.36/20 be submitted to the General Conference at its thirteenth session; and

(c) Recommended that the General Conference approve the new social security agreement with the Republic of Austria and authorize the Director-General to bring the new agreement into force in the manner prescribed in paragraph 1 of article 18 thereof.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.16 UNIDO's activities in agro-related industries and agribusiness**

The Industrial Development Board:

(a) Requested that open-ended informal consultations on UNIDO's activities in agro-related industries and agribusiness be conducted by the President in cooperation with the Secretariat with a view to facilitating an in-depth discussion of the subject at the thirteenth session of the General Conference;

(b) Also requested that an item on UNIDO's activities in agro-related industries and agribusiness be added to the provisional agenda of the thirteenth session of the General Conference;

(c) Further requested substantive information, taking into account the relevant requests reflected in discussions and statements at the thirty-sixth session of the Board, to be presented in due time for informal consultations mentioned above, paving the way for constructive result-oriented deliberations, for possible decisions and recommendations on the role of the agro-industry sectors for the thirteenth session of the General Conference.

*6th plenary meeting  
26 June 2009*

**IDB.36/Dec.17 Preparations for the thirteenth session of the General Conference**

The Industrial Development Board:

(a) Took note of the information provided in document IDB.36/23;

(b) Adopted the following agenda for the thirteenth session of the General Conference:

1. Opening of the session.
2. Election of officers.
3. Adoption of the agenda.
4. Organization of work.

5. Credentials of representatives to the Conference.
6. Elections to organs:
  - (a) Industrial Development Board;
  - (b) Programme and Budget Committee.
7. Annual reports of the Director-General on the activities of the Organization for 2007 and 2008.
8. Reports of the Industrial Development Board on the work of its thirty-fourth, resumed thirty-fourth, thirty-fifth and thirty-sixth regular sessions.
9. Forum on industrial development issues.
10. Financial matters:
  - (a) Scale of assessments of Member States;
  - (b) Financial situation of UNIDO;
  - (c) Working Capital Fund;
  - (d) Accounting standards;
  - (e) Financial regulations;
  - (f) Appointment of an External Auditor.
11. Implementation of the medium-term programme framework, 2008-2011, including:
  - (a) Regional programme for Latin America and the Caribbean;
  - (b) Regional programme for Africa;
  - (c) Arab regional programme; and
  - (d) Other regional programmes.
12. Medium-term programme framework, 2010-2013.
13. Programme and budgets, 2010-2011.
14. Cooperation Agreement with the United Nations Development Programme.
15. UNIDO Staff Pension Committee.
16. New social security agreement between UNIDO and the Republic of Austria.
17. Modification of Headquarters Agreement incorporating a new conference facility (M-building).<sup>a</sup>
18. Matters related to intergovernmental, non-governmental, governmental and other organizations.

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<sup>a</sup> Subject to Austria's timely submission of a revised map of the Headquarters seat and conclusion of an exchange of letters or an agreement between UNIDO and the Government of Austria.

19. Appointment of the Director-General.
20. Date and place of the fourteenth session.
21. Closure of the session.

(c) Agreed to hold a forum on industrial development issues within the framework of the General Conference (provisional agenda, item 9);

(d) Recommended to the Conference that items 7 to 18 and item 20 of the provisional agenda be allocated to a main committee of the Conference;

(e) Recommended that, in the light of experience gained in the preparation of previous sessions of the Conference, the President of the thirty-sixth session of the Industrial Development Board conduct informal consultations for the preparation of the thirteenth session of the Conference.

*6th plenary meeting*  
*26 June 2009*

#### **IDB.36/Dec.18 Provisional agenda and date of the thirty-seventh session**

The Industrial Development Board:

(a) Takes note of the information contained in document IDB.36/CRP.4;

(b) Decides to approve the following provisional agenda for its thirty-seventh session:

1. Election of officers.
  2. Adoption of the agenda.
  3. Annual report of the Director-General for 2009 on the activities of the Organization.
  4. Financial situation of UNIDO.
  5. Activities of the Evaluation Group.
  6. Activities of the Joint Inspection Unit.
  7. Multilingualism.<sup>b</sup>
  8. Personnel matters.
  9. Matters related to intergovernmental, non-governmental, governmental and other organizations.
  10. Provisional agenda and date of the thirty-eighth session.
  11. Adoption of the report.
- (c) Decides to hold its thirty-seventh session on 11 and 12 May 2010.

*6th plenary meeting*  
*26 June 2009*

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<sup>b</sup> Item included in compliance with rule 11.1 to enable reporting as requested in IDB.36/Dec.2.

## Annex II

### Documents submitted to the Board at its thirty-sixth session

<i>Symbol</i>	<i>Agenda item</i>	<i>Title</i>
IDB.36/1/Rev.2	2	Provisional agenda
IDB.36/1/Add.1/Rev.2	2	Annotated provisional agenda
IDB.36/2-PBC.25/2	3	<i>Annual Report of UNIDO 2008</i>
IDB.36/3-PBC.25/3	5 (c)	Scale of assessments for the fiscal period 2010-2011. Note by the Secretariat
IDB.36/4-PBC.25/4	5 (d)	Working Capital Fund for the biennium 2010-2011. Proposals of the Director-General
IDB.36/5-PBC.25/5	5 (b)	Financial situation of UNIDO. Report by the Director-General
IDB.36/6-PBC.25/6	5 (e)	International Public Sector Accounting Standards. Progress report by the Secretariat
IDB.36/7-PBC.25/7	6	Programme and budgets, 2010-2011. Proposals of the Director-General
IDB.36/8-PBC.25/8	5 (a)	Interim report of the External Auditor
IDB.36/9-PBC.25/9	5 (a)	Interim financial performance report for the biennium 2008-2009. Submitted by the Director-General
IDB.36/10-PBC.25/10	5 (h)	Candidates for the appointment of External Auditor. Report by the Director-General
IDB.36/10/Add.1-PBC.25/10/Add.1	5 (h)	Candidates for the appointment of External Auditor. Addendum
IDB.36/10/Add.2	5 (h)	Candidates for the appointment of External Auditor. Addendum
IDB.36/11-PBC.25/11	5 (f)	Financial regulations of UNIDO. Note by the Secretariat
IDB.36/12-PBC.25/12	6	Unutilized balances of appropriations. Note by the Director-General
IDB.36/12/Add.1	6	Unutilized balances of appropriations. Revised proposal by the Director-General. Addendum
IDB.36/13	5	Report of the Programme and Budget Committee on the work of its twenty-fifth session (5-7 May 2009)
IDB.36/14-GC.13/5	4 (a) to (d)	Implementation of the medium-term programme framework, 2008-2011. Report by the Director-General
IDB.36/15	7	United Nations system-wide coherence: UNIDO's role. Report by the Director-General
IDB.36/16	7	UNIDO initiative on the Millennium Development Goals. Note by the Director-General

