



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/C.61/04
October 25, 2021

61st GEF Council Meeting
December 06 - 09, 2021
Virtual Meeting

Agenda Item 04

**UNDP THIRD PARTY REVIEW
OF COMPLIANCE WITH
GEF MINIMUM FIDUCIARY STANDARDS**

Recommended Decision:

The Council takes note of the Independent Third Party Review of UNDP and decides to:

- i. urge UNDP to continue to implement actions required to come into full compliance with GEF Minimum Fiduciary Standards
- ii. request UNDP to present a time-bound Action Plan to address the gaps identified by the Review, to be presented by March 31, 2022 for inter-sessional distribution to Council
- iii. request UNDP to continue to provide monthly reports to the Secretariat on implementation of all actions under its Management Action Plan and the Secretariat to continue to provide updates to Council based on these reports until the end of FY22; Council would review this requirement at its C.62 in June 2022
- iv. request that the Secretariat coordinate a subsequent independent review during GEF-8, to be initiated within 12 months of C.61 (i.e. before December 2022).

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UNDP THIRD PARTY REVIEW OF COMPLIANCE WITH GEF MINIMUM FIDUCIARY STANDARDS

I. Summary

1. This document presents to Council the final Report of the independent Third-Party Review of compliance by UNDP with GEF Minimum Fiduciary Standards, per decision of GEF Council at its 59th Session in December 2020.¹ The final Report is attached as Annex 1.
2. The Secretariat has prepared this cover note to accompany circulation of the final Report, in line with paragraph 14 of GEF Policy on Monitoring Agency Compliance with GEF Policies². The note complements the findings and recommendations in the Report with information regarding the risk determination, as set out in the Policy, and presents a proposed decision for consideration by Council.
3. The external Third-Party Report was prepared independently, in accordance with the decision of Council and requirements of policy. The Report provides an independent assessment of UNDP compliance with all fourteen GEF Minimum Fiduciary Standards, as required per the Terms of Reference.³ It notes, in this regard, that implementation of many UNDP management actions in response to the OAI audit is still underway by UNDP and is expected to take time, particularly at the country and project level. Finally, the Report is not a report of the GEF Secretariat; it's content and conclusions are those of the independent Reviewer contracted to produce the report.
4. Section II below summarizes steps leading to this independent review and the policy framework under which it is taking place.

II. GEF Policy on Monitoring Agency Compliance with GEF Policy

5. The GEF Policy on Monitoring Agency Compliance⁴ ("the Policy") requires a once-per-Replenishment assessment of compliance with GEF policies by GEF Agencies, to begin in the final year of the GEF-7 Replenishment. The Third Party Review of UNDP is the first such report to be prepared under this Policy approved in 2016.
6. According to the Policy, each Agency is required first to undertake a self-assessment and provide a certification of compliance, or a time-bound action plan to come into compliance. The self-assessment addresses: i) changes, if any, to the policies, procedures or capabilities on the basis of which the Agency was originally determined to be in compliance with GEF policies,

¹ See Summary of the Chair, Decision on Agenda Item 16

² Paragraph 14 of the Policy provides as follows:

"14. The reviewer submits the key findings and recommendations of third-party reviews of Agencies' compliance to the Secretariat. The Secretariat complements those findings and recommendations with information regarding the risk determination described in paragraph 12, and submits the complete report to the Council for review and decision in conjunction with a compilation of Agencies' certifications and supporting information."

³ Attached as Annex 3

⁴ http://www.thegef.org/sites/default/files/documents/Monitoring_Agency_Compliance_Policy_0.pdf

ii) if changes have occurred, whether the Agency remains in compliance with those policies, and
iii) evidence of experience and implementation capacity in respect of each of the GEF standards.

7. The Policy then requires that a risk-based, independent, external Third-Party review of Agencies' compliance with relevant GEF policies be carried out, starting in the final year of the Replenishment, i.e., FY22 for GEF-7.

