Agenda Item 06

UNDP: 2023 THIRD PARTY REVIEW OF MINIMUM FIDUCIARY STANDARDS

Recommended Decision:

The Council, having considered document GEF/C.66/11, *UNDP: 2023 Third Party Review of Minimum Fiduciary Standards,*

1. Notes with appreciation the collaboration of UNDP in the self-assessment and review process.

2. Notes the findings of the *Third-Party Review of the United Nations Development Programme (UNDP) Compliance with the GEF Minimum Fiduciary Standards Report November 2023* confirming the UNDP self-assessment and full compliance with GEF Minimum Fiduciary Standards.

3. Notes that the additional requirements related to UNDP described in Decision 26/2021, to be discontinued in December 2023, are no longer needed at this time.

Table of Contents

GEF SECRETARIAT SUMMARY: UNDP 2023 SELF-ASSESSMENT AND REVIEW

INTRODUCTION

1.   This document presents the final report of the independent Third-Party Review of compliance by UNDP with the GEF Policy on Minimum Fiduciary Standards for 2023 (the "Review"), undertaken by an independent Third Party Reviewer (Mr. John Fitzsimon, the "Reviewer").

2.   The Review follows the first review of UNDP undertaken in 2021 (GEF/C.61/04) and subsequent review in 2022 in the context of the Third Party Review of all Agencies against GEF minimum standards (GEF/C.64/Inf.09).

3.   The Review was prepared independently by the Reviewer, in accordance with the decision of Council and requirements of GEF policy. In accordance with GEF Policy, the Secretariat has respected the full independence of the Reviewer throughout the process, who engaged directly with UNDP and other sources to gather information. The Secretariat also conveyed to the Reviewer information on potential cases raising risks of non-compliance relevant to the assessment, including information available to the Secretariat about the grievance and whistleblower cases involving GEF-funded projects.

4.   The Reviewer's summary report is attached. A detailed matrix containing the updated self-assessment and additional detailed information with respect to compliance with each standard, along with supporting documentation, has also been provided to the Secretariat. As some of the material has been provided on a confidential basis, the material is treated with confidence in accordance with the information disclosure practices of the Secretariat.

BACKGROUND

5.   In light of available information from UNDP and other sources, the Council decided at its 59th Session in December 2020 to accelerate the independent Third-Party Review of UNDP compliance with the GEF Policy on Minimum Fiduciary Standards, normally required to begin in the final year of the replenishment cycle (i.e. in 2022). This first Review was considered by the Council at its 61st Session in December 2021 and the Council decided to require additional reporting, checklists and circulation period to Council for all UNDP projects and that a follow-up self-assessment and third-party review should be undertaken and submitted to Council by December 2022 and another review of implementation be undertaken in 2023.[1] The Decision 26/2021 required that:

> :..all projects included in the Work Program implemented by UNDP be circulated by e-mail for Council review at least four weeks prior to CEO endorsement / approval. This shall take place until this requirement is reconsidered by the Council at its 65th meeting in December 2023. Project reviews will take into consideration the relevant findings of

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the UNDP audits and the management responses and note them in the endorsement review sheet that will be made available to Council during the 4-week review period."

6.   The 2022 Third Party Review of UNDP determined that UNDP had reached the status of compliance with the GEF policies, including implementation capacity as similarly assessed for the other GEF Agencies in the review.[2] The Council requested that reporting on the implementation of all UNDP Management Action Plan items should continue and, in light of the critical importance of implementation of the action plan items and UNDP's prominent role in the implementation of GEF projects and programs, the additional requirements described above for UNDP continue in accordance with the timeline described in Decision 26/2021, accompanied by monthly reporting to Council.[3]

7.   Finally, Council decided that UNDP should provide a revised self-assessment, prior to June 30, 2023, to be independently reviewed and submitted to Council for decision at its 65th meeting (now 66th meeting due to the additional virtual meeting held in October 2023):

> *"Request UNDP to provide an updated self-assessment by June 30, 2023 and the Secretariat to commission an Independent Third-Party Review to be presented to the Council at its 65th meeting in December 2023, with a focus on actions by UNDP that need a longer timeframe to be assessed, and any other potential issues of compliance that might still be present."[4]*

FINDINGS AND GEF SECRETARIAT RECOMMENDATION

8.   UNDP provided the self-assessment as required prior to June 20,2023 and the Review was carried out between July and October 2023, relying on the UNDP self-assessments and documentation from UNDP and other sources. The Secretariat finds the Review to be comprehensive, complete and of high quality and the extensive supporting detailed matrices thorough and complete.

9.   The Review finds that UNDP has addressed the gaps identified in the previous self-assessments and independent reviews and concurs with UNDP's June 2023 self-assessment. It reconfirms areas where the 2021 and 2022 third-party reviews had previously confirmed compliance, reviewing updated evidence of continued effectiveness under each GEF sub-standard.

10.   The Executive Summary provides an overview of the findings and areas that had been of particular interest and concern, including Project Completion and Financial Closure, which has improved since 2021. Where the 2021 Review had found partial compliance, the Review goes into further depth and finds similar positive developments and now compliance.

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[2] Third Party Review of Agency Compliance with GEF Minimum Standards (GEF/C.63/09/Rev.1)
[3] https://www.thegef.org/sites/default/files/documents/2021-12/EN_GEF_C.61_Joint_Summary_of_the_Co_Chairs.pdf
[4] Council Decision 26/2021 (v)

11. In light of the Review findings, the Secretariat supports the conclusion that the additional measures in place for UNDP are no longer required.

12. One area for continued monitoring by the Secretariat and Council relates to the separation of implementation and execution functions in UNDP's GEF portfolio and the prevalence of UNDP providing support to execution functions under projects implemented and supervised by UNDP as a GEF Agency. Both the Review and UNDP's 2023 OAI GEF audit notes the need for greater scrutiny of the justifications for these arrangements.

Attachment: THIRD-PARTY REVIEW OF THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) COMPLIANCE WITH THE GLOBAL ENVIRONMENT FACILITY (GEF) MINIMUM FIDUCIARY STANDARDS, November 2023

THIRD-PARTY REVIEW OF THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) COMPLIANCE WITH THE GLOBAL ENVIRONMENT FACILITY (GEF) MINIMUM FIDUCIARY STANDARDS

REPORT

NOVEMBER 2023

JOHN FITZSIMON

THIRD-PARTY REVIEWER

**THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS
2023**

TABLE OF CONTENTS

**THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS
2023**

TABLE OF ABBREVIATIONS

Abbreviation	Definition
AEAC	UNDP Audit & Evaluation Advisory Committee
AML-CFT	Anti-money Laundering and Countering the Financing of Terrorism
BMS	UNDP Bureau of Management Services
BMS-BPC	UNDP Budget, Performance and Compliance Unit
BMS-OP	UNDP Office of Procurement
BPPS	UNDP Bureau for Policy and Programme Support
BPPS-NCE	UNDP Nature, Climate and Energy Team
CARDS	Comprehensive Audit and Recommendation Database System
CO	UNDP Country Office
COI	Conflict of Interest
CPU	Corporate Performance Unit in the UNDP Executive Office
DIM	Direct Implementation Modality
DO	Development Objective
EG	UNDP Executive Group
ERM	Enterprise Risk Management
FDP	Financial Disclosure Program
GEF	Global Environment Facility
GMFS	GEF Minimum Fiduciary Standards
GSSU	UNDP Global Shared Services Unit
HACT	Harmonized Approach to Cash Transfer
IAT	OAI Investigations Unit Information and Analysis Team
IBTF	UNDP Inter-Bureau Task Force
ICF	Internal Control Framework
IEO	Independent Evaluation Office
IIA	Institute of Internal Auditors
IP	Implementation Progress
IPSAS	International Public Sector Accounting Standards
LPAC	Local Project Appraisal Committee
M&E	Monitoring and Evaluation
MPSU	Management and Programme Support Unit
MTR	Mid-Term Review
NIM	National Implementation Modality
OAI	UNDP Office of Audit and Investigations
OPG	UNDP Organizational Performance Group
ORCA	Vertical Funds Oversight Readiness Capacity Assessment
PaR	Protection Against Retaliation
PCAT	Partner Capacity Assessment Tool
PIF	Project Identification Form

PISC	Pre-Investment Screening Committee
PIMS+	Project Implementation Management System
PIR	Project Implementation Report
POPP	Programme and Operations Policy and Procedures
PTA	Principal Technical Advisor
QA	Quality Assurance
RACI matrix	Responsible, Accountable, Consult, Inform matrix
RBx	UNDP Regional Bureaux
ROAR	Results-Oriented Analysis Report
RPA	Regional Procurement Advisor
RTA	Region-based Technical Advisor
SES	Social and Environmental Standards
SOP	Standard Operating Procedures
TPR	Third Party Review
UN	United Nations
UNBOA	United Nations Board of Auditors
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group
UNGM	United Nations Global Market Place

THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS 2023

<u>EXECUTIVE SUMMARY</u>

An independent third-party review of UNDP's June 2023 self-assessment against the GEF Minimum Fiduciary Standards (GMFS) has been completed over the period July-October 2023. The review was undertaken pursuant to a terms of reference from the GEF Secretariat and in accordance with the scope and principles for such reviews contained in the GEF *Policy on Monitoring Agency Compliance with GEF Policies* and the GEF *Policy on GEF's Minimum Fiduciary Standards.* The objective of the review was to conclude and report on the reasonableness of UNDP's 2023 self-assessment and to provide a risk-based assessment of any remaining gaps or issues the GEF Secretariat and Council should continue to monitor.

The above Policies provide that GEF Agencies undertake a self-assessment of compliance once per GEF Replenishment Cycle, which is then subject to an independent third party review.   The process also encompasses compliance with the GEF *Policy on Agency Minimum Standards on Environmental and Social Safeguards*, and the GEF *Policy on Gender Mainstreaming*. These are outside the scope of the current exercise.

UNDP completed and updated full self-assessments of its compliance with the GMFS in 2021 and 2022, each of which were subject to third-party reviews reported to the GEF Council. The 2021 exercise confirmed gaps, identified earlier in an audit of the GEF portfolio by UNDP's Office of Audit and Investigation (OAI) and other independent reviews. These were the subject of an ambitious UNDP management action plan, and the 2022 exercise concluded that UNDP had reached full compliance. The GEF Council anticipated at its December 2021 meeting that the process would continue through 2023, with a further UNDP self-assessment in 2023 subject to a further third-party review. This was confirmed by the Council at its November-December 2022 meeting.

The GMFS comprise 14 standards, broken down into 78 sub-standards. UNDP submitted an updated self-assessment in June 2023 indicating that it has maintained full compliance with the GMFS. The 2023 third-party review was carried out between July and October 2023, and comprised a review of worksheets summarizing the basis of UNDP's self-assessments of each sub-standard of the GMFS, together with a large amount of documentation providing evidence of the current policies, procedures, supporting systems and capacity in place and the effectiveness with which they have been implemented up to June 2023. Where necessary additional information was requested from UNDP and document review was supplemented with a visit to UNDP headquarters in September 2023.   The reviewer also examined other sources of information to identify areas where risk of non-compliance with GEF policy has been identified, such as recent UN Board of Auditors and UNDP OAI audit reports.

The 2023 review concurs with the June 2023 UNDP self-assessment. For those GMFS where both 2021 and 2022 third-party reviews had previously confirmed compliance, the 2023 review

reconfirmed this, and updated the evidence of continued effectiveness under each sub-standard. These comprise:

- I.4 Project Completion and Closure
- I.5 Evaluation Function
- II.1 External Financial Audit
- II.4 Financial Disclosure/Conflict of Interest
- II.5 Code of Ethics/Conduct
- II.6 Internal Audit
- II.7 Investigation Function

In the case of Project Completion and Financial Closure, the level of overdue financial closures had historically been an issue for UNDP's GEF portfolio. The 2023 third-party review notes that UNDP had, through sustained attention since 2021 and enhanced measures in 2023, reduced the level of financial closures overdue to less than 3% of the portfolio at the time of the review.

For the other GMFS where the 2021 third-party review had concluded partial compliance, and while noting that the 2022 review considered these were now sufficiently met, the 2023 review went into further depth to assess the current status, taking into account institutional strengthening measures implemented since 2021 through to mid-2023. In each case the 2023 review confirms that UNDP meets these standards and their respective sub-standards. These comprise:

- I.1 Project Appraisal Standards
- I.2 Procurement Processes
- I.3 Monitoring and Project-at-Risk Systems
- II.2 Financial Management and Control Frameworks
- II.3 Oversight of Executing Entities
- II.8 Hotline & Whistleblower Protection
- II.9 Anti-Money Laundering and Combatting the Financing of Terrorism (AML-CFT)

Particular changes in the 2021-2023 period which have been influential in strengthening UNDP's overall capacity to effectively comply with the GMFS are the roll-out and implementation of a new cloud-based digital platform, called Quantum, providing more robust embedded controls and monitoring information; significant progress in clustering key business processes within the Global Shared Services Unit (GSSU), mitigating financial risk at Country Office (CO) level; continued functioning of an Inter-Bureau Task Force (IBTF) which has driven behavior and cultural enhancements within UNDP for sustained change and to apply learning from the OAI 2020 GEF audit across the GEF portfolio and beyond for organization-wide impact; and implementation of the first phase of the People for 2030 Strategy, which has led to a number of revisions to human resources management (including competency framework, recruitment, mobility, performance

management and staff/leadership development) with a view to promoting better performance and dealing more effectively with underperformance.

Some more specific measures taken include the roll out (underway) of a more structured assessment of UNDP internal capacity, including at CO level, before accepting new programs/projects and now being applied to all new GEF project proposals; the application of enhanced quality assurance measures for project appraisals; additional measures for regular review on a portfolio basis by Regional Bureaux (RBx) and the Bureau for Policy and Programme Support (BPPS) of program/project performance drawing on improved risk dashboards; updates to the Policy against Retaliation in favor of whistleblowers; and the implementation of a comprehensive AML-CFT policy and supporting systems.

The results of recent UN Board of Auditors (UNBOA) and OAI audits indicate that UNDP's efforts to address the OAI 2020 GEF audit are bearing fruit.   The UNBOA 2021 report (issued July 2022) observed that the tools and procedures established in response to the OAI 2020 GEF audit could serve as a good starting point for determining wider institutional strengthening measures. OAI audits in all five UNDP Regions of project monitoring and oversight practices and a 2023 audit of the management of the GEF portfolio had overall conclusions of "satisfactory (some improvement needed)" and there has not been a repeat of the red flag issues raised in 2020.

The separation of implementation and execution functions in UNDP's GEF portfolio has historically been the subject of scrutiny. The risks of blurred lines arises primarily in projects under National Implementation Modality (NIM) where UNDP COs provide supporting services under letters of agreement. While mitigating measures to avoid these risks are in place, the 2023 OAI GEF audit did highlight the need for greater scrutiny of the justifications for these arrangements.