<i>Symbol</i>	<i>Agenda item</i>	<i>Title</i>
IDB.36/17	10	Impact of the global financial crisis on industrial development in developing countries: UNIDO's response. Report by the Director-General
IDB.36/18	11	Activities of the Joint Inspection Unit. Report by the Director-General
IDB.36/19	12	Personnel matters. Report by the Director-General
IDB.36/20	12	New social security agreement between UNIDO and the Republic of Austria. Report by the Director-General
IDB.36/21	14	Candidates for the post of Director-General. Note by the Secretariat
IDB.36/22	14	Draft contract for appointment of the Director-General. Note by the Secretariat
IDB.36/23	15	Preparations for the thirteenth session of the General Conference. Report by the Director-General
IDB.36/24	8	Cooperation Agreement with the United Nations Development Programme. Explanatory note by the Director-General
IDB.36/25	-	Lists of States included in Annex I to the Constitution of UNIDO. Note by the Secretariat
IDB.36/26	6	Implementation of Programme and Budget Committee conclusion 2009/3 on the unutilized balances of appropriations. Report of the Vice-Chairman, Programme and Budget Committee (H.E. Mr. Shahbaz, Pakistan)
<b>Conference room papers</b>		
IDB.36/CRP.1	2	List of documents
IDB.36/CRP.2	5 (b) and 6	Status of assessed contributions (item 5 (b)) and unutilized balances of appropriations (item 6). Note by the Secretariat
IDB.36/CRP.3	12	List of staff of the UNIDO Secretariat. Submitted by the Secretariat
IDB.36/CRP.4	16	Provisional agenda and date of the thirty-seventh session. Note by the Director-General
IDB.36/CRP.5	17	UNIDO activities in agro-related industries and agribusiness. Note by the Secretariat
IDB.36/CRP.6	-	List of participants
***		
PBC.25/CRP.2	5 (g)	Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2008. Prepared by the Secretariat
PBC.25/CRP.3	5 (h)	Candidates for the appointment of External Auditor. Note by the Secretariat



# United Nations Industrial Development Organization

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## Industrial Development Board

### Thirty-sixth session

Vienna, 23-26 June 2009

Item 5 (f) of the provisional agenda

### Financial regulations

## Programme and Budget Committee

### Twenty-fifth session

Vienna, 5-7 May 2009

Item 9 of the provisional agenda

### Financial regulations

## Financial regulations of UNIDO

### Note by the Secretariat

Informs the Committee of proposed initial amendments to UNIDO's financial regulations in light of the adoption of the International Public Sector Accounting Standards (IPSAS) by 2010 as approved by the General Conference at its twelfth session (decision GC.12/Dec.14).

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For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.



## I. Introduction

1. The General Conference, at its twelfth session (Vienna, 3-7 December 2007), approved the adoption of International Public Sector Accounting Standards (IPSAS) at UNIDO, effective 1 January 2010, as part of the United Nations system-wide adoption of these Standards (GC.12/Dec.14). UNIDO is preparing to be ready in its processes by the end of 2009 to capture data and information that will allow the Organization to be IPSAS-compliant and prepare its financial statements for 2010 based on the new standards. UNIDO has regularly kept Member States informed of progress made in IPSAS implementation through progress reports. An updated progress report on IPSAS implementation has been submitted to the current session of the Programme and Budget Committee (IDB.36/6-PBC.25/6).

2. Member States were informed in document IDB.33/5-PBC.23/5 that revisions to the financial regulations will be necessary in order for UNIDO to be IPSAS-compliant. Taking into consideration the ongoing initiative for harmonization of the financial regulations and rules within the United Nations system, an initial interim review of UNIDO's financial regulations has taken place, and only those regulations that would immediately require to be amended for IPSAS compliance have been identified at this stage.

## II. Proposed revisions to the financial regulations

3. The proposed changes are both minimal and preliminary and will be followed by additional changes once further impact of IPSAS implementation on UNIDO's financial regulations have been identified. The complete text of the Financial Regulations of UNIDO was last issued in document PBC.22/CRP.2. The annex to the present document contains the proposed amendments to the financial regulations deemed immediately necessary for IPSAS-compliance effective 1 January 2010. The major proposed changes are highlighted in the paragraphs below.

4. The amendments to the financial regulations at this stage are primarily definitional and propose changing the financial period for preparation of financial statements from its current two years to one year, while retaining the current biennial budget cycle. This distinction is important as while the budget cycle remains biennial the financial cycle will be annual. So far, the fiscal cycle has been the same for both purposes. The term "fiscal period" has now been replaced with "biennium", consisting of two consecutive calendar years, the first of which shall be an even year (regulation 2.1 proposed amendment). The financial period for the preparation of annual financial statements has been redefined to consist of a calendar year (hereinafter referred to as a financial year), starting from 1 January until 31 December inclusive (regulation 2.2 proposed addition). The reference to establishment and maintenance of accounting records in regulation 10.2 (a) has been amended from "consideration to the United Nations accounting standards" to "in accordance with the accounting standards framework applicable to the United Nations system organizations".

5. IPSAS stipulates preparation of annual financial statements.<sup>1</sup> It should be noted in this context that presently UNIDO prepares interim financial accounts for the first year of the biennium. UNIDO's current financial regulations (financial regulation 10.7) provide for interim accounts for the first year of each biennium. Although there is no audit opinion required for the first year, annual financial statements are prepared and presented to the governing bodies.

6. While IPSAS standards do not specifically recommend annual audits, the United Nations system-wide Task Force on Accounting Standards approved, at its meeting in June 2007, the following IPSAS-related policy for annual audits:

“Acknowledging that the frequency of the audit is determined by the Governing Body, it is recommended that organizations have their annual financial statements audited each year, when they begin presenting IPSAS-compliant statements” (CEB/2007/HLCM/FB/7).<sup>2</sup>

7. In light of the above, the Committee may consider recommending to the Board that as an exception, an annual audit be carried out for the year 2010, within the existing budget for audit fees. The year 2010 will be a defining year since UNIDO aims to be IPSAS-compliant that year. Should Member States require the assurance from the External Auditor that UNIDO has achieved IPSAS-compliance for 2010, an exceptional external audit of financial statements for the year 2010 would be necessary. Given the schedule of meetings of the governing bodies in 2011, the presentation of the annual audit report for 2010 will be transmitted to the governing bodies as soon as practicable and placed on the agenda for discussion at the next scheduled meeting of the relevant governing body.

8. Thereafter, for subsequent years, the issue of institutionalizing annual audits or retaining the current regulations (financial regulations 10.7 and 11.10) will be resubmitted to the governing bodies of UNIDO in 2011, once the implications are fully understood and the approach of the United Nations system as a whole been assessed, to enable the Member States to make an informed decision. Since several organizations have deferred the implementation deadline of IPSAS, this clarity from the system is not yet available.

### **III. Action required of the Committee**

9. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

“The Industrial Development Board:

“(a) Takes note of the information contained in document IDB.36/11-PBC.25/11;

“(b) Decides to submit to the General Conference at its thirteenth session for consideration and adoption the interim amendments to the Financial Regulations of UNIDO as set out in the annex of

<sup>1</sup> IPSAS 1: Presentation of financial statements, paragraph 66, states that “financial statements shall be prepared at least annually.”

<sup>2</sup> United Nations System Chief Executives Board for Coordination (CEB), High-level Committee on Management (HLCM), Finance and Budget Network (FB).



document IDB.36/11-PBC.25/11 and deemed necessary for IPSAS adoption effective 1 January 2010;

“(c) Requests the External Auditor to conduct the annual financial audit for the year 2010 within the approved budgetary provisions for external audit fees.”

## Annex

**Interim amendments to the Financial Regulations  
of UNIDO**

## ARTICLE II. FINANCIAL PERIODS

Regulation 2.1: The financial period for the purpose of the biennial programme and budgets shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year.

Regulation 2.2: The financial period for the preparation of annual financial statements shall consist of a calendar year (hereinafter referred to as a financial year), starting from 1 January and ending on 31 December inclusive.

## ARTICLE III. PROGRAMME AND BUDGETS

Preparation of the budgets

Regulation 3.1: The Director-General shall prepare and submit to the Industrial Development Board (hereinafter referred to as the "Board") through the Programme and Budget Committee, at a time specified in financial regulation 3.5 a draft programme of work for the following biennium, together with the corresponding estimates for those activities to be financed from the regular budget. The Director-General shall, at the same time, submit proposals and financial estimates for those activities to be financed from voluntary contributions to the Organization.

Regulation 3.2: The financial estimates shall cover income and expenditures for the biennium to which they relate and shall be presented in euros.

Review of the budgets

Regulation 3.5: The Director-General shall, in the second year of each biennium, submit a draft programme of work and the corresponding estimates for the regular budget and the operational budget for the following biennium to the Board through the Programme and Budget Committee, as soon as possible and at the latest forty-five days prior to the opening of the session of that Committee.