III. Council Decision to Accelerate Third-Party Review for UNDP

8. The limited self-assessment by all Agencies required by the 2019 update to the Minimum Fiduciary Standards was carried out and reported to Council at its 58th Session in June 2020 and subsequently at its 59th Session in December 2020. UNDP submitted its compliance self-assessment as part of this process, reported to Council at its 59th Session.⁵ The next step per Policy would be to begin the Third-Party review in FY22.

9. In light of available information from UNDP and other sources, including previously-reported issues related to GEF-funded projects implemented by UNDP, however, the Council decided at its 59th Session to accelerate the independent Third-Party Review of UNDP compliance with GEF Policy on Minimum Fiduciary Standards.

10. The available information includes a system-wide audit by UNDP's Office of Audit and Investigation (OAI) of UNDP's management of the GEF Portfolio. This system-level audit followed earlier project-specific audits and investigations into several GEF-funded projects implemented by UNDP that raised serious issues of compliance with GEF Minimum Fiduciary Standards, and an external review following the investigation into one of these projects (the *Standards and Labelling Project* in Russia). These individual cases and system-level audits are reported to Council in line with the reporting requirements in GEF's updated Policy on Minimum Fiduciary Standards.⁶

11. The Council decision at its 59th Session, and the status of each decision item, is summarized below:

- Independent Review to be completed by 1 October 2021, and Secretariat to report back to Council on the results of this Review at the 61st Session in December 2021.⁷
 - *Status:* The report was submitted to the Secretariat on 1 October 2021. The Reviewer subsequently provided additional edits in response to a question of clarification relating to the fulfillment of one element of the

⁵ GEF/C.59/05/Rev.02, December 2020

⁶ An annual summary of grievance cases involving GEF-funded projects will be included as a document for the upcoming 61st Session of GEF Council. Per GEF Policy, the document will provide summaries of non-confidential case investigations and more general statistical information on other cases that involve confidential matters under GEF Partner Agency procedures. These other cases, which involve allegations relating to fiduciary matters, are reported separately to Council.

⁷ C.59 Summary of the Chair. December 2020, para 91 (d), para 91 (e)

Terms of Reference, and re-submitted the Report. The final Report is attached hereto.

- UNDP should review and resubmit its self-assessment of compliance with GEF Minimum Fiduciary Standards, as an input to this accelerated Third-Party Review process.
 - *Status:* The updated UNDP self-assessment was submitted to Council at its 60th Session in the *Progress Report on the Independent Third-Party Review of UNDP*.⁸
- UNDP to provide regular (monthly) progress reports of the implementation of high-risk recommendations of the OAI's audit report to the GEF CEO and that the CEO would update Council on implementation recommendations and identify any concerns or delays in their implementation.⁹
 - *Status:* All such reports were received by the Secretariat and circulated to Council members for information.
- All projects included in the Work Program implemented by UNDP shall be circulated by email for Council review at least four weeks prior to CEO endorsement/approval, as UNDP implemented actions to address the OAI recommendations.
 - *Status:* This decision is being applied as part of the project review process for projects submitted by UNDP.¹⁰ A template was established for reporting, making direct links to UNDP Management Action Plan items. The template was used for all projects submitted for CEO Endorsement/Approval, in addition to those requested by Council. A list of the status of such projects is included in each UNDP monthly report.

12. At its 60th Session in June 2021, Council considered the *Progress Report on the Independent Third-Party Review of UNDP*. This Interim Report from the External Third-Party Reviewer included a preliminary assessment of the completeness and reasonableness of the UNDP revised self-assessment. The Secretariat also provided a summary of other actions to date.

IV. Independent Third-Party Review and Information on Risk Determination

13. The Secretariat contracted an independent external Reviewer in accordance with GEF Policy and World Bank competitive procurement policy and guidelines. Mr. Graham Joscelyne, a Chartered Accountant and former Auditor General was selected based on his extensive experience with multilateral organisations, the UN system, internal audit and issues related to accreditation.¹¹

⁸ GEF/C.60/05, June 2021.

⁹ C.59 Summary of the Chair, para 91.f

¹⁰ C.60. Joint Summary of the Co-Chairs, para 41.