It is the conclusion of this review that UNDP can now be treated on the same footing as other GEF Agencies with respect to monitoring adherence to the GMFS and further self-assessment exercises and third party reviews can be scheduled according to the regular cycle established under the GEF *Policy on Monitoring Agency Compliance with GEF Policies*. While there are issues for UNDP management to continue following up, there are no remaining gaps or issues which the reviewer believes the GEF Secretariat and Council should continue to monitor beyond the required regular GEF agency reporting.

The 2023 third-party reviewer expresses appreciation for the efforts applied by UNDP in the preparation of the self-assessment, the prompt responses to follow-up review questions and making personnel and information available during the September visit to UNDP headquarters.

**THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS
2023**

This contributed to an efficient process enabling the review to be completed over the July-October 2023 period.

THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS 2023

DETAILED REPORT

INTRODUCTION

Background

1.   The United Nations Development Programme (UNDP) is an Implementing agency of the Global Environment Facility (GEF) and as of mid-2023 had built a portfolio of 729 GEF projects implemented in 140 countries. Since the GEF Pilot phase through to the GEF-7 replenishment cycle, UNDP mobilized US$7.4 billion in GEF resources.   UNDP accounts for a significant proportion of the total portfolio of GEF projects implemented through GEF agencies.

2.   The Policy on Monitoring Agency Compliance with GEF Policies[5] and the Policy on GEF's Minimum Fiduciary Standards (GMFS)[6] require GEF Agencies to undertake a self-assessment of compliance once per GEF Replenishment Cycle, which is then subject to an independent third party review (TPR). The process also encompasses compliance with the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards, and the GEF Policy on Gender Mainstreaming. These are outside the scope of the current exercise. The TPR of compliance with the GMFS is to be undertaken by an external expert with extensive experience and credibility on fiduciary standards issues.

3.   There are two aspects of the evaluation:

- Policy alignment, i.e. the GEF Agency has the policies and supporting procedures that address the requirements set out in the GMFS; and
- Capacity and effectiveness, i.e. the GEF Agency has the suitably qualified or trained people and adequate systems in place to implement these policies and procedures, and can show a track record of implementation.

4.   The standard exercise for GEF-7 for each Agency comprised:

- a 2019 self-assessment of compliance with a new standard on anti-money laundering and countering terrorist financing (AML-CFT), added to the GMFS in 2018 prior to a more general update in December 2019;
- a self-assessment of policy alignment in 2020 with the other GMFS, as updated in December 2019;
- a full self-assessment, including capacity and effectiveness, against all standards in 2021;
- an independent TPR undertaken in 2022, overseen by the GEF Secretariat;

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[5] Policy ME/PL/02 October 27, 2016
[6] Policy GA/PL/02 December 19, 2019

- at each stage, any gaps identified by the Agency or the TPR resulted in a time-bound action plan with progress periodically reported to the GEF Council.

5.   This process was varied in the case of UNDP. Its Office of Audit and Investigation (OAI) completed an internal audit of UNDP's management of its GEF project portfolio and reported the results in December 2020[7]. While the earlier self-assessments indicated policy alignment, the OAI audit identified substantial gaps, primarily in capacity and effectiveness, that required remedial action. An independent review of issues relating to a UNDP GEF project in Russia, which reported in January 2021 ("Systems and Silos" report) also identified issues concerning adequacy of monitoring and action on reported problems[8]. As a result, the GEF Council requested an accelerated TPR against a UNDP full self-assessment in 2021. This review[9] independently confirmed that gaps remained but also the positive direction that UNDP was taking under an ambitious management action plan to respond to the OAI findings. A second TPR, finalized in December 2022[10], concluded that those gaps had been closed as a result of actions taken by UNDP in the intervening period.

6.   At its 61st meeting in December 2021, the GEF Council had requested in Decision 26/2021 that, following the 2022 exercise, UNDP provide an updated self-assessment by June 30, 2023 and that the Secretariat commission an independent TPR to be presented to the Council at its end of 2023 meeting (now the 66th meeting scheduled to be in early 2024), with a focus on actions by UNDP that need a longer timeframe to be assessed, and any other potential issues of compliance that might still be present. The GEF Council confirmed[11] at its 63rd meeting in November-December 2022 that the measures related to UNDP described in Decision 26/2021 should continue; to be reviewed after Council has considered the additional UNDP self-assessment and TPR planned for 2023.

7.   UNDP submitted its 2023 self-assessment to the GEF Secretariat in June 2023, indicating that it continued to fully meet all GMFS both in terms of (i) policy alignment and (ii) capacity and effectiveness in applying its policies.

8.   This report has been prepared by an independent third party reviewer engaged by the GEF Secretariat to review and conclude on UNDP's 2023 self-assessment. The review work was carried out between early July and October 2023.

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[7] Performance Audit of UNDP Global Environment Facility Management | GEF (thegef.org)
[8] 3216_Independent_Review_UNDP_GEF_Project_Final_Report.pdf (thegef.org)
[9] Document GEF/C.61/04, October 25, 2021
[10] Document GEF/C.64/Inf.09, May 8, 2023
[11] Council Decision 35/2022, December 2, 2022

THIRD-PARTY REVIEW OF UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS 2023

Objective of the Review

9. In accordance with the terms of reference for the assignment, the objective of the current third party review was to conclude and report on the reasonableness of UNDP's 2023 self-assessment and to provide a risk-based assessment of any remaining gaps or issues the GEF Secretariat and Council should continue to monitor.

Approach to the Review

10. UNDP submitted, through a secure document sharing platform, worksheets summarizing the basis of its self-assessments of each sub-standard of the GMFS, together with a large amount of documentation providing evidence of the current policies, procedures, supporting systems and capacity in place and the effectiveness with which they have been implemented up to June 2023. Where necessary additional information was requested from UNDP and the document review was supplemented with a site visit to UNDP headquarters in September 2023. The reviewer also examined other sources of information to identify areas where risk of non-compliance with GEF policy has been identified, such the most recent UN Board of Auditors (UNBOA) report (issued in 2022 and 2023) and UNDP OAI audit reports, including the following[12]:

- Follow-Up Audit of UNDP's GEF Management (January 2022)
- Performance Audit of UNDP Implementing Partners (May 2022)
- Performance Audit of the Regional Bureau for Arab States (December 2022)
- Annual Report 2022 of OAI (March 2023) and UNDP Management Response
- Regional Thematic Audits of Project Monitoring and Oversight Practices in UNDP - Consolidation (April 2023)
- Performance Audit of the Regional Bureau for Asia and the Pacific (June 2023)
- Performance Audit of UNDP's GEF Management (July 2023)

11. As well as examining those GMFS sub-standards which had gaps identified in the UNDP 2020 internal audit and the 2021 TPR, the review also included work to confirm continued compliance with all other sub-standards. The review took account of policy, system and other changes which occurred since 2021 and focused on the current status of implementation.

12. The review was cognizant of and applied the scope and principles for review of the GMFS set out generally in the *Policy on Monitoring Agency Compliance with GEF Policies* and more specifically in paragraph 11 of the *Policy on GEF's Minimum Fiduciary Standards.* The reviewer observed the principles relating to obtaining reasonable assurance, applying comparability concepts that allow Agencies flexibility in establishing ways to meet the GMFS appropriate to

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[12] OAI internal audit reports are disclosed publicly at: Audit Public Disclosure | UNDP

their circumstances, and timely communication with the Agency on findings and conclusions during the course of the review to allow time for adequate responses. All requests for additional information were satisfactorily responded by UNDP. The review included examination of policies, examples of policy or system implementation and walk-throughs of processes, but has not included testing to a level that would make it an audit. However, as indicated above, it did review and rely on the conclusions of credible independent audits to support conclusions on compliance.

13. The GMFS represent minimum requirements and are expected to be met on an ongoing basis. The control systems of effective organizations will always be in a state of dynamic adjustment to respond to lessons learned, changing external environment, evolving best practice and emerging risks and challenges. Improvements made may not only address gaps to minimum requirements which have been made evident from internal or external assessments, but also seek go beyond this to improve performance and meet rising expectations of stakeholders. The reviewer, as third party reviewers before, thus applied judgement as to when long term change processes had reached a point of meeting GMFS for the purposes of this review, i.e. achieved minimum requirements and were sufficiently established as to be considered sustainable, and/or if any required further monitoring.

Overview of UNDP 2021-2023 Improvement Efforts

14. Headquartered in New York, UNDP is a large, decentralized organization with a presence in 170 countries and territories, the largest of any entity in the United Nations System. This includes a presence in very fragile states with limited government capacity and difficult security environments. Its large portfolio of programme and project activities are mostly developed and implemented through an extensive network of Country Offices (COs), assisted by five Regional hubs, overseen by the five Regional Bureaux (RBx) and supported by headquarters-based Bureaux and Offices. UNDP's global network of COs and experience in the complex areas of integrated policy development, human resources development, institutional strengthening, and non-governmental and community participation have been identified as its comparative advantages as a GEF Implementing Agency.

15. At the same time these particular features of UNDP have brought significant challenges for managing risks, ensuring internal control compliance, efficiency and effectiveness. The 2020 OAI audit of UNDP's GEF management highlighted risk management and compliance shortfalls in a way that led to focused attention at top levels of the organization to remedial measures aimed not only at addressing GEF-specific concerns but also ensuring broader institutional strengthening.

16.   Since the 2020 internal audit results and subsequent internal and GEF-required third party reviews, considerable changes have occurred in UNDP through implementation of the 2020 audit management action plan as well as through other parallel initiatives, some of which started before the internal audit and applicable to UNDP more generally. Referenced in the analysis in this report for multiple GMFS, they include:

- The implementation of a new cloud-based digital platform, called **Quantum**. The Quantum project was launched in mid-2020 as a core part of UNDP's digital transformation agenda, and has now replaced the previous client-server enterprise resource planning system (ATLAS) from January 2023. Prior to the OAI audit, ATLAS had been recognized as being unable to provide the capabilities and integrations needed for UNDP to remain efficient and effective. The move to Quantum has been a major change project involving reviews of business processes, data migration, UNDP-wide training and support processes.   The Quantum project has and continues to involve the updating of Standard Operating Procedures.

- Significant progress in clustering key business processes within the **Global Shared Services Unit (GSSU).** This contributes significantly to mitigating financial risk at CO level, through consolidating functions previously conducted in COs. The objective is more standardization, better service delivery, enhanced risk management and control, and greater transparency.

- Ongoing operation, subsequent to the completion of the OAI 2020 GEF audit management action plan and related assessments, of an **Inter-Bureau Task Force** (IBTF), co-chaired by the UNDP Executive Office and the UNDP BPPS Nature, Climate and Energy (NCE) Vertical Funds[13] Executive Coordinator. The Task Force's remit was broadened with the aim of convening senior representatives to drive related behavior and cultural enhancements for sustained change and to apply learning from the GEF OAI audit across the GEF portfolio and beyond for organization-wide impact. The Task Force has had the mandate to support efforts to integrate and embed UNDP/GEF-related oversight actions in broader organizational strategies, including oversight and accountability mechanisms. As a result, a corporate approach to defining and managing high-risk projects is being pursued and a single harmonized procedure is being developed for assessing CO oversight, capacity and performance, which can be tailored to meet the needs of RBx. The UNDP Vertical Funds Oversight Readiness Capacity

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[13] "Vertical funds" are development financing mechanisms confined to single development domains with mixed funding sources. The Vertical Environmental and Climate Funds which fund UNDP projects are GEF, the Green Climate Fund and the Adaptation Fund.

Assessment (ORCA) platform, developed in response to the OAI 2020 GEF audit, is an important starting point.

- The establishment in 2021 of a **Corporate Performance Unit** (CPU) in the Executive Office. The CPU is staffed with an experienced cross-disciplinary team, which monitors the results of audits, evaluations and performance measurements from multiple corporate dashboards and follows up with managers throughout the organization on trends or red flags. The Unit is working on an application to make its synthesized monitoring approach more widely available in the organization.

- Implementation of the first phase of the **People for 2030 Strategy**, which has led to a number of revisions to human resources management (including competency framework, recruitment, mobility, performance management and staff/leadership development) with a view to promoting better performance and dealing more effectively with underperformance.

17.   Established well before the OAI 2020 GEF audit, the UNDP Programme and Operations Policies and Procedures portal (POPP) is a publicly accessible on-line repository of all the information needed to navigate through multiple policies, guidelines, instructions and dashboards to be followed, considered or used, including for project cycle management. This applies equally to GEF-financed projects. This is supplemented by a central site linked to the POPP, implemented in 2021, for all guidance and requirements related to Vertical Environmental and Climate Funds (including GEF). Following the OAI 2020 GEF audit this was expanded and between the general and Vertical Funds-specific documentation, UNDP has a comprehensive policy and guidance framework for its programs and operations.

18.   It is noteworthy that the UN Board of Auditors 2021 report (issued July 2022) observed that the tools and procedures established in response to the OAI 2020 GEF audit could serve as a good starting point for determining what tools and procedures could be established by UNDP to support oversight of other projects in its portfolio.

STATUS OF UNDP'S COMPLIANCE WITH THE GMFS

From Partial to Full Compliance

19.   The GMFS comprise two groups of standards – Part I addresses Project/Activity Processes and Oversight Activities and Part II addresses Governance Framework Criteria. Together they

comprise 14 standards, broken down into 78 sub-standards, each of which was subject to a detailed UNDP self-assessment.

20.   The 2023 TPR confirms that UNDP continues to meet, in policy alignment, capacity and effectiveness of implementation, all GMFS. The progression in ratings from the first third-party review (TPR) onwards is shown graphically below:

Standard	*2021 TPR rating*		*2022 TPR rating*	*2023 TPR rating*
Green = full compliance; Orange = partial compliance				
I.1 Appraisal	I.1a-c	I.1d		
I.2 Procurement	I.2a-g, j	I.2h-i		
I.3 Monitoring				
I.4 Project closure				
I.5 Evaluation				
II.1 External Audit				
II.2 Financial Management and Control				
II.3 Oversight of Executing Entities				
II.4 Financial Disclosure / COI				
II.5 Code of Ethics/Conduct				
II.6 Internal Audit				
II.7 Investigation				
II.8 Hotline / Whistleblower Protection	II.8a-c, e-f	II.8d		
II.9 AML-CFT				

21.   Summary explanations for the conclusions for each GMFS are provided below. In some cases, summary analysis for closely related Sub-standards is combined. This is supported by a more detailed confidential analysis[14] prepared for this review and shared with UNDP for comment. In certain cases there are elements identified in recent audits and mentioned in the analysis below that UNDP management should continue to focus on as part of its normal oversight responsibilities. However, it is the conclusion of this review that UNDP can now be treated on the same footing as other GEF Agencies with respect to monitoring adherence to the GMFS and further self-assessment exercises or third party reviews can be scheduled according to

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[14] This analysis includes some non-public information provided by UNDP to assist the review. UNDP is nonetheless a leading agency with respect to public availability of its policies, strategies and other corporate documents. First references to these in this report are footnoted with links to the document.

the regular cycle established under the GEF *Policy on Monitoring Agency Compliance with GEF Policies*. As with other GEF Agencies, this can be revisited if there is subsequent marked deterioration in the reported performance ratings in the GEF project portfolio or significant future audit or investigation findings.

