



United Nations Industrial Development Organization

Distr.: General
15 September 2009

Original: English

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, provides Member States with a progress report on the feasibility study in relation to the change management initiative and updates the status of unutilized balances of appropriations.

I. Introduction

1. The note by the Director-General on unutilized balances of appropriations (IDB.36/12) provided, among others, detailed information on a proposed change management (CM) initiative at UNIDO and the need for strategic investment in time and resources for this purpose. As contained in the document, the initiative would inter alia enable the Organization to:

- (a) Achieve a significant transformation of the Organization's management processes and delivery mechanisms into a desired state of enhanced results orientation, effectiveness, efficiency and risk management;
- (b) Meet efficiently and effectively the challenge posed by an accelerating growth in demand for its services;
- (c) Meet requirements of both government donors and dedicated funds;
- (d) Enable reporting in accordance with the principles of results-based management (RBM);
- (e) Achieve greater decentralization;

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(f) Harmonize business practices between United Nations system organizations.

2. The revised proposal by the Director-General on unutilized balances of appropriations (IDB.36/12/Add.1) provided, among others, information on the proposed investment in change management covering the following subjects:

- (a) The need for change;
- (b) The way forward, including information on current UNIDO information technology (IT) systems and infrastructure;
- (c) The change management strategy;
- (d) The expected results;
- (e) The road map;
- (f) The financial plan.

3. In addition, three informal consultations were held on 4 June, 10 June and 19 June 2009, during which additional information and/or clarifications on a wide range of issues were provided and an extensive exchange of views took place between the Secretariat and representatives of Member States.

4. While taking note of the proposals by the Director-General on unutilized balances of appropriations as contained in documents IDB.36/12 and Add.1, and the report by the Vice-Chairman of the Programme and Budget Committee (IDB.36/26), the Industrial Development Board in its decision IDB.36/Dec.12 requested the Director-General inter alia 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 (ERP) system for the Organization, as well as the possible alternatives for its funding.

II. Scope of the feasibility study

5. Taking into account the above Board decision and questions raised during the informal consultations held in June 2009, the terms of reference (ToR) for the feasibility study were prepared in July 2009. The study will assess in a comprehensive manner the change management initiative, including its components, such as business process reengineering (BPR) and the deployment of an ERP system. The report will cover the following:

- (a) Review and analysis of the Organization's current business processes and systems;
- (b) Viable alternatives to reap efficiency gains for UNIDO to double its service delivery in the next four to five years and give it the flexibility to meet changing circumstances, including reporting based on RBM principles;
- (c) Quantitative and qualitative indicators covering four functional areas (namely, project management, human resource management including payroll, procurement and financial services);

- (d) Assessment of the urgency of the change management initiative, various risks and long-term impacts;
- (e) Rigorous cost/benefit analysis and efficiency gains;
- (f) Detailed breakdown of internal/external costs and resources (for example, experts, external implementation partner, hardware cost, software license and maintenance fees);
- (g) Implementation strategy (for example, rapid versus phased or staggered implementation over a longer period);
- (h) Linkages between change management, BPR and ERP;
- (i) Funds needed for the initiative and nature of investment (i.e. one-time investment and future budgetary implications);
- (j) Roles, responsibility and accountability of various stakeholders;
- (k) Implementation plan on the way forward listing steps required during the period 2010 to 2012 (for example, clear timelines, detailed cost estimates, performance indicators/milestones, critical success factors, risks, interdependencies/inter-linkages and quick wins).

III. Actions initiated for the feasibility study

6. The request for proposal (RfP) was issued on 27 July 2009 to several world renowned consulting companies with a deadline for submission of bids by 14 August 2009. The RfP was also posted on UNIDO's website to attract other qualified companies. Several proposals were received by the deadline. The technical and commercial evaluations were carried out during the week of 17 August 2009, and following due process in accordance with the Financial Rules of UNIDO, the contract was awarded to the successful bidder at a total cost of €209,500. The selected company started its work on 31 August 2009.

7. The contractor has deployed seven full-time consultants/experts who will work for a total of 175 work days during the period September to early December 2009. All of them are experienced professionals having extensive prior organizational assessment experience in change management, BPR and ERP in the public sector in complex environments, but also in the four functional areas identified by UNIDO (project management, human resource management including payroll, procurement and financial services).

8. To ensure full cooperation with the contractor and the successful completion of the task within the shortest possible time, the Director-General has also established an internal framework, comprising a Steering Committee, a Project Management Team and project teams covering various functional areas. A number of field offices are also participating in this important undertaking to ensure that their operational needs and requirements are fully taken into account. The staff at large (both Headquarters and field) has also been requested to extend their full cooperation and support to the consulting team.

9. A briefing for Member States is being planned for 13 October 2009. At that briefing, the contractor will present key findings and recommendations on the way

forward. This briefing will provide an opportunity for the Member States to ask for any further clarifications that may be required for taking an informed decision. Taking into account the feedback from Member States, the feasibility report should be completed by mid-October 2009. Additional briefing(s) for the Member States will be held as required.

10. The contractor will also prepare an implementation plan before the end of November 2009. This will include a road map that sets out critical tasks to be undertaken during the period 2010 to 2012.

11. The documents relating to the feasibility study and the implementation plan will be shared with the Member States in due course.

IV. Status of unutilized balances

12. Document IDB.36/12 provided information on the unutilized balances of appropriations due as of 31 March 2009. In accordance with PBC conclusion 2009/3 on unutilized balances of appropriations, the amount of €6.8 million that should be returned to Member States in accordance with relevant Financial Regulations of UNIDO, was shown as Annex II of document IDB.36/CRP.2. The table below updates the collected amounts as at 31 August 2009. This information will again be updated in a conference room paper for the thirteenth session of the General Conference.

V. Balances due to Member States in 2010 (as of 31 August 2009)

<i>Balances</i>	<i>Amount (€ million)</i>
Unutilized balances arising from biennium:	
2000-2001	2.1
2002-2003	3.2
2004-2005	1.7
2006-2007	2.6
Subtotal unutilized balances	9.6
Excess interest income	2.4
Total	12.0

VI. Action required of the General Conference

13. The General Conference may wish to consider allowing UNIDO to retain the unutilized balances of appropriations in the amount of €8 million for the change management initiative and the balance for technical cooperation programmes.