¹¹ The Reviewer's c.v. is attached as Annex 3.

14. In accordance with GEF Policy, the Secretariat respected the full independence of the Reviewer throughout the process, who engaged directly with UNDP and other sources to gather information.

15. Consistent with paragraphs 12 and 14 of the GEF Policy, the Secretariat conveyed to the Reviewer information on potential cases raising risks of non-compliance relevant to the assessment. This included information available to the Secretariat about the grievance and whistleblower cases involving GEF-funded projects at UNDP, including serious allegations relating to fraud, misuse of funds, conflict of interest and retaliation against whistleblowers, and the “high-risk” issues of compliance noted in the system-wide audit of the UNDP portfolio by the Office of Audit and Investigation (OAI) at UNDP. As part of this, the Secretariat also provided the Reviewer with information regarding contact persons at UNDP having responsibility for the investigation into these matters.

16. The Secretariat also referred to the independent Reviewer the names of persons who approached the Secretariat with information and/or concerns relevant to the Review and flagged other issues of concern, while confirming that the decision about whether or how to respond to and assess such information remained independently in the hands of the Reviewer.

VI. Summary and Recommendations

17. The independent Third Party Reviewer confirmed that UNDP’s revised self-assessment was largely appropriate. The Reviewer noted, however, that implementation of many required action plan items was in very early stages and that it was premature to verify impacts at an operational level. The Reviewer observed general agreement with the concerns leading to the OAI audit, and the findings of the audit, among UNDP staff interviewed. In particular, the Reviewer found evidence that previous responses by UNDP to concerns raised had not met expectations, highlighting the importance of continued vigilance in implementation of UNDP action plans.

18. The Reviewer concluded that the UNDP internal audit function was functioning well, noting that OAI has: i) communicated satisfaction with the remedial actions that UNDP intends to take to remediate compliance issues, ii) conducted and reported on the results of its first follow-up audit; iii) planned a second follow-up audit to ascertain the extent to which remediation is occurring in the field, and iv) continued to hold UNDP management to account.

19. The Reviewer’s assessment of senior UNDP leadership commitment is generally positive and represents that this commitment, coupled with OAI’s role and function, “...increases the third-party reviewer’s level of confidence that UNDP is on the right track vis-à-vis GEF-financed activities, thereby reducing GEF’s risk exposure to UNDP as an implementing partner.” The Reviewer’s professional opinion on this score reflects the outcome of interviews, review of documentation and assessments of each of the GEF Standards.

20. The Reviewer recommends that a follow-up review be conducted within approximately two years to assess application of action plan activities and that UNDP continue to report periodically on progress.

21. The Secretariat further recommends that:

- (i) the follow up review be undertaken earlier, in light of the critical importance of implementation of the action plan items for a successful launch of the GEF-8 Replenishment Period in July 2022 and given UNDP's prominent role in the implementation of GEF projects and programs.
- (ii) reporting on the implementation of all UNDP Management Action Plan items continue. Again in consideration of the importance to the GEF-8 Replenishment process, it is recommended that UNDP continue monthly reporting to the Secretariat on all high and medium risk actions at least through the end of FY22, and the Secretariat will also continue to update Council as in past months. The periodicity of such reporting could be reviewed, and a subsequent determination made at the June 2022 Council session.
- (iii) UNDP prepare an Action Plan to address each of the GEF Minimum Fiduciary Standards assessed by the Reviewer as not yet fully compliant. This is consistent with GEF policy and requirements for all Agencies determined not to be fully compliant during the Third Party Review process. Again, in light of the importance to the GEF-8 Replenishment process, this Action Plan could be submitted intersessionally, for consideration by Council prior to its next session in June 2022.
- (iv) UNDP communicate expected dates for the conclusion of pending investigations related to grievance cases reported to the GEF as part of its reporting of updated information on grievance cases.