Assessment of Compliance by Standard

I.1 Project Appraisal Standards

I.1(a) and (b)(1) Project appraisal process; policies and risk assessment procedures incorporating environmental, social (including gender) institutional and/or fiduciary assessments

22.   In general, UNDP projects are identified, designed, approved and implemented within the context of a UN country or regional programme linked to achieving Sustainable Development Goals, the UNDP Strategic Plan and meeting UNDP's Quality Standards for Programming[15], including those prescribed for new projects in the Formulate Programmes and Projects Policy[16]. Under the Policy, a project document that meets UNDP's quality standards must be developed for all projects and contain:

- a clear linkage to the programme's theory of change;
- results that are SMART—specific, measurable, attainable, realistic and time-bound—and elaborated in a quality results framework and multi-year workplan;
- clearly identified target groups and other potentially affected groups with strategies for how they will be engaged as active partners throughout the project cycle;
- the UNDP and other funding partner resources required to achieve results, and how results will be sustained and/or scaled up, including through identifying resource partners;
- identification of implementing partners and responsible parties to complete project outputs and activities. All required programmatic and financial capacity assessments must be costed in the budget and completed;
- management and governance arrangements that articulate project roles, responsibilities and accountabilities and that ensure appropriate functional separations and reporting lines between oversight roles and implementation/execution roles;
- an initial risk analysis using the Social and Environmental Screening Procedure and project risk register;
- an initial monitoring plan as well as an evaluation plan if relevant; a list of knowledge products to be produced, if relevant.

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[15] Quality Standards for Programming | United Nations Development Programme (undp.org)
[16] Formulate Programmes and Projects | United Nations Development Programme (undp.org)

23.　　The project section of the Quality Standards for Programming and the Appraise and Approve Policy[17] in the Programme and Project Management section of the POPP covers UNDP's general quality assurance and appraisal requirements to ensure project quality at entry. A Pre-Investment Screening Committee (PISC) oversees the process.

24.　　Risks are required to be identified early in the project origination phase. Project risks are described, and intended mitigation measures are required to be included, in the relevant project documentation. To address environmental and social considerations, including gender equality, in the project design stage ahead of appraisal, UNDP applies its Social and Environmental Screening Procedure and is also guided by UNDP's Gender Strategy. Comprehensive Guidance Notes on each Social and Environmental Standard (SES) are available in the SES Toolkit, detailing specific procedures for SES risk screening, determining the respective risk category, and how to scope the necessary assessment.

25.　　Consistent with the general policies and to meet GEF-specific requirements, UNDP also applies its Standard Operating Procedures for Project Originating and Integrated Programming of Vertical Fund Supported Projects[18], finalized pursuant to the OAI 2020 GEF audit management action plan. This includes consideration of criteria for excluding projects where a country portfolio exhibits low performance characteristics due to either CO or partner capacity issues or other constraints.

I.1(b) (2) Evaluation by technical advisors for GEF funding eligibility

26.　　UNDP has in place a three-tier structure of oversight and specialized technical assistance for GEF-financed projects. The three tiers are: (a) UNDP COs; (b) Bureau for Policy and Programme Support (BPPS) Region-based Technical Advisers (RTAs) and Programme Associates in close coordination with the relevant RBx staff; and (c) Vertical Fund Directorate and Global Principal Technical Advisers (PTAs) at UNDP headquarters, supplemented with other UNDP staff at the Directorate level with expertise in gender, social and environmental safeguards, finance and policy domains.

27.　　The roles and responsibilities of all UNDP units involved in the oversight of UNDP-supported GEF-financed projects is outlined in the Responsible, Accountable, Consulted, Informed (RACI) matrix[19] which aligns with the allocation of roles as set out in the UNDP

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[17] Appraise and Approve | United Nations Development Programme (undp.org)
[18] Project Origination and Integrated Programming of Environmental and Climate Vertical Fund Supported Projects | United Nations Development Programme (undp.org)
[19] RACI for GEF Oversight | United Nations Development Programme (undp.org)

Delegation of Authority Policy[20]. The RACI matrix, developed and implemented pursuant to the OAI 2020 GEF audit management action plan, covers the whole project cycle from origination to closure and identifies the key steps, processes and clearances required for UNDP-supported GEF-financed projects as per UNDP and GEF policies and requirements.

28.   Implementation of the OAI 2020 GEF audit management action plan resulted in the replacement of the then delegation of authority letter previously given to CO-based Resident Representatives with an expanded GEF Project Delegation of Authority Agreement template[21]. This clarifies beyond doubt the responsibilities for ensuring projects are designed and implemented to the required level of quality including compliance with all institutional and GEF requirements. These agreements are part of the basis for individual performance assessments. The agreement is signed by the BPPS-NCE Vertical Funds Executive Coordinator, the Resident Representative and Regional Bureau Deputy Director before the Project Document can be signed. The Agreement clarifies requirements for segregation of duties and various oversight tasks to be undertaken by the CO and oversight by the Regional Bureau and BPPS. Satisfactory implementation has been subsequently confirmed by OAI.

29.   To complement the Delegation Agreement and ensure there is sufficient CO capacity to implement projects, an Oversight Readiness Capacity Assessment (ORCA)[22] has been developed and implemented as part of project planning under the OAI 2020 GEF audit management action plan. It is still relatively new and its implementation is subject to a management action plan item arising from the OAI 2023 GEF audit to ensure consistent completion.

30.   As an additional measure implemented after the OAI 2020 GEF audit, pursuant to the decisions of the GEF Council during the 59th GEF Council meeting, UNDP is required, at the time of seeking CEO Endorsement/approval of a project, to submit a detailed checklist demonstrating that the project design meets all of the OAI GEF audit recommendations as a prerequisite for further consideration and review by the GEF Secretariat. As of mid-2023 UNDP has submitted the required checklist in over 240 instances, for projects pending GEF CEO endorsement/approval and for all new Project Identification Forms (PIFs) in 2022 and 2023.

31.   The Project Information Management System (PIMS+) is used to manage UNDP's Vertical Fund portfolio, facilitating internal review and clearances at all stages of the project cycle as well

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[20] Delegation of Authorities | United Nations Development Programme (undp.org)
[21] Delegation of Authority Agreement for GEF PPG (Master Template) | United Nations Development Programme (undp.org)
[22] Oversight Readiness Capacity Assessment (ORCA) : User Guide | United Nations Development Programme (undp.org)

monitoring and reporting. Workflows require clearances to be completed before the process can move forward. These include, for GEF-financed projects:

- PIFs: Technical clearance by the Principal Technical Advisor (PTA) of the relevant technical team; Social and Environmental Screening clearances by the Safeguards Team; GEF checklist clearance by the Policy team.
- CEO Endorsement Requests: Technical clearance by PTA; financial clearance by the Head of the Management and Programme Support Unit (MPSU) in the Vertical Fund Directorate; Social and Environmental Screening clearances by Safeguards Team; GEF checklist clearance by the Policy team.

32.   UNDP provided examples that show the application of enhanced quality assurance measures for project appraisals including the preparation of the GEF checklists; and for operation of the quality assurance tracking and PIMS+ system elements supporting project appraisal.

I.1(c) Project development objectives and outcomes clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design.

33.   UNDP's Formulate Programmes and Projects (Designing a Development Project) Policy guides project design, including articulating project development objectives and outcomes, key performance indicators, baseline indicators and targets for projects. The requirement that baselines and targets are defined is a specific requirement per this Policy. All UNDP-supported GEF-financed projects use the same Project Document Template, which is based on the standard UNDP project document. Additional GEF-specific requirements have been added to ensure compliance with GEF policies. A project results framework table is a required element of the UNDP-GEF project document template.   The results framework must include objectives, outcomes, outputs, indicators, baseline, mid-term targets and end-of-project targets.

I.1(d) Fiduciary oversight procedures ensuring partner quality and follow up actions

34.   The project section of the Quality Standards for Programming and the Appraise and Approve Policy cover UNDP's general quality assurance and appraisal requirements. A quality review is coordinated by a designated Quality Assurance (QA) Assessor. A local project appraisal committee (LPAC) comprising UNDP and external representatives reviews the proposed project's quality and the capacity of the implementing partner to deliver. The QA Assessor completes a structured quality assurance report based on the LPAC recommendations, addressing any qualifications from the committee beforehand, and provides the report to the UNDP official with delegated authority to approve projects. In exceptional cases where the final project quality assurance report reflects a rating of "needs improvement" or "inadequate" but the benefits of proceeding are considered to outweigh the risks, a management plan must be drafted prior to

project approval outlining risk mitigation measures and steps to strengthen quality as soon as conditions permit. This is required to be tracked in the project risk log.

35.   The Policy gives RBx the responsibility for spot checks of project quality assurance reports at both design and implementation phases to assess their quality and accuracy and inform organizational learning. The policy stipulates that RBx should spot-check a sampling of project quality assurance reports large enough to reasonably ensure the overall credibility of assessments in their region. The sampling should include a mixture of random sampling, COs with very high value or strategically important projects and COs with extremely high quality or extremely low quality assurance ratings. The Project QA PowerBI Dashboard in Quantum captures the quality assurance compliance rate per Headquarters and RBx and COs. UNBOA underlined in its 2021 report the importance of consistently documenting spot checks carried out, noting variation among regions.

I.2 Procurement Processes

36.   UNDP has an extensive framework of procurement policies[23], quality assurance and oversight, supported since the beginning of 2023 with end-to-end automation of processes under its new Quantum ERP system.

37.   The procurement model of UNDP is decentralized, with about 90% of the procurement volume being managed by the GSSU, COs, Regional and Central Bureaux, and about 10% being managed by the Office of Procurement in the Bureau for Management Services (BMS-OP). However, to achieve economies of scale and ensure consistent quality assurance across its broad procurement portfolios, strategic and high-risk procurement sectors identified through high demands from COs and Vertical Fund projects are being managed by expert sector teams in BMS-OP. These teams have built up the technical expertise, quality assurance and risk management capacity to support and partner with COs, Regional and Central Bureaux. This approach is being further pursued under Objective 4 of the UNDP Procurement for Sustainable Development Strategy 2022-2025.

38.   BMS-OP manages the policies and guidelines, handles headquarters procurement and provides advice, training and compliance monitoring for decentralized procurement staff. For procurement not managed by the GSSU, the RBx provide oversight over the COs and are accountable for ensuring that they comply with the procurement rules. A Regional Procurement Advisor for each Region provides policy and hands-on support for CO procurement. Every CO has

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[23] See Procurement | United Nations Development Programme (undp.org)

procurement personnel, who conduct the procurement processes using corporate procurement policies and procedures, under the leadership of the Resident Representative. The UNDP GEF RACI matrix, implemented in 2021 pursuant to the 2020 OAI GEF audit management action plan, promotes an integrated approach, where UNDP CO Operations Manager, Procurement Units and Corporate Procurement Advisors are actively engaged throughout the project cycle to enhance the value of the project procurement plan, final Total Budget and Work Plans, and project risk logs. Also pursuant to the OAI 2020 GEF audit management action plan, procurement management has been included in the updated template for the Delegation of Authority Agreement with Resident Representatives.

39.   Procurement Oversight and Procurement Review Committees at the CO, Regional and HQ levels ensure that, prior to contract award, procurement activities are conducted in line with accepted professional purchasing practices and appropriate rules and regulations. This includes confirming that offers received are the result of a fully compliant process, sufficient funding exists, and risks have been assessed and mitigated.

40.   With the rollout of Quantum starting in phases from early 2022, and full release in January 2023 (completing a related 2020 OAI GEF audit management action plan item), UNDP procurement staff are now able to use a common end-to-end platform for the entire procurement process and consistent application across COs, Regional and Central Bureaux. Quantum automates the entire procurement process from planning, evaluation of bids, awards, requisitions, purchase orders through to payments. This supports the consolidation of procurement planning, the establishment upfront of the right procurement strategy, identification of specialized and/or technical support, and ensures that consultations and approvals are obtained as required through an automated workflow. It also facilitates access to procurement records. Prior to Quantum, UNDP had rolled out E-tendering to enhance integrity and transparency of the procurement process and maintain an audit trail of all actions in the tendering process. E-Tendering was made mandatory for all international procurement above US$150,000. This is being progressively replaced by the new Quantum Supplier Portal.

41.   A November 2021 OAI follow up audit of GEF management expressed satisfaction with the implementation of actions to address procurement compliance. The audit included a sample of 51 purchase orders from GEF projects in 12 sampled COs and concluded that exceptions noted were insignificant and that actions were being effectively implemented. OAI's 2022 annual report issued in March 2023 identified some general recurrent procurement-related issues (i.e. identified for at least 5 offices) from its 2022 CO audits (27 offices), including procurement planning, requisition timeliness, procurement submissions and selection and management of direct contractors. However, taking into account the level and type of the recurrent findings and

UNDP's implementation of the OAI 2020 GEF audit management action plan, the reviewer considers that improvements in UNDP 's CO overall compliance are being sustained.

42.   The UN Board of Audit focused in its 2021 UNDP audit report on UNDP's implementation of sustainable procurement. It made recommendations on integrating sustainability into UNDP's procurement strategy, procurement action planning, performance management and guidelines. These were agreed by UNDP management and are in progress. There were no new findings or outstanding UNBOA audit recommendations on other aspects of corporate or project-related procurement.

I.2(a) and (b) Procurement policies and guidelines for different types of procurement

43.   UNDP Financial Regulations and Rules[24]; Procurement Overview and Principles[25]; Procurement Ethics, Fraud and Corruption Policy[26]; and Solicitation Policy[27] set out the principles of best value for money; fairness, integrity and transparency; effective international competition; security and confidentiality; and the interest of UNDP.   The UNDP Procurement Methods Policy[28] and subsidiary procurement policies such as the Individual Contract Policy and Construction Works Policy comprehensively set out requirements by type of purchasing method, for goods, services, works and individual consultants.

44.   The Transactional Procurement Strategies & Procurement Planning Policy[29] requires that supply chain management must be integrated into the overall project cycle to help identify, understand, assess and manage project procurement risks and envisaged project implementation timeframes adequately. The policy sets out requirements for procurement planning and procurement risk assessment and management. UNDP has established a Procurement Risk Radar (dashboard), a comprehensive risk management platform that identifies procurement related risk areas and consolidates risk indicators.

45.   The UNDP Internal Control Framework[30] requires all procurement practitioners, including business unit "buyers" as well as project staff who conduct procurement, to acquire a mandatory procurement certification. The monitoring of compliance with this requirement is conducted on

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[24] UNDP Financial Regulations and Rules | United Nations Development Programme
[25] Procurement Overview | United Nations Development Programme (undp.org)
[26] Procurement Ethics, Fraud and Corrupt Practices | United Nations Development Programme (undp.org)
[27] Solicitation | United Nations Development Programme (undp.org)
[28] Procurement Methods | United Nations Development Programme (undp.org)
[29] Transactional Procurement Strategies and Procurement Planning | United Nations Development Programme (undp.org)
[30] Internal Control Framework | United Nations Development Programme (undp.org)

the Procurement Dashboard. More than 2,000 personnel in UNDP have completed Chartered Institute of Purchasing and Supply Procurement Certification training programmes.