Regulation 3.8: The Conference shall, prior to the end of the second year of a biennium, consider and approve by a two-thirds majority of the Members present and voting the programme of work and the corresponding regular budget and operational budget submitted to it by the Board for the following biennium. The Conference may make amendments in the programme of work and the corresponding budgets, in accordance with financial regulation 3.11.

Supplementary estimates for the current biennium

Regulation 3.9: Supplementary estimates for the current biennium for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the approved budgets, and they

shall be reviewed and approved in accordance with the procedure laid down for the initial estimates in regulations 3.5 to 3.8 and 3.11.

Revised estimates for the following biennium

Regulation 3.10: Revised estimates for the following biennium for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the initial estimates in regulations 3.5 to 3.8 and 3.11, and they shall be reviewed and approved in accordance with the procedure laid down for the initial estimates except that the applicable time limits for the submission of documents may be waived if necessary.

Commitments for future bienniums

Regulation 3.12: The Director-General may enter into commitments for future bienniums, provided that such commitments:

- (a) Are for activities which have been approved by the Conference and are expected to continue beyond the end of the current biennium; or
- (b) Are authorized by specific decisions of the Conference.

#### ARTICLE IV. BUDGETARY APPROVAL

Current and future bienniums

Regulation 4.2:

- (a) Regular budget appropriations shall be available for obligation during the biennium to which they relate;
- (b) Regular budget appropriations shall remain available for twelve months following the end of the biennium to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that biennium and to liquidate any other outstanding obligation of that biennium. The unencumbered balance of the appropriations at the end of a biennium shall be surrendered to the Members at the end of the first financial year following the biennium after deducting therefrom any contributions from Members relating to that biennium which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of financial regulations 4.2 (c) and 5.2 (d);
- (c) At the end of the twelve-month period referred to in subparagraph (b) above, the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the biennium of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second financial year following the biennium to which the appropriations relate, provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Any unliquidated

regular budget obligation of the biennium in question shall at that time either be cancelled or, where the obligation remains a valid charge, transferred as an obligation against the current appropriations.

#### Transfer of expenditures

##### Regulation 4.3:

- (a) No change;
- (b) No change;
- (c) Transfers within major objects of expenditure of the regular budget may be made by the Director-General, who shall inform the Board, through the Programme and Budget Committee, and the Conference thereof as soon as possible provided that in the first biennium following its creation, a Professional-level post may not be transferred to another programme or subprogramme.

### ARTICLE V. PROVISION OF FUNDS FOR THE REGULAR BUDGET

#### Appropriation and assessment

##### Regulation 5.1:

- (a) No change;
- (b) No change;
- (c) For each financial year of the biennium, Members shall contribute one half of the total approved amount;
- (d) No change.

Regulation 5.2: For each of the financial year of the biennium, the assessment of Members shall be adjusted in respect of:

- (a) No change;
- (b) Half of the estimated miscellaneous income to the regular budget for the biennium and credits in respect of income not previously taken into account;
- (c) No change;
- (d) No change.

#### Collection of contributions and advances

##### Regulation 5.5:

(a) After the Conference has approved the estimates for the regular budget, established the scale of assessments and determined the amount and purposes of the Working Capital Fund, the Director-General shall as soon as possible with respect to each year of the biennium:

- (i) Transmit the relevant documents to Members;

(ii) Inform Members of their obligations in respect of annual contributions to the regular budget and of advances to the Working Capital Fund;

(iii) Request Members to remit their contributions and advances;

(b) Contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director-General, referred to in subparagraph (a) above, or as of the first day of the financial year to which it relates, whichever is later. As of 1 January of the following financial year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears;

(c) No change;

(d) No change;

(e) No change.

## ARTICLE VI. VOLUNTARY CONTRIBUTIONS AND OTHER INCOME

### Regulation 6.5:

(a) No change;

(b) Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as “gifts” in the accounts of the financial year.

## ARTICLE VIII. INVESTMENT OF FUNDS

Regulation 8.2: [At least once a year,] The Director-General shall include in the financial statements submitted to the Programme and Budget Committee and the Board a statement of the investments currently held.

## ARTICLE IX. INTERNAL CONTROL

Regulation 9.2: Obligations for the current biennium or commitments for current and future bienniums shall be incurred only after allotments or other appropriate authorizations have been made in writing under the authority of the Director-General.

### Ex gratia payments

Regulation 9.3: The Director-General may make such ex gratia payments as he deems to be necessary in the interest of the Organization. A statement of such payments shall be submitted with the annual financial accounts.

### Writing-off of losses or deficiencies

Regulation 9.4: The Director-General may, after full investigation, authorize the writing-off of losses of cash, supplies, equipment and other assets other than arrears of assessed contributions, provided that if such write-off involves a substantial

amount as determined in the financial rules, the write-off shall require prior approval of the Board upon recommendation of the Programme and Budget Committee. A statement of all such amounts written off during each financial year shall be submitted to the External Auditor with the annual financial accounts.

## ARTICLE X. THE ACCOUNTS

### Accounts and schedules

#### Regulation 10.2:

(a) The Director-General shall establish such accounts and maintain such accounting records as are necessary, in accordance with the accounting standards framework applicable to the United Nations system organizations;

(b) The Director-General shall prepare and submit financial accounts for each financial year, [showing its status of appropriations] including:

- (i) A statement of financial position;
- (ii) A statement of financial performance;
- (iii) A statement of changes in net assets/equity;
- (iv) A cash flow statement;
- (v) A comparison of budget and actual amounts on the basis of the budget; and
- (vi) Notes, comprising a summary of significant accounting policies and other explanatory notes;

(c) For the regular budget, the Director-General also shall prepare and submit:

- (i) The original budget appropriations;
- (ii) Any supplementary appropriations;
- (iii) The appropriations as modified by any transfers;
- (iv) Credits, if any, other than the appropriations voted by the Conference;
- (v) The amounts charged against those appropriations and/or other credits.

### Operational budget accounts

Regulation 10.3: The Director-General shall establish such accounts and maintain such accounting records as are necessary for the purpose of accounting for the income and expenditures of the operational budget, including the Industrial Development Fund and any trust fund, reserve or special account, during each financial year.

Annual financial report

Regulation 10.6: At the beginning of the second financial year of each biennium, the Director-General shall submit to the Programme and Budget Committee a financial report on significant financial developments that have affected the Organization during the first financial year of the biennium concerned.

Submission of accounts

Regulation 10.7: The final accounts for the biennium shall be submitted by the Director-General to the External Auditor not later than 31 March following the end of the biennium to which they relate. Annual accounts for the first financial year of each biennium shall be submitted by the Director-General to the External Auditor not later than 31 March following the end of the financial year concerned.

ARTICLE XI. EXTERNAL AUDIT

Regulation 11.10: The External Auditor's reports, together with the audited financial statements, shall be completed by not later than 1 June, following the biennium to which they relate and shall be transmitted through the Programme and Budget Committee to the Board in accordance with directions given by the Conference. The Programme and Budget Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments, as it deems appropriate. [The report on the interim accounts shall be completed by not later than 1 June, following the calendar year to which it relates and shall be submitted to the Programme and Budget Committee.]

Implementation of an organization-wide

## Risk and Opportunity Management System

at the United Nations Industrial Development  
Organization (UNIDO)



Vienna, December 9<sup>th</sup>, 2009



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## Executive Summary

The present report relates to the implementation of a risk and opportunity management system at the United Nations Industrial Development Organization (UNIDO), which was supported by Deloitte.

## Methodology

The organization-wide risk and opportunity management system at UNIDO was implemented following Deloitte's systematic approach. That approach is aligned with internationally accepted standards such the COSO *Enterprise Risk Management – Integrated Framework*.