**THIRD-PARTY REVIEW OF THE UNITED NATIONS DEVELOPMENT
PROGRAMME (UNDP)**

**COMPLIANCE WITH THE GLOBAL ENVIRONMENT FACILITY (GEF)
MINIMUM FIDUCIARY STANDARDS**

30 SEPTEMBER 2021

**J GRAHAM JOSCELYNE
THIRD-PARTY REVIEWER**

***Third-Party Review of United Nations Development Programme (UNDP) Compliance with GEF
Minimum Fiduciary Standards***

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TABLE OF ABBREVIATIONS

Abbreviation	Definition
AML	Anti-Money Laundering
AWP	Annual Work Plan
BMS	Bureau for Management Services
BOA	The United Nations Board of Auditors
BPPS	Bureau for Policy and Programme Support
BPPS/NCE	Vertical Fund Unit in Nature, Climate and Energy Team in BPPS
CARDS	Comprehensive Audit and Recommendation Database System
CEO	Chief Executive Officer
CFT	Combatting the Financing of Terrorism
CO	Country Office
DIM	Direct Implementation Modality
DoA	Delegation of Authority
DRR	Deputy Resident Representative
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
EY	Ernst & Young
Fiduciary Standards	GEF Minimum Fiduciary Standards
FRM	Financial Resource Management
GCF	Green Climate Fund
GEF	Global Environment Facility
GF	The Global Fund to Fight Aids, Tuberculosis and Malaria
GSS	Global Staff Survey
GSSU	UNDP's Global Shared Services Units
HACT	Harmonized Approach to Cash Transfer
HQ	Headquarters
ICF	Internal Control Framework
ICPE	Independent Country Programme Evaluation
IEO	Independent Evaluation Office
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
JIU	United Nations Joint Inspection Unit
LO	Legal Office
LoA	Letter of Agreement
LTA	Long Term Agreement
M&E	Monitoring and Evaluation
MAP	Management Action Plan
MTR	Mid-Term Review
NGO	Non-Governmental Organization
NIM	National Implementation Modality
OAI	Office of Audit and Investigations
OAI GEF Report	Report from UNDP's Office of Audit and Investigations entitles "Performance Audit of UNDP Global Environment Facility Management, dated 1 December 2020
OE	Office of Ethics
OFRM	Office of Financial resources Management
OPG	Organizational Performance Group
PCAT	Partner Capacity Assessment Tool
PDR	Project Delivery Report

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PISC	Pre-Investment Steering Committee
PIMS+	Project Implementation Management System
PIR	Project Implementation Report
PM	Project Manager
PMD	Performance Management and Development
PMU	Project Management Unit
PO	Purchase Order
POPP	Programme and Operations Policy and Procedures
PPM	Programme and Project Management
ProDoc	Project Document
PSC	Project Steering Committee
PTA	Principal Technical Advisor
PU	Procurement Unit
RACI	Responsible, Accountable, Consult, Inform matrix
RBA	Regional Bureau for Africa
RBAP	Regional Bureau for Asia and the Pacific
RBAS	Regional Bureau for Europe and the Commonwealth of Independent States
RBLAC	Regional Bureau for Latin America and the Caribbean
RBx	Regional Bureaus
RFP	Request for Proposal
RP	Responsible Party
RPA	Regional Procurement Advisor
RR	Resident Representative
RTA	Regional Technical Advisor
SAI	Supreme Audit Institution
SECU	Social and Environmental Compliance Unit
SOP	Standard Operating Procedures
ToR	Terms of Reference
UN	United Nations Organization
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group

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SECTION 1

EXECUTIVE SUMMARY

1. GEF REQUIREMENTS OF AGENCIES

The GEF Policy on Monitoring Agency Compliance with GEF Policies (ME/PL/02, October 2016) provides that GEF Agencies responsible for project implementation (the “Agencies”) carry out self-assessments of their compliance with relevant GEF policies and report findings to the GEF Council once per GEF Replenishment cycle (i.e., every four years).

A risk-based, independent, third-party review of Agencies' compliance with relevant GEF policies is then carried out, considering Agencies' periodic self-assessments and other information.