I.2(c) Security and confidentiality

46.   Procurement guidelines provide for security and confidentiality throughout the procurement lifecycle. This is achieved in several ways: most of UNDP's procurement uses the e-procurement process and e-tendering that enhance security throughout the bidding process. At the bid evaluation stage, the Procurement Evaluation Policy[31] requires that strict confidentiality be observed. The procurement review committee observes the same level of confidentiality. The Procurement Ethics, Fraud and Corruption Policy conveys the applicable standards and principles including security and confidentiality.

I.2(d) and (e) Procurement protests and contract dispute resolution

47.   A Handling of Procurement Complaints Policy[32] provides the framework for handling bid protests including their escalation when not resolved and the logging and tracking of protests. A summary is included in the Procurement Protest and Vendor Sanctions page[33] in the Procurement section of UNDP's public website, and this is referred to in UNDP's standard Invitation to Bid Document. Additionally, as indicated in the Procurement Complaints Policy and the Procurement, Ethics, Fraud and Corrupt Practices Policy, bidders can report potential abuses to OAI. Misconduct identified by business units during the review of bid protests will also be referred to OAI for investigation. For contracts under implementation, dispute resolution provisions are well established in the Contract Management Policy[34] and there are dispute resolution clauses in multiple contract templates, including the General Terms and Conditions for Contracts, for Services of Individual Contractors and the Model Contract for Works.

I.2 (f) Anti-fraud and corruption conditions; investigative access

48.   The UNDP General Terms and Conditions for Contracts and the UNDP General Terms and Conditions for the Services of Individual Contractors refer to the UN Supplier Code of Conduct[35], the UNDP Policy on Fraud and Other Corrupt Practice, the OAI Investigation Guidelines[36] and the

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[31] Evaluation of Offers and Pre-award Negotiations | United Nations Development Programme (undp.org)
[32] Handling of Procurement Complaints | United Nations Development Programme (undp.org)
[33] Procurement protest and vendor sanctions | United Nations Development Programme (undp.org)
[34] Contract Management | United Nations Development Programme (undp.org)
[35] UN Supplier Code of Conduct.pdf (undp.org)
[36] UNDP-OAI-IS-Investigation-Guidelines-ENG-2022.pdf (SECURED)

Vendor Sanctions Policy[37] and provide for audit and investigation access. The Vendor Review Committee is a technical advisory body tasked with considering allegations made against UNDP vendors, making determinations and administering sanctions. Sanctions proceedings, which the UNDP Vendor Sanctions Policy regulates, may result in a vendor being censured or debarred for up to 7 years, depending on the level and severity of the allegations.

49.   The Vendor Sanctions Policy was reorganized in May 2023 to ensure clarity and to better align with the functioning of the Vendor Review Committee. Substantively, the main updates are (i) the inclusion of the Direct Review Process for cases that are deemed not to require a deliberative process; (ii) the clarification of the definition of a UNDP Vendor, providing for an exception under which the Committee may potentially consider cases concerning companies and individuals that do not fall under this category; and (iii) the inclusion of Sexual Exploitation and Abuse, Sexual Harassment, Human Trafficking and Forced Labor as proscribed practices.

1.2 (g) Encouragement of sustainable procurement

50.   UNDP's Sustainable Procurement Policy[38] articulates UNDP's general principles and general considerations for sustainable procurement. The objective is for UNDP to manage its business in an environmentally responsible way and seek to maximize environmental, social and economic considerations in the procurement process whenever and wherever possible. UNDP has also published the 'Practitioner's Guide to Sustainable Procurement'[39] to assist in achieving this goal. UNDP's Procurement for Sustainable Development Strategy 2022-2025[40] objective 3 is to mainstream sustainable procurement across UNDP's procurement services. The UNDP Annotated Project Document for Projects Financed by the Various GEF Trust Funds alerts staff that integrating procurement and supply chain management into the overall project cycle presents an opportunity to mainstream sustainable procurement considerations, practices, and indicators.

I.2(h) Procedures for assessing procurement procedures of executing entities

51.   UNDP's Selecting Implementing Partners Policy[41] makes the Partner Capacity Assessment Tool (PCAT) (updated 2021 under the OAI 2020 GEF audit management action plan)[42] a

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[37] Vendor Sanctions | United Nations Development Programme (undp.org)
[38] Sustainable Procurement | United Nations Development Programme (undp.org)
[39] Practitioner's Guide to Sustainable Procurement | United Nations Development Programme (undp.org)
[40] Procurement Strategy | United Nations Development Programme (undp.org)
[41] Select Implementing Partners | United Nations Development Programme (undp.org)
[42] Partner Capacity Assessment Tool (PCAT) | United Nations Development Programme (undp.org)

mandatory tool during project preparation. The PCAT includes a partner pre-requisite checklist and capacity assessment scoping to assist project developers to determine which capacity assessments need to be completed before the project is finalized and approved. The Tool includes a worksheet is designed to assess the Partner's procurement capacity for all projects funded by GEF or other Vertical Funds.

52.   For partners whose annual budgeted cash transfers exceed USD150,000 per year at the Business Unit level (not per individual project), this is completed in conjunction with a detailed standardized capacity assessment questionnaire (most recently revised in 2023) required to be completed in accordance with the UNDP's Harmonized Approach to Cash Transfer (HACT) Guidelines. The United Nations Development Group (UNDG) HACT Framework[43] is a common operational framework used by UNDP and other UN agencies for managing implementing partner risks that requires UNDP COs to complete a macro assessment, to assess adequacy of the public financial management environment in which the proposed partner operates and micro assessments, to assess the capacity of the proposed implementing entity. The micro assessment is performed by third party service providers. The HACT guidance requires the preparation of a Summary of Significant Issues and Action Plan arising from the micro assessment and provides the template for this.

53.   The standard HACT capacity assessment questionnaire includes a section on procurement and another section on sub-partners which contains a total of 17 questions on procurement aimed as assessing if the principles of the partner's procurement policies and procedure are in line with those of UNDP.   The above requirements are reinforced in the Transactional Procurement Strategies & Procurement Planning Policy in respect of assessing implementing partner capacity to develop procurement specifications, terms of reference, statements of works and evaluate proposals.

54.   Responsibilities are well defined. The Resident Representative is accountable for compliance with HACT procedures at the country level with Regional Bureau oversight and support. Annex D of UNDP's HACT guidance outlines the key roles and responsibilities in implementing the HACT Framework.   For GEF projects this aspect is included in the RACI matrix.

55.   The completion of the HACT capacity assessments as well as assurance activities during project implementation is tracked on the HACT platform. A new cloud-based HACT Application Tool was launched in Quantum in April 2023. The platform interfaces with financial modules to track budgeted cash transfers to implementing partners. COs are required to indicate completion

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[43] [Harmonized Approach to Cash Transfers (HACT) | United Nations Development Programme (undp.org)](undp.org)

of assessments and assurance activities and upload of related reports including the Summary of Significant Issues and Action Plan; and documented actions taken under the Plan. The Integrated Financial Dashboard also tracks compliance with capacity assessments and is accessible by CO and Regional Bureau management. Non-compliance issues flagged in the dashboard are communicated to Regional Bureaus (during quarterly financial reviews) and to country offices (in quarterly one-pager communications to the Head of Office). UNDP provided examples showing the tracking of capacity assessments and follow up actions.

56.   For the GEF portfolio, the results of the PCAT/HACT assessments are an integral part of the prescreening process that is consistently applied to all new programming requests. The Standard Operating Procedures for Project Origination and Integrated Programming of Environmental and Climate Vertical Fund-Supported Projects provides that, during this process, the Pre-Investment Steering Committee (PISC) screens project concepts and ideas to ensure that Implementing Partner capacity including procurement capacity (as evidenced through the PCAT and HACT assessments) has been assessed as adequate.

57.   Additionally, for GEF projects, the due diligence procedures in the Selecting Implementing Partner policy are required steps in the GEF project cycle that are integrated into the PIMS+ system. The PIMS+ system does not allow a project to advance to the next step if the due diligence procedures mentioned above are not completed and the PCAT uploaded to PIMS+.

I.2(i) Procurement performance monitoring

58.   The UNDP Monitoring Policy[44] addresses both monitoring to evaluate project results and operational monitoring. With regard to the latter, it provides that data to be subject to monitoring includes "Data on operational performance, including delivery of the workplan, pipeline/resource mobilization management, dashboard and audit performance, delivery rates, deficits, unprogrammed resources, aged advances to implementing partners, implementation of procurement plans, receivables management, and donor reporting performance (timeliness and quality)".

59.   Pursuant to the OAI 2020 GEF audit management action plan, BPPS conducts three meetings per year with each of the RBx to discuss the status of implementation of the portfolio for the region. This includes procurement challenges tracked through the portfolio risk dashboard. The meetings are conducted in March/April, July/August and November/December

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[44] Monitor | United Nations Development Programme (undp.org)

of each year and minutes of meeting and agreed action plans are maintained and tracked. UNDP provided evidence of implementation.

I.2 (j) Accessible procurement policies and award disclosure

60.   All policies and guides related to procurement are on the publicly accessible GEF POPP portal. UNDP reports all project expenditures above $100,000, including procurement awards, on its Procurement Notices Portal[45]. The UNDP Transparency Portal[46] enables users, including suppliers, to find project information categorized broadly by location, funding source and focus areas, and drill down for comprehensive project data, including budget, expenditure, completion status, implementing organization, contribution to gender equality and project documents.

I.3 Monitoring and Project-at-Risk Systems

61.   UNDP has in place an extensive policy framework, supporting systems, quality assurance and oversight processes for monitoring projects during implementation, managing project risks and ensuring timely responses to implementation problems. These have been reinforced to address gaps in compliance by COs and in the monitoring and response by other parts of the organization as identified in the OAI 2020 GEF audit. The "Systems and Silos" 2021 report on an independent review of a UNDP GEF project in Russia also raised concerns about the adequacy of UNDP's project oversight in that project. The review confirmed through subsequent OAI audit results, document review and system reports that these elements, enhanced as a result of actions taken after multiple OAI audits, have been sufficiently bedded down and that UNDP can be continue to be considered compliant with GMFS monitoring standard. In particular, the OAI 2023 GEF audit concluded that overall, UNDP had established adequate governance arrangements to strengthen oversight over GEF projects. The audit found that implementation of GEF projects was generally in line with UNDP policies and procedures though issues were noted.

I.3(a) and (b) Monitoring policy framework; Roles and responsibilities clearly articulated; separation of monitoring function at entity/portfolio level and project level

62.   UNDP's policies address the requirements in the GEF Monitoring Policy. The UNDP Monitoring Policy sets out monitoring standards and policies, for which managers of regional and country programmes and all projects are accountable to apply. In addition, the Formulate

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Projects Policy sets out requirements for monitoring planning, implementation and evaluation, and the Programme and Project Oversight Policy addresses project management arrangements and oversight mechanisms to be established at programme and project levels in a format that fosters national ownership and alignment to national processes. Mid-Term Reviews (MTRs) are carried out according to the UNDP Evaluation Standards. The Monitoring Policy and related procedures are regularly updated, including in 2022 to add a new section on evaluation plan monitoring and in May 2023 following the launch of the new platform for the Social and Environmental Standards Procedures and the Project Quality Assurance module in Quantum.

63.   Institutional policies are supplemented with GEF-specific requirements. The UNDP GEF RACI matrix outlines the monitoring responsibilities of COs, RBx, BPPS and the Independent Evaluation Office (IEO). The Delegation of Authority Agreement for GEF-financed Projects template, developed under the OAI 2020 GEF audit management action plan, institutes a three tier oversight function. The updated UNDP annotated Project Document for projects financed by GEF Trust Funds template[47], also updated as a result of the OAI 2020 GEF audit, identifies the project governance arrangements, roles and responsibilities of UNDP (at the level of the COs, RBx and BPPS) and implementing partners on oversight and execution. Clearly defined firewalls between oversight and execution functions are required to be consistently applied and monitored. The project document template outlines monitoring functions to be executed by the project team/ Implementing Partner (including project M&E staff) who report to the project manager and the project board. Guidance on internal and external approvals for GEF project amendments were also clarified under the OAI 2020 GEF audit management action plan. For GEF projects, institutional guidance on project MTRs is supplemented by Guidance for Conducting MTRs of UNDP-supported GEF-financed Projects[48].

64.   The required UNDP Check list for all projects pending GEF approval must confirm, inter alia, CO capacity and appropriate segregation of duties for project monitoring. This is further underpinned by the analysis required under the Standard Operating Procedures for Project Origination and Integrated Programming of Vertical Fund Supported Projects. The Regional Bureau provides oversight to the CO implementing the GEF project. The UNDP BPPS-NCE Vertical Funds Executive Coordinator, through the BPPS Principal (PTA), Regional Technical Advisors (RTA) and Regional Team Leaders (RTL) is responsible to perform the technical oversight services and oversight required to ensure that the project complies with GEF specific policy requirements and procedures. The BPPS has a dedicated Results Based Management (RBM) team that issues

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[47] UNDP Annotated Project Document for Projects Financed by the Various GEF Trust Funds | United Nations Development Programme
[48] Guidance_Midterm Review _EN_2014.pdf (undp.org)

guidance and provides support to HQ units, Regional Hubs and COs on monitoring requirements of UNDP's Vertical Fund portfolio.

65.　　There are approximately 400 UNDP staff in the 5 RBx whose work focuses (full- or part-time) on monitoring and evaluation (M&E). In addition, each of the 5 RBx has either M&E Focal Points or country support officers overseeing timely implementation of evaluation plans (which include Mid-Term Reviews and Terminal Evaluations) and supporting COs with all project M&E requirements. The OAI 2020 GEF audit identified UNDP internal capacity constraints as a root cause for its project non-compliance findings. The ORCA system and related country capacity diagnostic tools, to be applied during project design and appraisal, were implemented pursuant to the audit's management action plan item 2.3. At the time of OAI's most recent audit of GEF management, reported in July 2023, these tools were not yet uniformly implemented. A further management action plan item to address this was included in the 2023 audit report, and this remains an aspect for continued focused monitoring by UNDP management.

I.3(c) Monitoring reports at project and portfolio levels

66.　　The UNDP Monitoring Policy requires that project outcomes must be monitored at least annually through the Results-Oriented Analysis Report (ROAR), and outputs must be monitored through the integrated workplan/ROAR and project-specific output. Project and programme managers and governance mechanisms, such as project or programme boards, must review monitoring analysis and use it to inform management decisions and actions to adjust programming for optimal performance and results achievement. UNDP corporate programming governance mechanisms, including the Executive Group and the Organizational Performance Group (OPG), use monitoring evidence and analysis from across the organization to make decisions to improve performance. This includes a review of performance against targets set in the Integrated Results and Resources Framework of UNDP's Strategic Plan.