The approach includes steps for identifying, assessing, mitigating and measuring risks. It is based on a well-structured process of interviews, workshops and teamwork, combined with the utilization of a software tool OBSERVAR<sup>®</sup> that facilitates the entire implementation process.

The risk and opportunity management project was split into a pilot phase and a roll-out phase. The pilot phase was conducted in 2009 and covered the following steps: definition of the risk management strategy; identification of risks and opportunities relevant to UNIDO; assessment of the impact and probability of those risks and opportunities within the next biennium; and preparation of an action plan in order to manage risks and take advantage of opportunities. The roll-out phase will be conducted over the next few years.

Senior managers from all UNIDO Divisions supported the risk management process. They were involved in specific steps of the process. Their involvement yielded a broad range of perspectives.

## Results

In the course of several workshops, the senior management of UNIDO and field office representatives assessed more than 100 events categorized under four major headings: leading processes, core processes, supporting processes and external influences.

The individual assessments complemented by interviews with the Organization's senior management and Managing Directors were consolidated. The findings permitted the identification of 20 TOP risks and opportunities listed in the table below.

Leading Processes A	1. Strategy Development 2. Strategy Implementation 3. Strategic Partnerships 4. Expansion Strategy 5. Restructuring 6. Organizational Structure & Flexibility 7. Management & Corporate Culture 8. Work Atmosphere & Environment	Supporting Processes C	13. HR Requirements, Levels, Hiring 14. Key Employees 15. Performance and Motivation 16. IT Strategy 17. Definition / Availability of Information 18. Knowledge Management
Core Processes B	9. Project Services 10. Field Offices / Regional Offices 11. Resource Allocation 12. Donors Funding	External Influences D	19. Member States 20. Image / Reputation

The discussion of these TOP 20 risks and opportunities led to the identification of potential improvements that would lead to the risk being managed and/or to the potential opportunity enhanced. It is recommended that the resulting action plan on managing the risks and building on the opportunities identified be implemented over the next two years. Detailed action plans will need to be drawn up at the beginning of 2010.

## Conclusion

During the first phase of the project, UNIDO successfully implemented the first stage of an organization-wide risk management system comprising identification and assessment of risks and opportunities and the preparation of an action plan.

The second phase of the project will build on achievements to date and cover the following steps: definition of a risk and opportunity management strategy and processes; roll-out and integration of the risk and opportunity management system into the Organization; implementation of the action

plan; and follow-up thereto.

The successful implementation and completion of an effective risk and opportunity management system within an appropriate period of time will be of importance to the capabilities of UNIDO and the perception that the Organization's stakeholders and donors have thereof.

## 1. Overview Method / Approach

### COSO Framework

The implementation of the organization-wide risk and opportunity management system at UNIDO was based on the *Enterprise Risk Management – Integrated Framework*. Commonly referred to as the COSO model, it constitutes an internationally accepted standard for comprehensive, enterprise-wide risk management (ERM) and was released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in September 2004.

COSO defines ERM as a “process, effected by an entity’s board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

COSO identifies the following eight components as interactive elements of an enterprise risk management: internal environment; objective setting; event identification; risk assessment; risk response; control activities; information and communication; and monitoring.

The COSO model is the framework most commonly referred to by organizations. It offers them an opportunity to implement effective internal control and risk management in a systematic manner.

### Deloitte Methodology

Risks and opportunities can be defined as unforeseen events, which may have a significant negative or positive impact on an organization’s goals. Deloitte developed a systematic approach to implementing organization-wide risk and opportunity management systems in a series of feasible steps. It is aligned with internationally accepted standards such as COSO.

Deloitte’s Risk Intelligence Program Methodology applies Deloitte’s nine fundamental principles for building a Risk-Intelligent Enterprise to transform an organization’s risk management capabilities. It is a holistic

and unifying approach to building an effective and efficient risk and opportunity management programme. It can be scaled to focus on those key areas that can provide an organization with supreme competitive benefits. The Risk Intelligence Program Methodology encompasses many of Deloitte's existing risk management tools and approaches.

Examples of risk management tools relevant to UNIDO include: the Deloitte Risk and Control Knowledgebase (RACK), a COSO-based repository of financial, operational and regulatory risks, control objectives and controls; the Deloitte RISK MAP, a useful guide to the steps during the risk identification process; and the software tool OBSERVER<sup>®</sup> that supports the entire risk and opportunity management process.

Deloitte's approach is based on a well-structured process of interviews, workshops and rounds of feedback in combination with the utilization of a software tool. Based on Deloitte's experience with the implementation of risk and opportunity management systems, UNIDO was able to derive benefit from Deloitte as a sounding board that provided an outsider's view and yielded feedback pertinent to achieving the goals of the project.

## Software tool

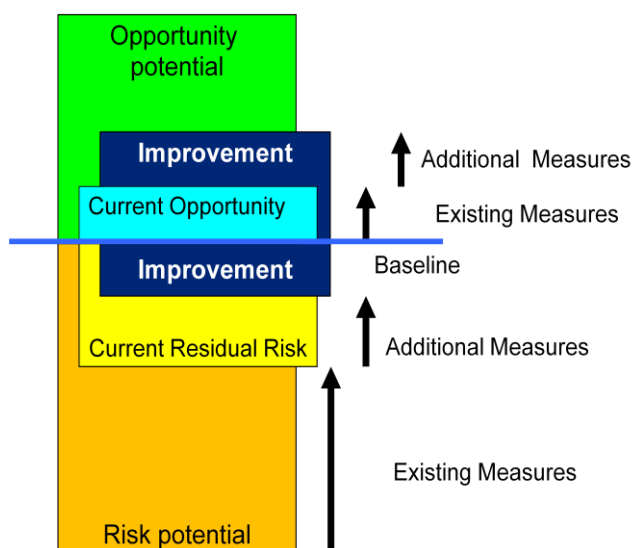
The software tool OBSERVER<sup>®</sup> provides comprehensive support to the implementation and documentation of the organization-wide risk and opportunity management. Most of the project steps are designed to go along with the utilization of this software tool.

The tool assists in the definition of the Organization's goals and the resulting risk matrix; it allows the usage of a UNIDO specific risk and opportunity catalogue and supports self-assessments of risks and opportunities. It also assists in setting clear priorities and facilitates the consolidation and analysis phase as a basis for an action plan.

The assessment of events, which may bear significant negative or positive repercussions for an organization's goals, is based on a self-assessment using a questionnaire. In workshops, managers assess:

- the impact and likelihood of **potential risk**, reflecting the maximum risk in absence of risk reduction measures;
- the impact and likelihood of **residual risk**, still existing despite risk reduction measures already in place;
- **existing measures** and controls that are already in place in order to reduce potential risk to residual risk, as well as

- the **potential opportunity** showing the estimated additional positive opportunity to be achieved; and
- the **current opportunity** offered by an event that exceeds the objectives of the Organization.



The combination of Deloitte's systematic approach and the tool OBSERVAR<sup>®</sup> supports the successful risk and opportunity management at UNIDO:

- Standardized risk culture in which risks and opportunities are openly communicated;
- Standardized risk understanding and common risk language;
- Standardized methodology and measurement categories for the assessment of risks and opportunities;
- Standardized time horizon for the assessment;
- Standardized design and scope of risk and opportunities categories and descriptions;
- Standardized interpretation and reporting.

## Approach Applied to UNIDO

At the Organization's request, the project was split into two phases:

- A pilot phase, covering the identification of the 20 TOP risks and opportunities, as well as the definition of an action plan, and
- A roll-out phase, including the integration of risk management throughout the Organization, the implementation and follow-up of the action plan. Details of the roll-out phase are provided in chapter 1.