The GEF's governing Council decided that, considering specific audit findings at one of the 18 GEF Agencies (UNDP), the self-assessment and third-party review related to this Agency will be undertaken on an accelerated schedule, with the components associated with the first category, i.e., GEF minimum fiduciary standards. The other category being Environmental % Social Safeguards, including Gender).

GEF Third-Party Review Scope of Work

In accordance with paragraphs 10-12 of the GEF Policy on Monitoring Agency Compliance with the GEF Policies, the consultant will:

- a. Identify, assess and verify cases where the Agency reports changes to the policies, procedures, or capabilities on the basis of which the Agency was found to be in compliance with relevant GEF policies and concludes it remains in compliance with those policies. The reviewer will document and verify whether – in light of the changes identified, the supporting information provided, and other relevant information – the Agency continues to have adequate policies, procedures, standards and guidelines in place, as well as sufficient, demonstrated project implementation and monitoring and supervision capacity, to comply with the relevant GEF policies.
- b. Review available information and make a determination of the level of risk of non-compliance by the Agency with a relevant GEF policy, independently of the findings of the Agency's self-assessment. In determining whether there is a risk of non-compliance by the Agency with a relevant GEF policy based on factors other than the Agency's self-assessment, the reviewer will make an assessment of the Agency's track record of implementing the policies, procedures and guidelines on the basis of which it was found to be in compliance with a GEF policy, as well as audits, evaluations, and other external reports that provide information regarding the Agency's compliance.

2. UNDP SELF-ASSESSMENT OF ITS APPLICATION OF THE GEF STANDARDS

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In August 2020, UNDP undertook a self-assessment of the UNDP's policies aligned with the GEF minimum fiduciary standards and submitted its formal certification to the GEF Secretariat in early November 2020. UNDP self-assessed that it was generally in compliance with GEF policy requirements.

In December 2020, the UNDP Office of Audit and Investigations (OAI) released its *Performance Audit of UNDP Global Environment Facility (GEF) Management* report (OAI GEF Audit), showing that the application of GEF minimum fiduciary standards was unsatisfactory (see Para.3 below).

As part of the UNDP's response to the OAI GEF Audit, UNDP revised its assessment of compliance with GEF minimum fiduciary standards for both the policy and application elements that took into account all the gaps that the OAI GEF Audit had communicated. The Administrator also convened an Inter-Bureau Task Force to set in motion an action plan to remedy all the issues raised in the OAI GEF Audit. This is known as the Management Action Plan (MAP) (see Para. 4 below).

3. OAI'S PERFORMANCE AUDIT OF UNDP GLOBAL ENVIRONMENT FACILITY MANAGEMENT

In parallel to UNDP's 2020 self-assessment of compliance with the GEF minimum fiduciary standards, OAI mounted its *Performance Audit of UNDP Global Environment Facility (GEF) Management*.

OAI, in 2018, applied its risk-based annual planning methodology and decided to audit UNDP's Vertical Funds. It began with an audit of the Global Fund to Fight Aids, Tuberculosis and Malaria in 2018; continued with the Green Climate Fund in 2019; and in 2020, the GEF Audit.

The OAI GEF Audit objectives were to assess whether UNDP effectively managed and implemented the GEF portfolio and whether the organization at the corporate, regional and local levels put adequate governance and controls in its organizational structure, operational support, quality assurance and oversight. The audit aimed to answer two questions:

- a. Has UNDP established adequate governance arrangements to successfully discharge its role as a GEF Agency, including providing sufficient oversight and support to GEF-funded projects?
and
- b. Have UNDP Country Offices established effective and efficient mechanisms to ensure successful implementation of the GEF-funded projects?

The audit results were shared in December 2020, with OAI rating the results, by its definitions, as "partially satisfactory/major improvement needed". According to OAI's definitions, this rating means that the assessed governance arrangements, risk management practices and controls were established and functioning but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area. This rating is unusual for OAI and shows its concern for how UNDP was managing the GEF Portfolio.