67.　　The UNDP Policy on Quality Standards for Programming requires that, during the implementation stage, project quality assurance assessments are required for each project every two years. Projects that have been approved, but where no or little action has been taken due to operational, resource, partnership or other bottlenecks, will still need to complete an assessment, noting challenges affecting the quality delivery of results.　The Policy gives RBx the responsibility for spot checks of project quality assurance reports to assess their quality and accuracy and inform organizational learning. The policy stipulates that RBx should spot-check a sampling of project quality assurance reports large enough to reasonably ensure the overall credibility of assessments in their region. The sampling should include a mixture of random sampling, COs with

very high value or strategically important projects and COs with extremely high quality or extremely low quality assurance ratings.

68.   Additional GEF portfolio monitoring requirements include the preparation of annual GEF Project Implementation Reports (PIR), mid-term reviews, GEF tracking tools, and terminal evaluations; all submitted to the GEF as part of the mandatory GEF annual monitoring and reporting process. The annual Implementation Progress (IP) Rating and the progress toward the Development Objective (DO) rating are used to flag projects that are lagging in performance. The annual GEF PIRs provide an opportunity for UNDP Vertical Fund RTAs, COs, and the project team to come together each year to self-assess projects and discuss project progress, risks, and actions to take forward for the next reporting period. UNDP's Guidance on the GEF Annual Monitoring Process, issued annually[49], supports the preparation of PIRs.

69.   The PIR module in the PIMS+ system is the platform for completing the annual GEF PIR. It includes an evidence upload feature in the 'DO Progress' section, which facilitates uploading of evidence to the reported project results. The module requires project managers to confirm that evidence supporting the reported progress of project implementation has been uploaded in the 'DO Progress' section. The PIMS+ platform is programmed to send out automatic notifications to BPPS Vertical Fund staff and CO staff well in advance of deadlines and also when project milestones are overdue.

70.   The IP and DO ratings, plans to address issues and risk action plans documented in the PIR entered into the PIMS+ platform are used as key indicators at portfolio level to flag projects that are lagging and require additional oversight.   Pursuant to the OAI 2020 GEF audit management action plan, the PIR was updated in 2021 with additional questions to support oversight and risk management and requires the uploading of monitoring evidence to the PIMS+ platform to support the results reported against indicators in the project results framework/logframe. PIMS+ prevents submission of the PIR without all sections completed. The internal PIR Quality Assessment report in PIMS+ allows users to view PIR quality ratings by RTA, by CO, and by project.

71.   UNDP has put in place a quality assessment process of GEF PIRs to provide assurance as set out in the PIR Quality Assessment Guidelines[50]. UNDP-GEF Directorate has, since 2011, commissioned an independent quality assessment of the annual cohort of PIRs. This external assessment rates the rigor and objectiveness of the ratings on project results and implementation

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[49] Internal GEF documents. An example for 2020 can be accessed at
2020_gef_annual_monitoring_process_guidance.pdf (undp.org)
[50] Internal GEF document

(i.e. Development Objective (DO) and Implementation Progress (IP) ratings) provided in the PIR. The PIR QA aims to improve their objectivity. GEF PIR quality ratings are discussed each year between RTAs and their supervisors during annual performance reviews with a view to improving the quality ratings. Poor PIR quality ratings are then escalated up to discussions between the PTAs and the BPPS-NCE Vertical Funds Executive Coordinator during the PTA performance evaluation.

I.3(d) and (e) Project-at-risk system; Fiduciary oversight of project risk assessments and follow up

72.   Parallel to the UNDP Monitoring Policy, UNDP's Enterprise Risk Management (ERM) Policy requires that project risk reporting must be carried out on an annual basis at a minimum. A higher frequency of project risk monitoring and reporting might be necessary depending on the risk level and context. The Project Risk Register – Deliverable Description and Offline Template outlines responsibilities for maintaining Risk Registers which are intended to be a management as well as reporting tool. The ERM Policy outlines the levels of risk reporting:

- At the *project level* the project Risk Register is used for monitoring as often as needed, but no less than once a year. Reporting on project risk management is included in project progress reports (whatever the reporting cycle is) and reported to the Project Board. Risk management must also be evaluated and included in mid-term and final project evaluation reports.
- At the *programme/unit level* an annual report through the ROAR and semi-annual report through the Integrated Work Plan (IWP) Risk Register. The IWP Risk Register is informed by project-level Risk Registers and an analysis of cross-cutting programmatic, institutional and contextual risks.
- At the *corporate level* an annual report to the Executive Group and semi-annual reports to the Risk Committee are required. The Risk Committee submits the annual risk report to the Executive Group based on a strategic analysis of the IWP Risk Register.

73.   UNDP uses a Risk Register in Quantum as the integrated platform for monitoring all levels and categories of risk. The Register captures all risk information including risk type, significance (likelihood and impact), risk owner, treatment ''plans of actions'' and treatment owner. The platform records risks which have been identified during the project design/formulation and then modified or added during implementation. The Projects Risk Dashboard indicates the number of projects without risk entries and incomplete entries, filtered by Bureau, CO, Fund category so that RBx can take action, as needed, to ensure that risk entries are completed.

74.   The Projects Risk Dashboard also provides an overview of high risks which require thorough analysis by the project manager/risk owner. Depending on the risk type, extra risk

control mechanisms need to be put in place; risk treatments clearly identified, budgeted, and implemented; and monitored frequently. UNDP has two risk Management Dashboards (project level and programme) which provide an aggregate view of risks (risk heat map) allowing information to be filtered at the different levels/types of risks within organization.

75.   To complement the project level risk register in Quantum, the Risk Dashboard in PIMS+ is a tool for flagging GEF and other Vertical Fund projects at risk of delays or lags in performance associated with project milestones. When a new risk is flagged for any GEF project, the Risk Dashboard of PIMS+ will automatically generate risk notification/alerts. COs, RBx and the BPPS Vertical Fund staff are able to monitor these directly, establishing a three level separation of monitoring functions from the project team itself. For high and substantial risks, it is mandatory for the relevant RTA to engage with COs and for COs, RBx and BPPS to develop a risk management action plan (RMAP) which is uploaded to the project's risk page.

76.   Following the OAI 2020 GEF audit, BPPS has conducted three meetings per year with each of the RBx, informed by the PIMS+ risk dashboard, to discuss the status of implementation of the GEF portfolio for the region, ambitions around new programming and associated due diligence processes for pre-investment decisions, implementation challenges and risks identified in the portfolio and tracked through the portfolio risk dashboard (e.g. delays, extensions, partnerships with the implementing partners, procurement challenges, budgetary risks, safeguards risks) and particular challenges in high risk projects.

77.   Additionally, UNDP introduced further steps to assist in identifying a sub-set of Vertical Fund projects that could potentially bring significant exposure to UNDP and/or development partners, and therefore require enhanced monitoring. This includes: a) clarifying ownership of pre-defined Vertical Funds specific risks (with pre-defined risk significance and appetite levels) b) clarifying the roles and responsibilities of the NCE team in second-layer oversight of Vertical Fund specific risks. Risks can be escalated by BPPS-NCE Vertical Fund staff to the Executive Coordinator when enhanced oversight is required. Enhanced oversight plans are agreed with the Resident Representative and the Regional Bureau. These are described in a Risk Management Framework for Environment and Climate Vertical Fund Projects (latest version July 2022).

78.   OAI conducted a series of thematic audits of programme and project management in the five RBx, reported individually in 2022 and 2023. A consolidated report was issued by OAI in April 2023. The audit reviewed a total of 106 projects in 59 country offices and the audit scope included project risk monitoring by the RBx. The April 2023 OAI Consolidated report on Project Monitoring and Oversight Practices and the individual reports for each Region had an overall "satisfactory – some improvement needed" rating. To close potential gaps in identification of

high risks and to further clarify responsibilities, the agreed management action plan was for BPPS and the Executive Office to jointly identify criteria for identifying high-risk projects and portfolios for UNDP, along with thresholds for managing the risks at the country, regional and corporate levels, and the supporting roles for COs, Regional and Central Bureaux, and the Risk Committee support, in such cases. Related management action plan items arising from the OAI 2023 GEF audit were for BPPS to develop portfolio risk management approach for GEF resources beyond an aggregation of project-level risks, to anticipate emerging and new risks to the portfolio; and digitize links between Quantum and PIMS+ to streamline and consolidate risk management.

I.4 Project Completion and Financial Closure

I.4 (a) Procedures

79.   UNDP has the appropriate policies and has added capacity to proactively monitor project completion and financial closures and identify overdue closures. Relevant requirements are contained in the UNDP Financial Regulations and Rules, the Close and Transition Policy[51], the Financial Closure of Development Projects Policy[52] and the Operational Guidelines for Financial Closure of Projects[53]. The Integrated Financial Dashboard in Quantum is supplemented for GEF projects with the PIMS+ Performance Risk Dashboard to monitor status of operational and financial closure. Completion of project terminal/final evaluations is monitored at different levels including the Independent Evaluation Office (IEO). Performance on financial closure has improved since 2020 and enhanced measures were implemented during 2023 to ensure delays are adequately monitored and resolved in a timely manner. The PIMS+ Performance Risk Dashboard recorded that, at as of mid-August 2023, only in 17 GEF projects (less than 3% of the GEF portfolio) was financial closure overdue. This should result in improvements in UNDP performance registered in the next GEF monitoring report. The most common reasons for overdue financial closures include pending asset transfers from UNDP to the government and pending final reviews of documents from the government.

I.4 (b) Project results publicly available

80.   UNDP's Information Disclosure Policy[54] promotes transparency and project results as well as other detailed information continue to be publicly available through UNDP's Transparency

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[51] Close & Transition | United Nations Development Programme (undp.org)
[52] Financial Closure of Development Projects | United Nations Development Programme (undp.org)
[53] Operational Guidelines : Financial Closure of Development Projects | United Nations Development Programme (undp.org)
[54] Information Disclosure | United Nations Development Programme (undp.org)

Portal.   Project mid-term reviews and terminal evaluations are also accessible from the Evaluation Resource Centre[55]. At the time of this TPR, these platforms were up to date with recent (2023) information and reports.   The Aid Transparency Index, produced by the campaign for aid transparency Publish What You Fund, regularly rates UNDP in the top performing group of institutions, including their most recently published 2022 index[56].

I.5 Evaluation Function

I.5 (a), (b) (c) Established Function; Independence; Standards/Methods

81.   UNDP's Evaluation function continues to be fully in place. The UNDP Evaluations Policy[57] and Evaluation Guidelines[58] embody the United Nations Evaluations Group (UNEG) standards, and also align with the GEF Evaluation Policy. These are supplemented by specific Guidance for Conducting Terminal Evaluations of UNDP-supported GEF Projects[59]. The IEO's independence and objectivity are confirmed in the Policy and assured by the Executive Board to whom it directly reports.   Decentralized evaluations, including project-level evaluations, are subject to quality assurance by IEO. All IEO evaluations have been peer reviewed by thematic and country-level external experts.

82.   Capacity has been maintained. The IEO staffing complement as of July 2023 was 32, with 4 posts vacant. There are over 390 staff in the 5 RBx whose work focuses (full- or part-time) on M&E, of which 198 are evaluation focal points overseeing the evaluation function at the CO level. As of May 2022, approximately 96% of M&E focal points had completed a mandatory evaluation certified training course. Through 2021 and 2022, over 1,200 UNDP staff took part in online training on all aspects of the evaluation process. In 2023 in person training across all regions is being implemented.

83.   The most recent (2022) annual report[60] issued in May 2023 and the management response[61] presented at the June 2023 Executive Board meeting confirm that IEO continues to be fully functional. The annual report presents the results of the first year of implementing the IEO multi-year workplan, accompanying UNDP's 2022–2025 Strategic Plan, and the second year of implementing the IEO Strategy 2021–2025.

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[55] Evaluation Resource Center (undp.org)
[56] 2022 Index - Publish What You Fund
[57] United Nations Development Programme - Evaluation Policy (undp.org)
[58] United Nations Development Programme - Evaluation Guidelines (undp.org)
[59] TE_GuidanceforUNDP-supportedGEF-financedProjects.pdf
[60] See UNDP-ARE-2022.pdf and N2308873.pdf (un.org)
[61] FINAL Updated_2022 Evaluation Mgt Commentary UNDP UNCDF_14042023 .docx (live.com)

I.5 (d) Disclosure

84.   Individual evaluation reports and related management comments continue to be publicly available through the IEO website or Executive Board website. The Evaluation Resource Centre database houses over 6,000 evaluations and evaluation terms of reference covering 15 years. Evaluations can be searched by a range of criteria, including the Sustainable Development Goals, Strategic Plan outcomes, country or region, and evaluator. Over 300,000 unique users visit the site annually.

II.1 External Financial Audit

II.1 (a) and (b) Independent external auditor; Auditing standards

85.   UNDP and its annual financial statements are audited by the UNBOA. This comprises a group of three national Supreme Audit Institutions, with staggered non-renewable terms of six years, appointed by the UN General Assembly. It reports to the General Assembly and its reports on the UNDP audit are presented to the UNDP Executive Board. The UNBOA is required to conduct its audits in conformity with the International Standards on Auditing and confirms this its reports.

II.1 (c) and (e) Accounting Standards; Coverage of GEF funds

86.   Since UNDP's implementation in 2012 of the International Public Sector Accounting Standards (IPSAS), UNBOA has confirmed annually, without qualification, that UNDP's financial statements have been prepared in accordance with these standards. This includes the most recent published audits (2021[62] and 2022[63]). UNDP's annual financial statements incorporate and identify the use of GEF funds. The UNBOA annual reports on UNDP Financial Statements explicitly confirm that UNBOA has also performed the annual audit of the regular resources of the GEF funds.

II.1 (d) Internal controls over financial reporting

87.   The internal controls over financial reporting, applying to all funds managed by UNDP including GEF funds, are extensively documented. In addition, UNDP has developed guidance specifically for GEF-funded projects in its Delegation of Authority (DOA) and RACI matrix. UNDP management sign an annual certification that forms part of the UNDP financial statements, confirming the integrity and objectivity of the financial information included in the annual

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[62] N2238964.pdf (un.org)
[63] N2317229.pdf (un.org)

financial statements. This is supported by Annual Representation Statements from management levels throughout the organization.

II.1 (f) Independent audit (oversight) committee

88.   Oversight of financial reporting and external auditing is provided by the UNDP Executive Board and the UNDP Audit & Evaluation Advisory Committee (AEAC). The latter is an independent advisory body, comprising external experts, that assists the Administrator in fulfilling his/her responsibilities regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, the evaluation and ethics functions, and systems of internal control and accountability. The AEAC also reports annually to the UNDP Executive Board[64]. As such the Committee provides technical support to the Executive Board's oversight responsibilities, as well as provides timely advice to management and OAI.