The pilot project at UNIDO was conducted in 2009 and covered the following steps:

- Organization of a kick-off meeting and collection of basic information on the Organization;
- Definition of the risk management strategy and principles together with the Principal Adviser to the Director-General of UNIDO;
- Identification of major risks and opportunities on the basis of interviews with senior management;
- Definition of a variety of possible risks and opportunities summarized in a UNIDO specific risk and opportunities catalogue;
- Organization of two pilot risk assessment workshops attended by 32 senior managers;
- Conduct of four risk assessments jointly with UNIDO representatives in field offices;
- Consolidation of all assessment questionnaires;
- Analysis of the assessment workshops' results and summary of the main risks and opportunities by major organizational units/Division;
- Compilation of feedback received from management in terms of how they understand the main risks and opportunities, as well as the actions they propose;
- Organization of a pilot action workshop intended to finalize the list of 20 TOP risks and opportunities, as well as present actions and measures to manage risks or take advantage of opportunities;
- Compilation of management feedback in order to choose the most appropriate actions and measures for each of the 20 TOP risks and opportunities;



- Finalization of an action plan for UNIDO, designed to respond to the 20 TOP risks identified and take advantage of the opportunities; and
- Submission of an overall report on the pilot project.

Given management's involvement across all Divisions of UNIDO in the risk identification and assessment process, the project encompasses a great variety of perspectives.

The next biennium (2010-2011) was specified as the time frame for the risk assessment.

## 2. Top 20 Risks and Opportunities

A total of 36 risk assessment questionnaires were completed during: (a) two pilot risk assessment workshops attended by 32 managers and (b) four risk assessments with field office personnel. The results of those assessments as well as the information gathered during five interviews with the Organization's senior management, including the Managing Directors of UNIDO, were consolidated.

The basis for the risk questionnaire was a standard risk catalogue which covered more than 100 events in the following four major categories: leading processes, core processes, supporting processes and external influences.

The analysis identified the TOP 20 risks and opportunities of UNIDO as a whole (both HQ and field), as well as the TOP risks and opportunities by major organizational units/Divisions. During the first assessment phase of the Organization-wide risk management, Deloitte did not define a risk ranking of the events.

### Leading Processes (A):

1. Strategy Development
2. Strategy Implementation
3. Strategic Partnerships - no research partnerships
4. Expansion Strategy
5. Restructuring
6. Organizational Structure & Flexibility
7. Management & Corporate Culture

## 8. Work Atmosphere & Environment

### Core Processes (B):

- 9. Project Services
- 10. Field Offices/Regional Offices
- 11. Resource Allocation
- 12. Donors Funding

### Supporting Processes (C):

- 13. HR Requirements, Levels, Hiring
- 14. Key Employees
- 15. Performance and Motivation
- 16. IT Strategy
- 17. Definition / Availability of Information
- 18. Knowledge Management

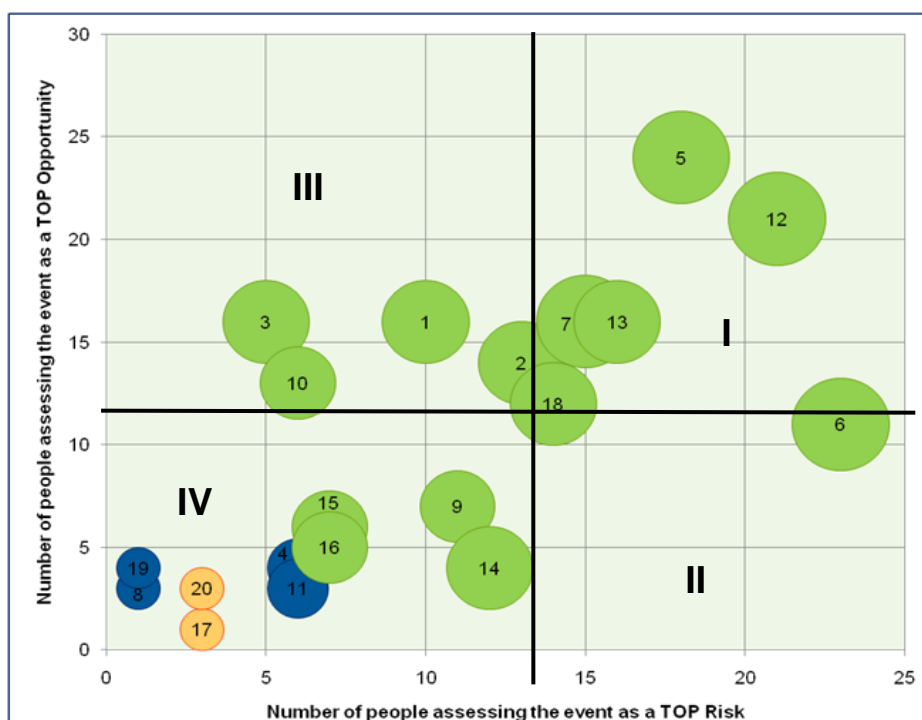
### External Influences (D):

- 19. Member States
- 20. Image / Reputation

The table below displays UNIDO's TOP 20 events in relation to the number of citations as TOP risk or TOP opportunity by the participants in the assessments.

The bubble size indicates the number of major organizational units/ Divisions citing the particular event. The position of each bubble shows how many participants cited the event.

Participants in the action workshop selected six additional events out of a pool of less highly rated events and included them in the TOP 20. Two events marked in light grey/red were selected from among those events featuring a very high risk-reduction potential. Four events cited were originally only cited by members of one or two Divisions; they are marked with dark grey/blue.



The 20 events selected can be split into the following four action groups:

#### Group I – Immediate actions recommended

Restructuring (5)	Donors Funding (12)
Management & Corporate Culture (7)	HR Requirements, levels, Hiring (13)

#### Group II – Actions strongly suggested

Organization Structure & Flexibility (6)	Knowledge Management (18)
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#### Group III – Actions recommended

Strategy Development (1)	Strategic Partnerships (3)
Strategy Implementation (2)	Field Offices / Regional Offices (10)

#### Group IV – Actions to be analyzed further

Expansion Strategy (4)	Performance & Motivation (15)
Work Atmosphere & Environment (8)	IT Strategy (16)
Project Services (9)	Definition / Availability of Information (17)
Resource Allocation (11)	Member States (19)
Key Employees (14)	Image / Reputation (20)

The following 20 events are the Top 20 risks/opportunities specifically selected by the management of UNIDO in the course of the various workshops and after completion of questionnaires:

## Leading Processes (A)

### 1. Strategy Development

- Strategy finding
- Definition of vision, mission and strategy
- Consistence of sub-strategies
- Identification of strategic opportunities and risks
- Strategy workshops

### 2. Strategy Implementation

- Operational targets
- Implementation controlling
- Coordinated allocation of resources
- Communication of the strategic targets

### 3. Strategic Partnerships (no research partnerships)

- Partnerships
- Quality of cooperation
- Improved market position
- Synergy effects
- Outsourcing

### 4. Expansion Strategy

- New locations/offices
- Local environment
- Expansion costs
- Know-how transfer

### 5. Restructuring

- Restructuring of organization or departments (in crisis / for new challenges)
- Change Management Initiative (new design)
- Information of member states

## **6. Organizational Structure & Flexibility**

- Critical organization size
- Organizational structure and processes
- Decision-making processes
- Centralization/decentralization
- Interfaces between organizational levels and departments

## **7. Management & Corporate Culture**

- Management by objective
- Team orientation of managers and employees
- Conflict culture
- Management style
- Group identity
- Appraisal dialogue

## **8. Work Atmosphere & Environment**

- Integration of employees
- Corporate feeling
- Willingness to cooperate
- Working atmosphere

## **Core Processes (B)**

### **9. Project Services**

- Intensity of implementation support
- Dealing with project issues
- Quality of delivery
- Reaction time on project issues

### **10. Field Offices/Regional Offices**

- Country network/ channels
- Regional partners
- Costs of offices
- Country presence

## **11. Resource Allocation**

- Resource planning
- On-time delivery
- Warehousing (system)
- Just-in-time delivery