OAI categorized five issues (out of 12) as High (critical) priorities. These included:

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- Issue 1: *Inadequate segregation of duties between UNDP's oversight and execution support roles for GEF funded projects*
- Issue 7: *Weak Internal Control Frameworks and poor accountability*
- Issue 3: *Limited monitoring of audit recommendations of implementing partners*
- Issue 9: *Weaknesses within project management*
- Issue 11 *(Reliability and integrity of financial and operational information/weaknesses in financial resources management)*

Urgent action was identified as required in the following five areas to mitigate risk exposure:

- Insufficient oversight over GEF projects
- Limited monitoring of audit recommendations of implementing partners
- Indications of irregularities due to weak Internal Control Frameworks and poor accountability
- Weaknesses within the project management
- Weaknesses in the management of the financial resources.

OAI Follow-up Audit

OAI has conducted a follow-up audit to assess the completed actions to ensure that they are designed to address gaps as they are rolled out across the organization.

In June 2021, OAI issued its first follow-up audit report of the Management Action Plan (MAP) implementation and reported that *"OAI has formed the opinion that the action points are relevant to address the recommendations and OAI in the follow-up audit assessed to which extent the action points have been implemented or are still in progress when the follow-up audit was performed."*

Of its 5 High Priority Recommendations, one was implemented, while four were still under implementation. Of its Medium Priority Recommendations, four had been implemented, while 3 three were still under implementation.

OAI continues to review the work coming out of the MAP and, in Q4 2021, plans to conduct a further audit to ascertain to what extent actions implemented by MAP are having the desired effect, including at the field level.

4. MANAGEMENT RESPONSE TO THE OAI GEF AUDIT

a. Administrator-led response and objectives

From an interview with the Administrator, he takes OAI's GEF Audit seriously. He is monitoring the remediation efforts and intends to see to what extent the work done on the GEF portfolio might enhance the way UNDP operates more generally.

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b. GEF-specific Management Action Plan (MAP)

In late 2020, the Administrator convened an Inter-Bureau Task Force reporting into the Executive Office. This Task Force was tasked with creating a Management Action Plan (MAP). The Task Force continues to oversee implementation of the MAP. The MAP's objective is to address the root causes of issues related to UNDP non-compliance with GEF standards thoroughly within a relatively short timeframe. More specifically, it is tasked to handle all the OAI GEF Audit issues by the end of December 2021, at the latest (see below). *Given the volume and complexity of issues the OAI GEF Audit raised, this timeline is ambitious and requires dedicated leadership and all levels of the organization. Top leaders have provided this, and MAP actions points are mainly on track. In the reviewer's experience, the scope of the MAP, the fact that it is an Inter-Bureau effort, that UNDP's senior leadership leads it, and that it results from an internal audit report is remarkable.*

c. UNDP-wide performance enhancement

Another objective was to take the lessons learned from the OAI GEF Audit and integrate them into organization-wide initiatives (some of which were already underway) to improve UNDP operational performance overall. *This more extensive piece of work will, when fully implemented over the next two years, provide the basis to assure donors and other stakeholders that the UNDP is a trustworthy recipient and user of funds in its development work (not just environmental and climate-related work). This review considered multiple initiatives that are already underway and into which GEF standards requirements are integrated, including risk management, oversight, human capacity considerations, and transactional controls and reporting).*

d. Enhanced transparency and accountability

To show that UNDP management is accountable for resolving the GEF issues and wishes to be transparent about implementation progress, UNDP agreed to communicate fully and routinely to the GEF Secretariat and Council and the UNDP Board. *The reviewer notes that UNDP has, and does, routinely and comprehensively communicated MAP progress with all agreed parties through various means: a monthly update report to the GEF Secretariat; and informal executive meetings with the GEF Council and UNDP Board.*

5. INTER-BUREAU TASK FORCE DRIVES MAP IMPLEMENTATION

On 4 December 2020, the Associate Administrator called a meeting of senior managers to drive the MAP implementation. This team has since met at least twice a week for the first eight months of 2021. The Bureau for Policy and Programme Support (BPPS) leads the Inter-Bureau Task Force.