II.1 (g) External audit observations

89.   The UNBOA annual audit report includes a long-form report (containing recommendations made to management on risk areas identified during their audits) as well as the audit opinion on the UNDP financial statements. UNDP submits an annual status report on the implementation of UNBOA recommendations to the Executive Board[65]. This is also considered during the deliberations of the AEAC. UNDP applies an internal indicator that tracks the implementation rate of external audit recommendations. The 2021 rate of implementation was reported as 94%, which is above UNDP's 85% threshold target. The 2022 UNBOA report also positively noted the absence of long-standing open recommendations, as the only recommendations considered as still "under implementation" were those issued in the report on the 2021 financial statements.

II.2 Financial Management and Control Frameworks

II.2 (a) and (b) Documented control framework

90.   The foundational documents for UNDP's corporate financial management and internal control frameworks are its Accountability Framework[66], Financial Regulations and Rules and the Internal Control Framework (ICF) Policy and Operational Guide[67], which establish a robust "tone at the top". The ICF Policy covers all the elements prescribed by the COSO Internal Control

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[64] The 2022 AEAC report can be accessed at: AEAC Annual report_NC_03062023.docx (live.com)
[65] The latest (following the 2021 UNBOA report) can be accessed at: N2276285.pdf (un.org)
[66] UNDP Accountability framework.pdf
[67] Internal Control Framework Operational Guide | United Nations Development Programme (undp.org)

Framework model, a globally widespread model used in many national public and private sectors and international development agencies and organizations. The GMFS sub-standard II.2(b) components are structured along the lines of this model. UNDP also adopts the "three lines of defense model" (a monitoring structure widely used among internal control practitioners, adopted by UNDP) and implemented through various program and operations policies.

91.   UNDP has a suite of human resources policies and processes to support its capacity to implement its internal control framework. Recruitment and probation policies guide the selection of staff who are suitably qualified and experienced for the positions held, meet integrity standards, and will contribute to a diverse workforce that can collectively best respond and innovate to achieve the organization's goals, objectives and commitments. The Policy on Individual Performance Management and Development[68] guides the process of promoting successful performance of UNDP staff members, strengthening the culture of high-performance and continuous development, ensuring accountability of all UNDP staff members for effective performance, and responding to instances of non-performance. As part of its People for 2030 Strategy[69], UNDP introduced a Mobility Policy[70] to provides a clear framework for how mobility is implemented and managed in UNDP and enable it to deploy the right people in the right place at the right time. The UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct[71] guides the handling of cases of misconduct. Finance and Procurement have a strong certification process within UNDP. Professional certifications include not only teaching the subject but also the requirement to adhere to strict rules of professional ethical conduct.

92.   The full implementation of Quantum from the start of 2023 facilitates improved internal control systems and compliance over the prior Enterprise Resource Planning (ERP) system. Specifically, Quantum brings stronger preventive controls, including an automated ERP user access request and approval process, and built-in role assignment controls to enforce segregation of duties and performance of control functions by staff. Additionally, Quantum features better role-based security, assigning ERP users with the minimum access needed to complete their work (functional access vs read-only access); as well as better transaction-level controls. The Office of Human Resources had developed a Performance Management and Development Compliance Dashboard. This allows personnel and managers to transparently monitor the annual

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[68] Performance Management and Development | United Nations Development Programme (undp.org)
[69] For the strategy and related documents see: People for 2030 | United Nations Development Programme (undp.org)
[70] Mobility | United Nations Development Programme (undp.org)
[71] UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct | United Nations Development Programme

performance review, the midterm review, and goal planning status of their teams, COs and Bureaux.

II.2 (c) Defined roles and responsibilities relating to fiscal agents and fiduciary trustees

93.   Sub-standard II.2 (c) provides that the control framework has defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees. It became apparent in the 2020 policy alignment self-assessment exercise that clarification to GEF Agencies was warranted and this was provided in the December 2020 report on the 2020 self-assessment exercise (GEF/C.59/05/Rev.02). The sub-standard "relates to the roles and responsibilities within the Agency for assessing, approving and monitoring third parties who are given funds or financial guarantees or in whom equity investments are made. Agencies with policies and procedures on, or delegations of authority for, the review and approval of loans, grants and guarantees to third parties meet the criteria".

94.   UNDP Financial Regulations and Rules and the UNDP Delegation of Authority Policy set out the framework for delegations of authority within UNDP and current delegations from the Administrator   are   annexed.   This   includes   approvals   of   projects,   selection   of executing/implementing partners, signing project documents and amendments including budget revisions. The National Implementation, Non-Governmental Organizations Implementation, and Agency Implementation Policies address the process of formally engaging with national entities, non-governmental organizations and other UN and multilateral agencies in connection with executing/implementing projects. The Selecting Implementing Partner policy sets out the types of partners (Government entities, UN agencies, Non-UN intergovernmental organizations, Civil society   including   non-governmental   organizations),   criteria   for   selecting   partners,   the capacity/risk assessments to be carried out for new partners, and the formats for selection approval. UNDP has also developed guidance materials specifically for GEF-funded projects in its Delegation of Authority (DOA) and RACI matrix. These include all steps relating to assessing, approving and monitoring National Implementation Partners engaged to execute GEF projects.

95.   Although this review is satisfied that UNDP meets the sub-standard, the UNDP self-assessment indicated that the sub-standard may still not be well understood. It is recommended that the next update of the GMFS should, if this Sub-standard is retained, include the clarification provided in GEF/C.59/05/Rev.02.

II.2 (d) Financial risk assessment and management processes

96.   Risk assessment is supported by the Enterprise Risk Management (ERM) Policy[72], structured along the lines of the International standard ISO 31000:2018 and a Risk Tolerance Framework[73]. A UNDP Risk Management online course was launched in January 2020 to all personnel in English, and made available in French and Spanish in August 2022, to help embed risk management in day-to-day business. UNDP has a publicly available on-line ERM Toolkit[74] which provides extensive guidance and training material.

97.   In June 2022, UNDP launched the ERM module in Quantum. The module is used to record annual Work Plans of programme/unit/regional and corporate levels with the associated risks. The risk register (where risks are updated, reviewed, and monitored) captures risk information including risk type, significance, risk owner, treatment ''plans of actions'' and treatment owner. In September 2022, UNDP also launched the new programme risk dashboard to help offices review, update and monitor programme/business unit risks. It provides an overview of the risks that have been identified at the programme/office level to help senior management, programme managers, risk owners and risk focal points analyze, report, manage and monitor risks. Two risk management dashboards in PowerBI (project level and programme) provide an aggregate view of risks (risk heat map) allowing information to be filtered at the different levels/types of risks within organization. For GEF projects this is supplemented by the PIMS+ Risk Dashboard.

98.   The Risk Committee is a sub-committee to the Executive Group, supporting it identifying, analyzing, managing and reviewing corporate risks affecting the organization. The Risk Committee, through the chair, can escalate risks to the OPG and EG if necessary. Decision on high risks/escalated risks treatments are recommended back to the existing mechanism and Units for implementation. The Risk Committee monitors the status of the implementation of these treatments (if any) during the periodic meetings. The committee is mandated to maintain the overall risk management and resilience framework and to minimize the organizations' risk exposure.

99.   The UNBOA's 2022 UNDP audit included a focus on implementation of ERM. The 2022 report noted that implementation of the enterprise risk management policy is a high priority for UNDP and has gone through a series of incremental improvements, in particular, through the

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[72] Enterprise Risk Management | United Nations Development Programme (undp.org)
[73] See Risk Appetite Statement and related guidelines at: AC_UNDP Risk Appetite Statement.docx (live.com) and AC_UNDP RAS guidance.docx (live.com)
[74] ERM - Home (undp.org)

progressive, but still unfinished, integration of its various elements, the development of adequate information technology tools and platforms and the recent adoption of a risk appetite statement.

100.   A Corporate Performance Unit (CPU) has been established in the Executive Office. The CPU is staffed with an experienced cross-disciplinary team and provides regular operational and programme performance and risk analysis to UNDP's executive leadership to support decision-making. It enhances corporate oversight by drawing attention to insights from audits, evaluations, other assessments and various corporate dashboards that may impact UNDP's performance, reputation, or accountability to partners, and by drawing on the work of different units to help ensure coordinated and timely responses. In managing the Secretariat of the OPG, it supports effective corporate management arrangements to consistently improve the organization's performance. The Unit is working on an application to make its synthesized monitoring approach more widely available in the organization.

II.2 (e), (f) and (i): Control Framework guides the Financial Management Framework; Annual assessment of core financial management controls; Financial Management Segregation of Duties

101.   The ICF Policy covers key financial control factors such as planning, monitoring, communication, policies, procedures, segregation of duties, individual authorities and accountabilities. These are implemented through more detailed Financial Resources Management Policies and delegations of authority.

102.   Financial reporting and certification by senior management is supported by an annual Representation Statement exercise that requires acknowledgement by the Heads of Office (Resident Representatives and Directors for RBx, Regional Hubs, Liaison Offices, Central Bureaux and Independent Units) that adequate internal controls were established and maintained in their respective offices during the period under review. A past UNBOA recommendation to improve the quality of CO representations has been addressed by UNDP with internal control framework training in 2022, and review of submissions by the Bureau of Management Services and RBx.

103.   Key control issues requiring management intervention or enhancements to the control environment are discussed at the OPG and EG, where action plans are put in place and tracked to completion, and oversight provided. Outstanding audit recommendations are tracked through a corporate dashboard and discussed at the OPG oversight meetings to ensure audit recommendations are promptly implemented and closed.

104.   UNDP has made significant progress in clustering key business processes within the GSSU. This contributes significantly to mitigating financial risk at CO level, through de-risking operations and consolidating functions previously conducted in COs. Processes will be less vulnerable to local

influence and standardized risk mitigation measures are enabled to be applied across all regions as follows:

- Clustering enables UNDP to recruit and/or train specialized and highly qualified individuals, to improve the effectiveness and efficiency of business processes.
- Some UNDP offices do not have adequate capacity to segregate key functions. Clustering helps improve the control environment by enforcing segregation of duties, which helps to avoid and detect fraud and prevent errors from occurring. In addition, clustering enables regular and more frequent job, task and process rotation.
- Process standardization in the GSSU is expected to significantly contribute to increased adherence to controls and compliance requirements within the GSSU and UNDP offices, especially at the CO level. In addition, clustering will provide opportunities for further automation and digitization in areas such as invoice processing and issuance of cash transfers to implementing partners.

105.   The OAI 2020 GEF audit identified indications of irregularities due to weak implementation of internal controls and accountability measures at CO level and weaknesses in financial resources management.   Management action points included putting in more preventative auto controls in the ERM system, review Regional Bureau and CO Office internal controls; complete the clustering of services with robust SOPs for transaction workflows; include ICF implementation in managerial performance indicators; strengthen guidance on CO responses to qualified audits of implementing partners; strengthen CO assurance over project-charging transactions; and strengthening Regional Bureau transaction oversight in high risk offices. OAI had confirmed implementation in a follow up review in 2022.

II.2 (g) Anti-fraud measures

106.   The 2021 TPR noted that UNDP had multiple ways to show that it applies measures to prevent and combat fraud or other forms of financial mismanagement, providing the evidence that zero tolerance for fraud is taken seriously by UNDP. The UNDP Policy Against Fraud and Other Corrupt Practices (Anti-Fraud Policy)[75] confirms a policy of "zero tolerance" to fraud, formally proscribing this widely in respect of UNDP staff members, non-staff personnel, vendors, implementing partners and responsible parties. The Policy applies to all activities and operations of UNDP, including projects and programmes funded by UNDP as well as those implemented by UNDP. The Policy requires that the risk of fraud and corruption is assessed and managed in accordance with UNDP's Enterprise Risk Management Framework. Managers shall identify and

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[75] Anti-Fraud Policy | United Nations Development Programme (undp.org)

assess the risks in their programme or project areas, including the risk of fraud and corruption, and apply mitigating measures, taking due account of the level of risk involved. Managers shall be vigilant in monitoring irregularities and the risk of fraud.

107.   Anti-fraud elements are also included in numerous other UNDP policies covering subject matter where there is an intrinsic fraud risk. The UNDP Code of Ethics supports this with its "zero tolerance" statement and guidance on such areas as avoiding conflicts of interest, gifts, and outside employment. All staff have been required to complete anti-fraud mandatory training and as of the end of 2022, the completion rate was reported at 92 per cent. Vendors and bidders for UNDP contracts are made aware of and accept that they are subject to the UNDP Procurement Protest and Vendor Sanctions Policy and the UN Supplier Code of Conduct, through the instructions on fraud and corruption issued within standard bidding documents and their signed bid submission. Anti-fraud clauses are included in implementing partner agreement templates. UNDP's commitment to transparency, as governed by its Information Disclosure Policy, also supports its anti-fraud and corruption policies. Its online Transparency Portal that allows open, comprehensive public access to data on UNDP projects on an annual basis going back to 2012.

108.   All incidents of fraud and corruption are to be reported, will be assessed and, as appropriate, investigated in accordance with OAI's Investigation Guidelines. Actions against staff or third parties confirmed to have engaged in fraud or other corrupt practices will be taken in accordance with the UNDP Legal Framework for Addressing Non-compliance with UN Standards of Conduct or Vendor Sanctions Policy (updated May 2023).

109.   Due to weaknesses reported in the OAI 2020 GEF audit and pending approval and roll out of an updated UNDP ERM policy and Risk Tolerance Framework, and an AML-CFT policy, the 2021 TPR concluded a partially compliant rating for this Sub-standard. As noted under Standards II.2 and II.9, these measures were completed during 2022. A follow up OAI GEF audit was reported in July 2023[76] in which 10 COs and 39 GEF projects were reviewed for the period January-December 2022. The audit report had a satisfactory rating (some improvement needed) and concluded that "Overall…UNDP established adequate governance arrangements to strengthen the oversight over the GEF projects" and that "Implementation of GEF projects was generally in line with UNDP policies and procedures, though issues were noted." There was no repeat of the issue of 2020 fraud red flag findings in the 2023 follow up. In its December 2022 status report on implementing past UNBOA recommendations, UNDP presented data showing a significant improvement in recording fraud risks at project and programme levels.

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[76] [T:\cards_disclo\audit_rep_2585_421023237.pdf (SECURED) (undp.org)](T:\cards_disclo\audit_rep_2585_421023237.pdf)

110.   The continued implementation of the "zero tolerance" approach is manifest from UNDP's investigation function in OAI (see Standard II.7 below) and follow-up actions taken by other offices of UNDP (Office of Legal Services, Ethics Office, COs, Vendor Review Committee and RBx) as a result of investigation reports issued by the office.   The OAI 2022 annual report noted that "Of the potential misconduct identified in the 62 substantiated cases, the majority concerned allegations of procurement fraud (21 cases, or 33.9 per cent); misrepresentation, forgery and false certification (10 cases, or 16.1 per cent); other failure to comply with obligations (8 cases, or 12.9 per cent), and entitlement fraud (7 cases, or 11.3 per cent)." The report also noted actions taken or in progress in cases of misconduct for OAI referrals that year. UNDP has noted in its status report on UNBOA recommendations that a large proportion of procurement fraud cases pertain to vendor activities duly reported by COs applying UNDP control policies and that clustering of procurement services in the Global Shared Service Centre aids risk reduction.