## **12. Donors Funding**

- Overcapacity in relation to program
- Under capacity in relation to program
- Budget (cost / time)
- Bottlenecks
- Lead time

## **Supporting Processes (C)**

### **13. HR Requirements, Levels, Hiring**

- Staffing (quality / qualification)
- Personnel development
- HR management
- Fluctuation
- Personnel cost

### **14. Key Employees**

- Dependence on key employees
- Substitution policy
- Succession planning
- Career planning

### **15. Performance and Motivation**

- Motivation
- Job rotation
- Overwork / underwork
- Incentives
- Sick days

## **16. IT Strategy**

- Definition of IT requirements
- Definition of interfaces
- IT - compatibility
- Selection of hard- and software suppliers
- IT-budget
- Bids

## **17. Definition / Availability of Information**

- Up-to-datedness
- Data availability
- Integrity of data
- Cost for procuring information
- Content of reports

## **18. Knowledge Management**

- Collecting knowledge
- Administration of knowledge
- Availability of knowledge
- Use of existing knowledge

## **External Influences (D)**

### **19. Member States**

- Member States' expectations
- Expansion scenarios
- Member State groups

### **20. Image / Reputation**

- Appearance in public
- Rumors
- Information policy
- Sponsoring
- Media reporting on UNIDO

### 3. Action plan for 2010 / 2011

During the discussion on the TOP 20 risks and opportunities, the following recommended improvements in risk management implementation over the next two years emerged. All improvements are intended to lower the residual risk and/or to enhance the potential opportunity for each event.

It should be noted that the following table summarizes the responses of the Organization's staff to the "risk assessment results" questionnaire. It does not reflect any recommendations on the part of Deloitte.

Leading Processes (1/3)	1. Strategy Development	Establish a mechanism to ensure strategy elaboration and implementation in close cooperation with Member States and other stakeholders. Define and promote key strategy elements with external parties more sharply.
		Ensure that UNIDO's strategies at all levels indicate how (a) the Organization will contribute to the achievement of MDGs and (b) they will be developed in a comprehensive and systematic manner.
		Show dependency of strategies on assumptions. Improve consistency of/eliminate disconnects between strategies at different levels in the Organization.
	2. Strategy Implementation	Improve the logic of the MTPF matrix. Define outcomes in a clearer, realistic, and measurable manner. Develop more appropriate indicators. Enhance information collection and sharing.
		Introduce formal annual work-plans with full planning cycle (plan-execute-monitor-evaluate) and link them to resource allocation. Prioritize actions to implement strategy. Eliminate the "we can do all at the same time with quality and speed" syndrome in view of available resources.



Leading Processes (2/3)	3.Strategic Partnerships	Clearly show the areas where and how UNIDO can contribute to achieving the MDGs, and strategically seek institutions that can fill in the areas where UNIDO cannot effectively provide the services needed. Secure sensitive UNIDO information.
		Use partnerships more intensively in joint PR events and joint approaches to donors.
		In order to minimize risk of failure, standardize coordination with partners. When problems arise, find solutions at the working and senior management levels.
	4.Expansion Strategy	Should the change management (CM) initiative create additional capacity beyond current demand, search even more forcefully for new business. Align strategy periodically with the expansion of activities and allocation of resources, taking into account forecasts of resource availability, prevailing industrial development trends and the competitive advantages of UNIDO.
		Ensure that the delivery capacity of UNIDO can absorb additional business.
		Limit the expansion strategy to deepening the involvement of UNIDO in the three programmatic thematic areas and expanding coverage in terms of additional countries covered - not in terms of expanding thematic coverage. Evaluate the situation periodically and act accordingly.
	5.Restructuring	Analyze and document the upside of planned changes, as well as the downside if fundamental changes do not take place.
		Implement measures to avoid failure and to keep staff motivation up. Involve participation of affected staff and let changes be owned by staff. Engage an independent, non-biased IT consultancy to review the current IT infrastructure and establish whether it offers the necessary business functionalities to enhance effectiveness and support changes planned within the context of the CM exercise.
		Support the CM project with a proper governance structure and provide resources so that it can deliver on its high expectations.
		Take restructuring decisions that can really unlock the Organization's existing potential - rather than hinder it.

Leading Processes (3/3)	6.Organization- al Structure & Flexibility	The new structure decision should be based on performance feedback from the previous structure. Determine if the need for change is coming from an inadequate structure or other managerial problems. Promote “responsible” decentralization.
		Ensure that restructuring is accompanied by appropriate re-distribution of resources, business processes re-engineering and efficient monitoring, development and implementation of an effective feedback and staff communication mechanism. Develop scenarios on dependency of processes and responsibilities.
		Identify routine administrative processes that can be further centralized through simplification and proper automation with a rules-based system. Complement this with a clear division of labour between field and HQ.
	7.Management & Corporate Culture	Improve management style. Ensure that managers learn to listen to their staff. Improve internal communication, emphasize staff meetings and new electronic forms of communication within Divisions, Branches and Units and between management and staff. Use more formal team work. Managers should set a good example.
		Allow time for intellectual/conceptual exchange. Reduce transaction work at all levels, in particular senior levels.
		Enter into dialogue and share ideas in order to identify and benefit from synergy opportunities, as well as address risks.
	8.Work Atmosphere & Environment	Explore innovative and creative work areas and ways of working. Enable team building, sharing knowledge of new ideas and opinions. Ensure that the understanding of UNIDO policy and strategies is improved and communicated in a better manner.
		Create a conducive environment via proactive sharing and exchange of information on situation analyses, challenges and problem solving.

Core Processes	9. Project Services	Simplify procedures and introduce progress monitoring systems. Ensure greater monitoring of quality aspects by senior management. Introduce BSC <sup>1</sup> with IT support to make the Organization more transparent.
		Make project services (de facto PSM and PCF) part of project delivery.
		Install knowledge- and information-sharing system. Enforce RBM-based reporting.
	10. Field Offices / Regional Offices	In order to improve the perception of the field offices' role, permit and actively expand an interchange of staff between field offices/ regional offices and HQ, especially for substantive Divisions, and include missions for training or other purposes. Use mobility policy as a tool to enhance understanding of both HQ and field perspectives. Make HQ-based administrative personnel part of review / improvement missions to field operations – (e.g. level of documentation, organization of that documentation). Have field administrative personnel come to HQ systematically in order to understand processes and get to know key personnel. Encourage URs to create their own 'UNIDO Country Teams' which cover all UNIDO project activities in a country. Capitalize on National Programme Officers as an enormous source of knowledge and experience to jump start activities in a given country and to assist in "making things happen".
		Improve communications and the flow of information between HQ and field offices. Give significantly more authority, accountability and responsibility to field offices so as to ensure timely project delivery. Amend internal controls so as to ensure better integration of field offices and HQ activities.
	11. Resource Allocation	Base allocation of resource on clear strategies.
		Use input from field offices / regional offices for more efficient resource allocation in order to improve opportunities. Always base the allocation of resources on strategic considerations.
	12. Donors Funding	Ensure good and up-to-date analyses of donor strategies and policies in order to consult and negotiate with them effectively.
		Develop closer and substantive relations with key donors and funds. Should a project encounter trouble, ensure that adequate responses can be provided. Improve reporting practices.
		Ensure a focused UNIDO image based on technical expertise.

<sup>1</sup> Balance Score Card

Supporting Processes (1/2)	13. HR Requirements, Levels, Hiring	De-bureaucratize HR policies and practices.
		Ensure proper succession planning, especially with field offices where personal relationships are vital.
		Develop career and competence development plans for staff. Improve career and retirement/succession planning drastically.
	14. Key Employees	Improve institutional memory and the knowledge-management base of UNIDO so as to limit dependence on individual staff.
		Provide for an effective, practical, timely and serious succession planning programme.
		Increase the possibilities for staff to document and share their knowledge by implementing efficient systems and tools.
	15. Performance and Motivation	Apply industry best practices for staff motivation and promote a change in culture.
		Improve communication between management and staff through performance interviews on a regular basis. Enable managers to allocate quality time with their staff at regular intervals and not only once a year for a performance review.
		Train managers in people management skills. Train all staff members so that open discussion on performance issues is seen as a normal feature of management. Train all staff in conflict resolution techniques.
	16. IT Strategy	Allocate necessary resources to achieve and sustain the level of advanced functionality. Provide sufficient resources for IT to function properly (people, software and hardware, as well as travel funds to train field staff as necessary).
		Develop a comprehensive and proactive IT strategy at a high level for the entire Organization, taking into consideration the priorities, available technologies and financial limitations of UNIDO.
		Ensure that the IT strategy supports and is generally aligned with the overall UNIDO strategy. Review and adapt it on a regular basis to meet reporting requirements.

Supporting P. (2/2)	17. Definition Availability of Information	Develop tools that make it easy to report on a regular basis.
		Look continuously at reporting requirements so as to eliminate redundant and obsolete reports and identify gaps.
		Develop a clear information strategy for the Organization.
	18. Knowledge Management	Develop a knowledge management strategy with clear objectives and benchmarks.
		Exchange best practices of knowledge management in-house.
		Introduce a proper system for capturing information.
External Factors	19. Member States	Promote open and consistent communication.
		Use communication as the best method for raising satisfaction levels among Member States.
		Encourage informal meetings to secure support in advance.
	20. Image / Reputation	Enhance the opportunity related to the public image of UNIDO by cultivating press relations at international and national levels.
		Develop and implement a communication strategy.

LIST grouped by Recommended Action

**Group I – Immediate actions recommended**

Restructuring (5)	Analyze and document the upside of planned changes, as well as the downside if fundamental changes do not take place.
	Implement measures to avoid failure and to keep staff motivation up. Involve participation of affected staff and let changes be owned by staff. Engage an independent, non-biased IT consultancy to review the current IT infrastructure and establish whether it offers the necessary business functionalities to enhance effectiveness and support changes planned within the context of the CM exercise.
	Support the CM project with a proper governance structure and provide resources so that it can deliver on its high expectations.
	Take restructuring decisions that can really unlock the Organization's existing potential - rather than hinder it.
Management & Corporate Culture (7)	Improve management style. Ensure that managers learn to listen to their staff. Improve internal communication; emphasize staff meetings and new electronic forms of communication within Divisions, Branches and Units and between management and staff. Use more formal team work. Managers should set a good example.
	Allow time for intellectual/conceptual exchange. Reduce transaction work at all levels, in particular senior levels.
	Enter into dialogue and share ideas in order to identify and benefit from synergy opportunities, as well as address risks.
Donors Funding (12)	Ensure good and up-to-date analyses of donor strategies and policies in order to consult and negotiate with them effectively.
	Develop closer and substantive relations with key donors and funds. Should a project encounter trouble, ensure that adequate responses can be provided. Improve reporting practices.
	Ensure a focused UNIDO image based on technical expertise.

HR Requirements, Levels, Hiring (13)	De-bureaucratize HR policies and practices.
	Ensure proper succession planning, especially with field offices where personal relationships are vital.
	Develop career and competence development plans for staff. Improve career and retirement/succession planning drastically.

### Group II – Actions strongly suggested

Organizational Structure & Flexibility (6)	The new structure decision should be based on performance feedback from the previous structure. Determine if the need for change is coming from an inadequate structure or other managerial problems. Promote “responsible” decentralization.
	Ensure that restructuring is accompanied by appropriate re-distribution of resources, business processes re-engineering and efficient monitoring, development and implementation of an effective feedback and staff communication mechanism. Develop scenarios on dependency of processes and responsibilities.
	Identify routine administrative processes that can be further centralized through simplification and proper automation with a rules-based system. Complement this with a clear division of labour between field and HQ.
Knowledge Management (18)	Develop a knowledge management strategy with clear objectives and benchmarks.
	Exchange best practices of knowledge management in-house.
	Introduce a proper system for capturing information.

### Group III – Actions recommended

Strategy Development (1)	Establish a mechanism to ensure strategy elaboration and implementation in close cooperation with Member States and other stakeholders. Define and promote key strategy elements with external parties more sharply.
	Ensure that UNIDO's strategies at all levels indicate how (a) the Organization will contribute to the achievement of MDGs and (b) they will be developed in a comprehensive and systematic manner.
	Show dependency of strategies on assumptions. Improve consistency of/eliminate disconnects between strategies at different levels in the Organization.
Strategy Implementation (2)	Improve the logic of the MTPF matrix. Define outcomes in a clearer, realistic, and measurable manner. Develop more appropriate indicators. Enhance information collection and sharing.
	Introduce formal annual work-plans with full planning cycle (plan-execute-monitor-evaluate) and link them to resource allocation. Prioritize actions to implement strategy. Eliminate the "we can do all at the same time with quality and speed" syndrome in view of available resources.
Strategic Partnerships (3)	Clearly show the areas where and how UNIDO can contribute to achieving the MDGs, and strategically seek institutions that can fill in the areas where UNIDO cannot effectively provide the services needed. Secure sensitive UNIDO information.
	Use partnerships more intensively in joint PR events and joint approaches to donors.
	In order to minimize risk of failure, standardize coordination with partners. When problems arise, find solutions at the working and senior management levels.
Field Offices / Regional Offices (10)	<p>In order to improve the perception of the field offices' role, permit and actively expand an interchange of staff between field offices/ regional offices and HQ, especially for substantive Divisions, and include missions for training or other purposes.</p> <p>Use mobility policy as a tool to enhance understanding of both HQ and field perspectives. Make HQ-based administrative personnel part of review / improvement missions to field operations – (e.g. level of documentation, organization of that documentation). Have field administrative personnel come to HQ systematically in order to understand processes and get to know key personnel. Encourage URs to create their own 'UNIDO Country Teams' which cover all UNIDO project activities in a country.</p> <p>Capitalize on National Programme Officers as an enormous source of knowledge and experience to</p>



	jump start activities in a given country and to assist in “making things happen”.
	Improve communications and the flow of information between HQ and field offices. Give significantly more authority, accountability and responsibility to field offices so as to ensure timely project delivery. Amend internal controls so as to ensure better integration of field offices and HQ activities.

#### Group IV – Actions to be analyzed further

Expansion Strategy (4)	Should the change management (CM) initiative create additional capacity beyond current demand, search even more forcefully for new business. Align strategy periodically with the expansion of activities and allocation of resources, taking into account forecasts of resource availability, prevailing industrial development trends and the competitive advantages of UNIDO.
	Ensure that the delivery capacity of UNIDO can absorb additional business.
	Limit the expansion strategy to deepening the involvement of UNIDO in the three programmatic thematic areas and expanding coverage in terms of additional countries covered - not in terms of expanding thematic coverage. Evaluate the situation periodically and act accordingly.
Work Atmosphere & Environment (8)	Explore innovative and creative work areas and ways of working. Enable team building, sharing knowledge of new ideas and opinions. Ensure that the understanding of UNIDO policy and strategies is improved and communicated in a better manner.
	Create a conducive environment via proactive sharing and exchange of information on situation analyses, challenges and problem solving.
Project Services (9)	Simplify procedures and introduce progress monitoring systems. Ensure greater monitoring of quality aspects by senior management. Introduce BSC <sup>2</sup> with IT support to make the Organization more transparent.
	Make project services (de facto PSM and PCF) part of project delivery.