II.2 (h) Separation of functions between project implementation and execution

111.   UNDP's Financial Regulations and Rules provide for a separation of project implementation and execution with a "National Implementation Modality" (NIM) as the norm. UNDP applies the NIM for most of its GEF-funded work, with project execution carried out by partners. UNDP's Financial Management Policies set out the alternative modalities for project execution.   The two modalities where potential conflicts of interest may arise from a lack of separation of roles are Direct Implementation (DIM) and the provision of "execution support" by COs to NIM.

112.   CO support to NIM is governed by the UNDP Support Services to National Implementation Policy[77]. The policy observes that these support services have traditionally been concentrated in procurement and recruitment but may also include carrying out activities such as organizing strategic events or conferences, and producing outputs such as research products.   The arrangement is subject to Letters of Agreement. UNDP conducts the transaction from requisition to disbursement, with no cash being transferred to the implementing partner. The UNDP Resident Representative is accountable for the provision of services, including their quality and timeliness. The Policy indicates that that such services are meant to temporarily fill capacity gaps and should usually be accompanied by attention to building that capacity.   In such instances, UNDP has protocols, authority matrices and the internal Delegation of Authority Agreement for GEF-financed Projects to ensure proper separation of duties are maintained. Project preparation and appraisal processes discussed under Standard I.1 above require review of proposed CO support to NIP.

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[77] UNDP Support Services to National Implementation (NIM) | United Nations Development Programme

113.   UNDP's May 2023 monthly report on the Status of Management and Oversight of GEF Resources notes the particular challenges being faced in maintaining full separation of project implementation and execution tasks aimed for in GEF programming, in cases where there are significant capacity issues and legal barriers on the part of local partners in managing the funds received from the GEF and the complexity of the environments and circumstances in which UNDP programs. These challenges faced by UNDP COs are discussed in the IBTF, chaired by the CPU and BPPS, in order to identify solutions given the constraints of GEF programming.

114.   The 2023 OAI GEF audit[78] noted that the CO Support to NIM was being implemented in 14 of 39 sampled projects. OAI did not raise issues around the effectiveness of separation of implementation and execution in those instances. However, it noted that in 11 cases, the HACT micro-assessments had assigned low risk ratings to the national executing partners, and so it appeared that UNDP was unnecessarily running the risk of failure to separate implementation and execution responsibilities in these circumstances. Reasons for the arrangements included partner requests because UNDP COs could process transactions and procure more efficiently. The related management action plan item concerns strengthening requirements to justify the use of the CO Support to NIM modality. This indicates that UNDP management needs to scrutinize much more critically proposals for CO Support for NIM, which remains at cross-purposes with the sustainability and other objectives of GEF's policy of full segregation of implementation and execution roles.

II.3 Oversight of Executing Entities

115.   UNDP has appropriate policies and procedures governing the pre-engagement due diligence and oversight of executing entities and systems to support the tracking of their implementation. However, the OAI 2020 GEF audit identified issues with compliance by COs and inadequate monitoring and response by other parts of the organization. The "Systems and Silos" 2021 report on an independent review of a UNDP GEF project in Russia also raised concerns about the adequacy of UNDP's project oversight in that project.

II.3 (a) Due diligence process prior to project approval

116.   The overarching UNDP policy for engaging with executing partners (in UN terminology these are "implementing partners") is the Selecting Implementing Partner Policy[79].   The Policy sets out the types of partners (Government entities, UN agencies, Non-UN intergovernmental

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[78] T:\cards_disclo\audit_rep_2585_421023237.pdf (SECURED) (undp.org)
[79] Select Implementing Partners | United Nations Development Programme (undp.org)

organizations, Civil society including non-governmental organizations), criteria for selecting partners, the capacity/risk assessments to be carried out for new partners, and the formats for selection approval. The Policy makes the PCAT a mandatory tool that includes a partner pre-requisite checklist and capacity assessment scoping to assist project developers to determine which capacity assessments (if any) need to be completed before the project is finalized and approved.

117.   As noted under Standard I.2 above, the HACT Framework requires UNDP COs to complete macro and micro assessments to assess the public financial management environment in which the proposed partner operates and partner capacity.   The micro assessment is performed by third party service providers using a standardized capacity assessment questionnaire. UNDP has developed detailed HACT guidance to operationalize the UNDG HACT framework. The HACT guidance requires the upload the Summary of Significant Issues and Action Plan arising from the micro assessment and provides the template for this.

118.   For the GEF portfolio, the results of the PCAT/HACT assessments are an integral part of the prescreening process that is consistently applied to all new programming requests. UNDP's Policy on Due Diligence and Partnerships with the Private Sector is applicable when the private sector is involved in a project as a partner (as opposed to being contracted under procurement).

119.   The completion of the HACT capacity assessments and assurance activities (spot checks and audits) is tracked on the HACT platform. The platform interfaces with UNDP's Quantum system to track budgeted cash transfers to implementing partners and offices are required to indicate completion of assessments and assurance activities including uploading capacity assessment and assurance activity reports for partners that meet prescribed thresholds. Offices are also required to document actions taken to address significant issues noted in partner capacity assessments and assurance activities.   The Integrated Financial Dashboard also tracks compliance with capacity assessments and is accessible by COs and Regional Bureau management. Non-compliance issues flagged in the dashboard are communicated to RBx (during quarterly financial reviews) and to COs (in quarterly one-pager communications to the Head of Office).

120.   The due diligence procedures in the Selecting Implementing Partner policy are required steps in the GEF project cycle that are integrated into the PIMS+ system. The PIMS+ system does not allow a project to advance to the next step if the due diligence procedures mentioned above are not completed and the PCAT uploaded to PIMS+. For example, projects that have not been agreed upon by the PISC committee will not advance in the system.

II.3 (b) Information on funding agreements

121.   The UNDP Information Disclosure Policy promotes public availability of information about UNDP's programmes and projects, to facilitate the transparency, accountability and national ownership of UNDP programmes and operations. This includes for each project details about the entities with whom UNDP has funding agreements, budgets and expenditure. The Policy enumerates the limited exceptions for making information publicly available. UNDP's online Transparency Portal allows open, comprehensive public access to data on 5,000+ development projects in some 170 countries and territories worldwide. The Portal enables users to find project information categorized broadly by location, funding source, SDGs, focus areas, and drill down for comprehensive project data, including budget, expenditure, completion status, implementing organization, contribution to gender equality, project documents, project results, purchase orders, and more. In many cases the actual project agreements are also posted. Project funding information is also made available by UNDP on IATI's online portal.

II.3 (c) Monitoring during grant implementation

122.   The UNDP Monitoring Policy sets out the overarching monitoring requirements for all UNDP programmes and projects, including review of project progress, output verification and operational performance, including delivery of the workplan, pipeline/resource mobilization management, dashboard and audit performance, delivery rates, deficits, unprogrammed resources, aged NIM advances, implementation of procurement plans, receivables management, and donor reporting performance (timeliness and quality).

123.   The UNDP Financial Regulations and Rules sets out the overarching requirements for financial oversight of executing entity functions, including budget planning and allocation, establishing reporting requirements and supporting accounts and records. The HACT Framework establishes the financial assurance activities (spot checks and audits) required during the course of project implementation. These are undertaken by a qualified third-party service provider, to ensure it is independent and reflects the required technical expertise. In addition, UNDP's Cash Transfer Procedures (Advance and Reimbursement) and Direct Payments Procedures include procedures for offices to follow when reviewing cash transfer requests and reports for executing entities to identify potential fraud red flags. The guidance details the request for payment review measures and requires potential red flags to be fully investigated and the transaction confirmed to be valid before cash transfer requests are processed. The guidance provides information on potential red flags.

II.3 (d) Framework for suspending disbursements and recovering GEF funds

124.　UNDP's overarching framework for suspensions and recoveries of funds disbursed to implementing partners is established under Regulation 17.06 of the UNDP Financial Regulations and Rules. This provides that the Administrator may, by written notice to the Government and the executing entity, under the terms and conditions of the UNDP agreement with such party, suspend UNDP programme activities if any circumstance arises which in his/her opinion interferes or is likely to interfere with their successful completion or the accomplishment of their purposes and results. If such circumstance continues for a period of 14 days after written notice of such suspension to the programme country and the executing entity, the Administrator may, by written notice to the same parties: (i) terminate UNDP programme activities or (ii) terminate the execution by the executing entity of UNDP activities in the country and, with the consent of the Government, take over such execution or entrust it to another executing entity.

125.　General UNDP policy is contained in the 'Project Suspension and Cancellation' section of the Manage Change Policy[80]. Standard clauses covering suspensions and terminations of projects (for any reason) are contained in UNDP's Agreement templates. Investigations of indications or allegations of misuse of project funds are carried out by UNDP in accordance with OAI investigation standards and procedures.

126.　'Section XI: Risk Management', in the UNDP Annotated Project Document Template for Projects Funded by GEF Trust Funds outlines the steps to be taken in situations where there may be an inappropriate use of funds or credible allegation of fraud or corruption. GEF related cases are highlighted to the Deputy Director (Investigations) OAI who maintains a list to track case progress and suitably notifies GEF of case progress when requested. When OAI establishes whether a case is substantiated or not, this fact is reported to the UNDP BPPS Vertical Fund team who then informs the GEF as per GEF Policy.

II.4 Financial Disclosure/Conflict of Interest

II.4 (a) and (b) Documented policies defining conflict of interest (COI) and disclosure requirements; specify prohibited COI situations

127.　UNDP's Financial Disclosure Policy[81] defines COI and disclosure requirements. The policy is supplemented by the 'Avoiding Conflicts of Interest' section and the 'Financial Interests and

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[80] Manage Change | United Nations Development Programme (undp.org)
[81] Financial Disclosure | United Nations Development Programme (undp.org)

Disclosure' section, in the UNDP Code of Ethics[82].   UNDP's Procurement Ethics, Fraud and Corrupt Practices policy outlines how to avoid actual, perceived or potential conflicts of interest in procurement. The Ethics Office has also produced specific guidance to staff on conflicts of interest in particular situations such as outside activities, board memberships and writing for external publications.

128.   For GEF-financed projects, the UNDP requirements are enhanced to cover specific types of conflict that are not allowed in GEF activities, such as serving on the project board. The project board has a responsibility to ensure that conflicts of interest are monitored and addressed. For NIM projects, care is required to ensure that conflicts of interest are handled appropriately where GEF has agreed that UNDP provides country support services and executes the project (see Sub-standard II.2(h) above).

II.4 (c) Parties covered by policy have a way to disclose potential/actual COI

129.   UNDP's Financial Disclosure Policy sets out a program (FDP) intended to identify potential and actual conflicts of interest so that they may be vetted and mitigating actions taken to limit or eliminate associated risks. This includes a requirement for annual financial disclosure statements from all senior staff and others in particular risk categories. UNDP's Code of Ethics deals with the consequences of non-compliance in detail and recent financial disclosure cycles have been fully complied.

II.4 (d) Processes for administration of financial disclosures; review and resolution of COIs

130.   The UNDP Ethics Office advises management and staff on conflicts of interest and administers the financial disclosure program. The annual FDP reporting cycle and ad hoc requests for review of outside activities are supported by automated submission processes. During the first semester of 2023, the Ethics Office received approximately 240 of requests for advice and guidance related to outside activities, and approximately 45 requests related to other conflicts of interest. In addition, between 1 January and 30 June 2023, the Ethics Office addressed 290 conflicts of interest advice and guidance matters within the context of the FDP exercise.

II.5 Code of Ethics/Conduct

II.5 (a) Documented Code

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[82] FINAL-UNDP-CODE-OF-ETHICS.pdf

131.   The UNDP Code of Ethics was developed to consolidate the ethical expectations of all of UNDP's staff and other personnel including consultants worldwide, including those set out in the Standards of Conduct for the International Civil Service as well as the Staff Rules and Regulations of the United Nations. The Code is comprehensive and sets the expected values and behaviors expected of staff, describes how wrongdoing must be reported, provides details about whistleblower protection and how the Code is enforced. It also provides links to multiple policies and guides that support the ethical climate in the UNDP. All UNDP Staff members are required to take the mandatory UNDP on-line course "Ethics and Integrity". UNDP has implemented complementary policies for Protection against Harassment, Sexual Harassment, Discrimination and Abuse of Authority[83], the UN Special Measures for Protection from Sexual Exploitation and Sexual Abuse[84] and Protection against Retaliation[85].

132.   The Code and complementary policies are supported by enforcement actions as set out in the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct as well as the Status, Basic Rights and Duties of UN Staff Member.

II.5 (b) Ethics function to support the Code

133.   The UNDP Ethics Office has operational independence, reports directly to the Administrator[86] and has direct access to the Executive Board to which it reports on an annual basis[87]. It provides ethics awareness training and advice. In addition, it is responsible for managing the Financial Disclosure and Conflicts of Interest policy activities and reporting and it plays a key role in protection against whistleblower retaliation matters. The Office refers to OAI identified or alleged violations for investigation.   A 2021 report of the UN Joint Inspection Unit recognized the strong practices of the UNDP Ethics Office in several areas. It identified the UNDP Code of Ethics as "the most comprehensive" document of its nature from among the organizations reviewed. In its 2022 annual report presented to the Executive Board in June 2023, the AEAC reiterated its satisfaction with the scope, coverage and implementation of the Ethics Office 2022 work plan under tight resources.

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[83] Eng_HR_Workplace Harassment and Abuse of Authority Guidelines.pdf (undp.org)
[84] Secretary General's Bulletin - Special measures for protection from sexual exploitation and sexual abuse | United Nations Development Programme (undp.org)
[85] AC_Ethics_Protection against Retaliation.docx (live.com)
[86] While in the context of whistleblower protection, external observers have suggested UN Ethics Offices should have more structural independence, this remains the standard reporting structure in UN organizations.
[87] For 2022 report and management response see and 2022_OAI_Ethics_AEAC_Management response_FinalDraft_042523.docx (live.com)

II.5 (c) Multiple avenues for reporting compliance and/or other business conduct concerns

134.   In accordance with the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct, OAI is the principal channel to receive misconduct allegations and manages the institutional reporting hotlines. There also are multiple ways of communicating with the Ethics Office on the wide range of topics that fall under the Office's purview and that are related, one way or the other, to the Code of Ethics.

II.6 Internal Audit

II.6 (a), (b) and (i) International standards; mandatory ethical principles; monitoring effectiveness

135.   OAI conducts independent, objective assurance and advisory activities in accordance with the Charter of the Office of Audit and Investigations, most recently updated in March 2022[88]. OAI has established an internal audit quality assurance and improvement program and its internal audit activities are subject to external quality assessments which have confirmed (most recently in late 2022) that OAI conforms with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors (IIA). All Internal Auditors are required to sign a yearly statement certifying compliance with the United Nations Code of Conduct and the Core Principles of the IIA Code of Ethics.