<sup>2</sup> Balance Score Card

	Install knowledge- and information-sharing system. Enforce RBM-based reporting.
Resource Allocation (11)	Base allocation of resource on clear strategies.
	Use input from field offices / regional offices for more efficient resource allocation in order to improve opportunities. Always base the allocation of resources on strategic considerations.
Key Employees (14)	Improve institutional memory and the knowledge-management base of UNIDO so as to limit dependence on individual staff.
	Provide for an effective, practical, timely and serious succession planning programme.
	Increase the possibilities for staff to document and share their knowledge by implementing efficient systems and tools.
Performance and Motivation (15)	Apply industry best practices for staff motivation and promote a change in culture.
	Improve communication between management and staff through performance interviews on a regular basis. Enable managers to allocate quality time with their staff at regular intervals and not only once a year for a performance review.
	Train managers in people management skills. Train all staff members so that open discussion on performance issues is seen as a normal feature of management. Train all staff in conflict resolution techniques.
IT Strategy (16)	Allocate necessary resources to achieve and sustain the level of advanced functionality. Provide sufficient resources for IT to function properly (people, software and hardware, as well as travel funds to train field staff as necessary).
	Develop a comprehensive and proactive IT strategy at a high level for the entire Organization, taking into consideration the' priorities, available technologies and financial limitations of UNIDO.
	Ensure that the IT strategy supports and is generally aligned with the overall UNIDO strategy. Review and adapt it on a regular basis to meet reporting requirements.
Definition Availability of Information (17)	Develop tools that make it easy to report on a regular basis.
	Look continuously at reporting requirements so as to eliminate redundant and obsolete reports and identify gaps.
	Develop a clear information strategy for the Organization.

Member States (19)	Promote open and consistent communication.
	Use communication as the best method for raising satisfaction levels among Member States.
	Encourage informal meetings to secure support in advance.
Image / Reputation (20)	Enhance the opportunity related to the public image of UNIDO by cultivating press relations at international and national levels.
	Develop and implement a communication strategy.

## 4. Roll-Out of Risk Management

The roll-out phase of the project has not yet started. It will include the following steps:

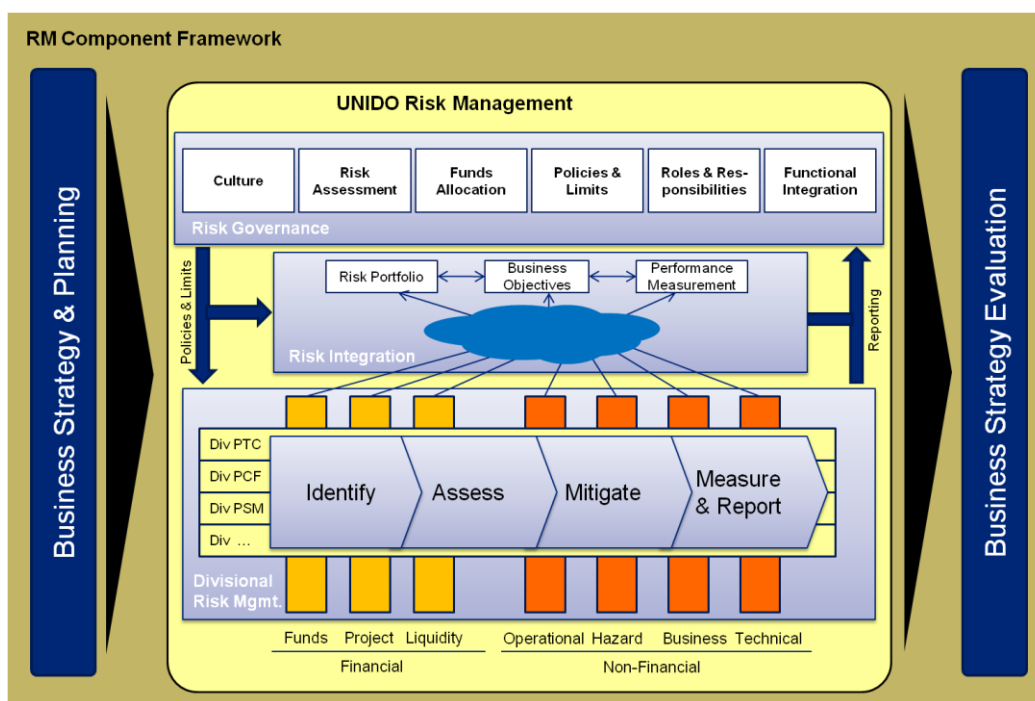
- (1) Define the risk and opportunity management **strategy** with senior management;
- (2) Define the detailed risk management **processes** within UNIDO;
- (3) **Roll out** the risk and opportunity management system in all Divisions and for all UNIDO processes;
- (4) Conduct a series of **workshops** for each Division to establish a common perception of risks and opportunities, as well as set priorities for improvement actions;
- (5) **Integrate** existing risk management processes of Divisions and projects into the new UNIDO-wide risk management system;
- (6) Implement and follow up on the **action plan** to ensure that the TOP risks and opportunities of the Organization are effectively integrated in the UNIDO Internal Control Framework;
- (7) **Assess** the newly implemented controls at HQ and in the field offices to determine whether they support the Organization's strategy effectively;
- (8) **Train** UNIDO staff so that they can run the risk and opportunities management system independently.

### 1. Risk & Opportunity Management Strategy

A sound and well elaborated risk and opportunity management strategy is key to the successful rollout of a risk management system. It should be in line with the Organization's overall strategy and provide a framework for implementing the risk management system. The strategy, therefore, has to be defined and/or approved by senior management.

A risk and opportunity risk management strategy shall, *inter alia*, comprise such features as a clear and generally accepted definition of risk and opportunity, the objective(s) of the risk management system, the Organization's risk appetite, and preferred measures of risk response.

## 2. Definition of RM Processes



Based on the general principles defined in the risk and opportunities strategy, the Organization has to define its risk management processes in detail.

Properly defined risk management processes will ensure that at any point in time, management has a clear picture of: the Organization's overall risk exposure, of the key risks contributing to that exposure, the effectiveness and efficiency of the risk mitigating measures implemented; and the vulnerability and preparedness of the Organization in case of risk occurrence.

## 3. Roll-out of RM System

This step, together with the definition of the risk management processes, is the most intensive one. The risk and opportunity management system defined in the previous step is to be rolled out for the entire Organization at the process level. Risk management processes have to be integrated into all Divisions and projects.

#### **4. Workshops**

Several measures may support the achievement of the above objectives. *Inter alia*, a series of workshops at the Division level will establish a common perception of risks and opportunities as well as set priorities for improvement actions.

The training of UNIDO staff members is also of paramount importance. This will not only enable them to run the risks and opportunities management system independently, but it will also engender a risk awareness throughout the Organization.

#### **5. Integration of Existing Processes**

Emphasis will also be laid on integrating existing risk management processes in Divisions and projects and aligning them with the new Organization-wide risk management system.

#### **6. Action Plan Execution**

After having identified the 20 top risks and opportunities, workshop participants prepared an action plan to respond to those risks and opportunities. Before embarking on the implementation stage, the action plan has to become “operationable” by defining persons responsible and setting the time frame. If necessary, the actions planned may have to be adjusted to the defined risk and opportunity management strategy. Approval of the final action plan by senior management (or possibly even higher bodies) will enhance the commitment of those responsible to completing each action.

#### **7. Assessment of Controls**

UNIDO’s Office of Internal Oversight Services (IOS) could play an important role in this step by virtue of its audit and advisory capacity. The Office’s knowledge of the Organization’s processes and experience in internal controls and other risk mitigating measures shall be utilized by the Organization. Finally, follow-up reviews will provide senior management with useful information on their implementation status.

## **8. Staff Training**

UNIDO staff should be aware of the defined risk and opportunity management processes and the requisite strategy, if they are to support it effectively. It is essential that information about the risks, reporting lines and processes be known and followed by all staff.

A common understanding across the Organization (both at HQ and in the field) is needed to embed risk management in the regular risk management activities. Training in management functions actively involved in risk and opportunity assessments is a pre-requirement for assessing risks and opportunities within this aligned framework.

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