II.6 (c) Independence

136.   OAI is an independent office reporting, within the UNDP organization structure, directly to the Administrator. It is not responsible for any functions incompatible with its internal audit role. At the time of reporting, OAI's Director's office and audit sections had in total 60 approved posts of which 56 were filled. OAI also has reporting lines to the AEAC and the UNDP Executive Board. The Charter provides that OAI shall periodically inform the AEAC and the Administrator of progress made in the implementation of the annual plan, changes made thereto and other issues related to the implementation of the plan; summaries of significant and systemic audit findings; and action taken by management on the implementation of audit recommendations. The Charter also provides that OAI shall independently prepare and submit to the Executive Board, after review by the AEAC, an annual report for each completed calendar year on its internal audit and investigations activity. This annual report shall also include updated information on resources, disclosure of audit reports, significant audit findings, systemic weaknesses identified in audits, action taken by management to implement audit recommendations, investigations cases and their status and such other matters as may be

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[88] UNDP-OAI-Charter-ENG-2022.pdf.pdf.pdf

requested by the Executive Board. These annual reports are made publicly available as part of the Executive Board documents.

II.6 (d) Charter confirming professional standards

137.   OAI's purpose, authority, accountability, and standards are well defined in the OAI Charter.   It has its own internal audit standard operating procedures to aid staff in applying the Standards.

II.6 (e) and (f) Planning and Coordination

138.   OAI applies well defined risk-based audit planning processes comprising a four year audit strategy aligned with UNDP's strategy and risk-based annual audit plans. OAI's internal audit coverage regularly covers the management and oversight of GEF projects, either in CO audits or thematic audits such as those reported in 2020 and 2023. OAI has a well established track record of coordinating its work with other internal review functions and the external auditor.

II.6 (g) and (h) Reporting and Follow Up

139.   Reports are prepared for all audits. In accordance with decision 2012/18 of the UNDP Executive Board, OAI makes publicly available, through its pages in the UNDP public website[89], all internal audit reports. In exceptional cases, reports may be redacted, or withheld in their entirety, at the discretion of the Director of OAI.

140.   Key control issues requiring management intervention or enhancements to the control environment are discussed at the OPG and EG, where action plans are put in place and tracked to completion, and oversight provided. Outstanding audit recommendations are tracked through a corporate dashboard and discussed at the OPG oversight meetings to ensure audit recommendations are promptly implemented and closed. The status of implementation of audit recommendations is also reported in OAI's annual reports. The implementation rate of internal audit recommendations in the period January 2020 to 30 November 2022 was reported as 85.1 per cent as of 31 December 2022. OAI flags to UNDP's senior management and the Executive Board all long outstanding recommendations (i.e. still unresolved after 18 months). At the end of 2022 there were 6, of which 5 related to specific COs. UNDP has applied particular focus over recent years to reduce the number of recurrent audit issues and the 2022 annual report included analysis of this based on audits for the year, focusing on those at CO level.

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[89] Audit Public Disclosure | UNDP

II.7 Investigation Function

II.7 (a) Publicly available terms of reference

141.   The purpose, authority, accountability, and standards of the investigation activities are well defined in Charter of the Office of Audit and Investigations, most recently updated in March 2022 and publicly available through UNDP's public website.

II.7 (b) Independent investigation function

142.   The investigative activities within UNDP are carried out by the Investigation section of OAI, with independence and reporting lines through the Director, OAI to the UNDP Administrator, AEAC and UNDP Executive Board as for the internal audit function.   The section is well established - in addition to the head (Deputy Director) of the Investigation Section, there are 34 approved posts of which 23 are professional investigator posts. At the time of reporting, 33 were filled. The 2022 annual report issued in March 2023 confirmed that during that year the office opened 300 new cases and carried over 330 cases from 2021, bringing the 2022 caseload to 630, the highest recorded caseload since the beginning of the COVID-19 pandemic. Investigation capacity is being maintained albeit that rising caseloads remain a challenge.

II.7 (c) and (d) Investigation standards and guidelines

143.   Investigations are conducted in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 10th Conference of International Investigators[90], the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct, and the OAI Investigation Guidelines, all available through OAI's public webpages. The Guidelines address the elements described in the GEF investigation sub-Standard II.7(c), presenting general principles, rights and obligations, procedural guidelines, and the treatment of investigative findings including referrals to national authorities.

144. The Policy, Quality Assurance and Special Investigation unit of OAI reviews completed investigations to ensure that those with substantiated allegations have complied with relevant standards and sufficient evidence. This Unit also develops and upgrades internal policies, provides advice to external units on corporate issues, and conducts assessments and investigations on sensitive cases. The most recent periodic independent peer review was conducted in 2021 and concluded that the Investigations Section of the OAI is a professional and well-established entity that delivers on its mandate independently, is composed of committed specialists conducting their work with diligence and works to a high-quality standard.

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[90] Uniform_Principles_and_Guidelines_10th_Conference.pdf (undp.org)

II.7 (e) Reporting

145.   Confidential reports are prepared for each investigation, either supporting next steps in UNDP's disciplinary or sanctions procedures or providing reasons for closure. OAI presents and makes public annual statistics and information on investigations carried out in the OAI Annual Report. Also, the Investigation section coordinates briefings on annual statistics to the RBx and Headquarters senior management, including an analysis of patterns/trends and lessons learned. Management letters with control lessons may also be issued in some cases.

II.7 (f) Reporting to GEF Council in respect of misconduct and misuse relating to GEF funds

146.   Where misuse of GEF funds is being investigated, UNDP reports statistics annually to the GEF and as required to advise of investigations launched or progress thereafter. This reporting includes management actions taken by UNDP to suspend a project or put a project under enhanced oversight, and the status of the investigation. The review confirmed that current investigations into misuse of funds in GEF-funded projects were being reported in accordance with GEF requirements.

II.8 Hotline & Whistleblower Protection

II.8 (a) Hotline in place and accessible

147.   UNDP provides multiple mechanisms, including web-based reporting and a worldwide phone number for staff and others to report concerns[91]. The hotline is managed by an independent service provider, under a contract managed by OAI, with interpreters to facilitate secure and even anonymous communications in a wide range of languages. Users can follow up on a previously submitted concern via the web-based platform. Contacts on concerns about prohibited behaviors received through other channels such as the Ethics Office[92] or managers are also required to be referred to OAI for examination and possible investigation.

II.8 (b) and (c) Autonomous intake function and complaint records

148.   The Information and Analysis Team (IAT) in OAI reviews all cases that come to OAI. Based on what the information received, the Unit decides how cases should proceed – and how to prioritize them. IAT does not participate in investigations themselves. For cases of any kind

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[91] Links are included in the OAI Investigation web page at: Investigations | United Nations Development Programme (undp.org) There is also a link to this page on UNDP's home page, under the title "Report Fraud, Abuse, Misconduct" .

[92] There is a "contact us" link in the UNDP Ethics Office page: Ethics | United Nations Development Programme (undp.org)

reported to OAI, IAT records all case details. These statistics are compiled into periodic reports to the Administrator and form the basis for OAI's Annual Report that is publicly available.

II.8 (d) Whistleblower protection

149.   UNDP's Protection Against Retaliation (PaR) Policy specifies who is protected and what constitutes a "protected activity". The policy has appropriate provisions for the burden-shifting of evidence to the organization once a prima facie case of retaliation is established, extends protection to staff, provides reasonable timeframes to lodge complaints, permits precautionary measures and confirms sanctions for retaliatory actions.

150.   Section 14 of the PaR Policy provides for review every two years, but in practice this has been more frequent, with the 2018 policy being updated in 2019, 2021 and 2022. Policy revisions in 2021 and late 2022 have drawn on the results of independent reviews of particular cases of whistleblowing, including the "Systems and Silos" report and represent ongoing enhancements in favor of whistleblowers. To support the independence of the Ethics Office in making determinations of retaliation, the Executive Board encouraged, in its Decision 2022/16 "direct and independent communication with the Executive Board, as needed, through reports or briefings, in particular on concerns related to whistle-blower protection against retaliation issues". Staff have been able contest rejections of claims for protection against retaliation before the UN Dispute Tribunal (UNDT) and eventually, if needed, to the UN Appeals Tribunal (UNAT). However to address concerns about timely recourse external to UNDP, recent PaR Policy revisions have included expressly stipulating that all retaliation complainants (staff members and non-staff personnel) are entitled to request independent review of any UNDP Ethics Office PaR determination by the Chairperson of the Ethics Panel of the United Nations. Other revisions favoring whistleblowers include aligning the definition of a "prima facie case of retaliation" in the policy with that of the UN Secretary-General's bulletin on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations; and ensuring that individuals under UNDP contract but working at other organizations continue to benefit from coverage under the policy to the extent that UNDP has not reached agreement with the relevant organization.

151.   The Ethics Office annual reports devote specific sections to whistleblower protection. In two of the six allegation cases received in 2022, the Ethics Office determined prima facie cases of retaliation and referred the matters to OAI for investigation. Protective measures were recommended and implemented in one of these cases. In other cases, the UNDP Ethics Office documented justifications for closure without referral. In one of these cases the individual sought review of the matter from the Chair of the Ethics Panel, who concurred with the Ethics

Office that the matter did not raise a prima facie case of retaliation. A number of cases have been referred to OAI for investigation in 2023.

II.8 (e) Anonymous and confidential reporting

152.   Anonymous reports are accepted through UNDP's reporting channels. Policies are in place to provide confidentiality in UNDP's Policy for Protection Against Retaliation, the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct and the OAI Investigation Guidelines.

II.8 (f) Periodic review of handling of hotline, whistleblower and other reported information

153.   The hotline, OAI's handling of complaints and investigation of retaliation cases are included in the 5-yearly peer reviews of the OAI investigation function recommended by the Conference of International Investigators, most recently carried out on OAI in 2021. Given the intrinsic challenges and sensitivities of whistleblower response and protection, OAI also reviews internal procedures governing complaint handling and the intake system in line with UN Dispute Tribunal judgements, best practice guidance from the Conference of International Investigators and advice from the UNDP Legal Office.

II.9 Anti-Money Laundering and Combating the Financing of Terrorism

II.9 (a) and (c) Systematic screening; observe UN Security Council sanctions

154.   UNDP's AML-CFT Policy[93], initiated during the OAI 2020 GEF audit and finalized under that audit's management action plan, became effective on September 30, 2022 and is available publicly on UNDP's website. To support implementation of the policy, a detailed Operational Guide to implementing the policy was issued in December 2022, and a new Supplier Management Policy was issued in April 2023 reflecting UNDP's shift to the Quantum ERP system.

155.   The AML-CFT Policy is supplemented by several other related control measures established in the Procurement Methods, Managing Partnerships, Private Sector Partnerships[94], Select Implementing Partner, HACT, Sourcing and Market Research[95] and Vendor Sanctions

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[93] Anti-Money Laundering and Countering the Financing of Terrorism Policy | United Nations Development Programme (undp.org)
[94] Private Sector Partnerships | United Nations Development Programme (undp.org)
[95] Sourcing and Market Research | United Nations Development Programme (undp.org)

Policies, and to Standard Operating Procedures for Vendor Management[96]. According to the latter Policy and Procedures, UNDP is not allowed to contract or pay any sanctioned vendor regardless of the value of the transaction, with very specific exception handling. UNDP uses negative screening against the vendor sanction list to approve eligibility of any new vendors.

156.   The AML-CFT Policy applies to all UNDP activities, including GEF-funded projects, in the following situations: a) vendor relationships in a procurement process (individuals and entities, as well as owners/controlling interests of entities); b) recipients of funding in a programming context (International intergovernmental organizations, civil society organizations, and private entities including owners/controlling interests of private entities); and c) other entities with whom UNDP partners. UNDP will not engage with individuals or entities who are listed in the United Nations Security Council Consolidated List, the other lists contained in the United Nations Global Marketplace (UNGM) Ineligible Supplier Lists, the UNDP Internal Excluded List, or where UNDP has a view that a high AML-CFT risk may be posed by UNDP engaging with the entity/individual.

157.   The normal verification by UNDP of new vendors is done by checking the above ineligibility lists at various stages of the procurement processes - at the evaluation stage, in the submission to the Procurement Review Committees, further verification by the Procurement Review Committees prior to the award of contracts, and at the point of vendor creation in the system. UNDP has automated the vendor sanctions verification in Quantum, linking directly with the sanctions list on the UNGM and there are segregated clearances. To identify vendors who become sanctioned after being established in Quantum, the UNDP Procurement Services Unit matches the sanctioned lists on the UNGM with the vendor records in the system on a quarterly basis. As part of the global implementation of the AML-CFT Policy, UNDP launched in January 2023 two new tools to support business units with their policy application - the LexisNexis screening solution and a case management module in UNall to manage instances identified as requiring further risk management.

158.   More than 200 AML-CFT Focal points have been nominated by the Regional and Central Bureaux. The corporate AML-CFT team based in HQ has been created and fully staffed. UNDP has clustered vendor management for five Bureaux in the Global Shared Service Centre which means that in most cases, the verification of the sanctions list is being managed by independent professionals who are not located within the COs. BMS organized several corporate wide sessions on general awareness (in September 2002) and specifically for AML-CFT Focal points (December

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[96] Internal UNDP documents

2022 and March 2023).   UNDP provided documentation of examples showing the new AML-CFT policy and system features in implementation.

159.   The AML-CFT Policy provides that the Compliance Function of the Budget, Performance and Compliance unit within the Bureau for Management Services (BMS-BPC) is responsible for monitoring the implementation, and maintenance of the Policy, including the review of business units' application of AML-CFT procedures, as required.   BMS-BPC is currently working on designing reports which will use the data from the new screening and case management tools for periodic corporate monitoring.

II.9 (b) Addresses risks based on standard decision-making procedures

160.   The 2022 AML-CFT policy provides that risks related to money laundering and/or terrorist financing must be identified and considered in the formulation, design and implementation of programming activities and engagements, as part of the overall risk management approach set out in UNDP's ERM Policy.   The ERM Policy has been updated in in September and November 2022 and May 2023 to align with the new AML-CFT Policy, including adding a new AML-CFT risk sub-category; and updating the Risk Appetite Statement Guidance, project risk register template, and roles and responsibilities contained in the Policy.   The AML-CFT policy also provides that all UNDP arrangements with counterparties shall be monitored and risk assessments updated for newly acquired AML-CFT risk information.   OAI conducts investigations of violations of the AML-CFT Policy and sanctions policies apply whenever violations of the Policy are confirmed.

161.   The UNall case management module is used to manage instances identified as requiring further risk management.   Under the AML-CFT Policy, all credible allegations of activities believed to contravene the principles set out in this AML-CFT Policy will be assessed and investigated, as appropriate by OAI in accordance with its Charter and the Investigation Guidelines.

ACKNOWLEDGEMENTS

162.   The 2023 third-party reviewer expresses appreciation for the efforts applied by UNDP in the preparation of the self-assessment, the prompt responses to follow-up review questions and making personnel and information available during the September visit to UNDP headquarters. Particular appreciation is given to the Vertical Funds team in the Bureau for Policy and Programme Support who prepared and/or helped coordinate the information for this review and were generous with their time to meet and respond to questions. This contributed to an efficient process enabling the review to be completed in a relatively short period of time.