From all accounts, the formation of a Task Force comprising high-level managers from all Bureaus is unique in UNDP. With the appointment of a senior advisor to the Administrator as chair, it was clear to all that the Administrator was overseeing implementation progress personally. Although never formalized in a standalone document, the Task Force's roles, duties and responsibilities were spelt out in an Associate Administrator's email, as follows:

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- a. “Taking stock of progress on the implementation of the MAP, identifying bottlenecks and resolving them.
- b. Driving the implementation of the MAP and ensuring that deadlines are met.
- c. Ensuring cross bureau understanding of what needs to be done and accountabilities for implementation.
- d. Identifying appropriate technical staff to assign from respective bureaus to help with implementing MAP items.
- e. Coordinate on non-MAP related items (BDO assessment, GCF Re-accreditation, GEF 3rd Party Assessment) relevant to the OAI MAP items that need to be implemented.
- f. Exchanging information and questions with OAI representatives and seeking clarifications where necessary on requirements to implement MAP items.
- g. Regularly exchanging information, including updates on EB discussions, GEF Council discussions, Executive Group discussions, and directives relevant to the implementation of the OAI MAP items.
- h. Exchanging information on plans for engaging with UNDP staff at the CO and Regional level including targeted sessions for RRs/DRRs, technical staff etc., to ensure changes in policy and practices stick based on experiences with engaging staff from across the organization through various channels (led by Regional Bureaus, Central Bureaus).
- i. Identifying issues that need to be formally raised to the OPG, and beyond, which cannot be resolved at the intra-bureau task team level and/or need to be elevated to the level of the CPU.”

Because the Inter-Bureau Task Force has been effective and needs to ensure that the oversight continues through to final implementation, the Administrator has just extended the Inter-Bureau Task Team mandate to include supervision of the MAP to the full completion and implementation. *The reviewer considers this Task Force extension vital because, as discussed later in this Report, oversight of the implementation phase is more critical to ultimate success than the initial 'design' phase that is just ending.*

6. RUSSIA CASE (AND OTHER INVESTIGATIONS) AND REPERCUSSIONS

Over the past few years, concerns about allegations of fraud and corruption in GEF-financed projects in Russia (and other countries that fall under the Europe and Central Asia Regional Bureau) still linger. The concerns relate, in part, to the effectiveness of UNDP’s Hotline and Protection Against Retaliation policies and application of procedures as well the quality and timeliness of investigations against fraud and corruption – especially when GEF-financed projects are affected.

Pressure has been put on the Administrator to resolve GEF Council concerns, once and for all. In a meeting with the Administrator as part of this third-party review, he reiterated his desire to get to the bottom of the issues – something he has communicated to the GEF Council and the UNDP Board.

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Their concerns stem from a UNDP Board endorsed independent review of the matter. In January 2021, the investigator, Mr Amitav Rath communicated his findings in his Independent Review of Systems and Silos: Review of a UNDP/GEF Project (#70781), where Objective E was: Were the UNDP's whistleblower and non-retaliatory policies applied effectively? And, Were the whistleblowers' concerns satisfactorily assessed by the Ethics Office to determine if there was any prima facie evidence to be investigated?

The investigator reported his multiple observations and made numerous recommendations. Management, in its response, stated the *"The review makes it clear that UNDP did not oversee this nationally implemented project effectively. UNDP accepts the assessment."* The Ethics Office and OAI, in their responses, basically state that they followed the rules as regards the whistleblower and investigation processes respectively and used the information available to them at that time and that their determinations are appropriate.

The Administrator, on the other hand, in his communication to the UNDP Board, stated that: *"The review has identified important shortcoming as well as a number of systemic challenges that need priority attention. It shows clearly that while UNDP's oversight systems properly raised a series of warnings about how the project was being managed, our management response failed repeatedly to deal with these issues as they arose. When management did act, it was often too late. This was, and is, unacceptable and UNDP accepts the conclusions of the review that this project was not overseen effectively."* He goes on to state, *"The independent review also referred to cases of possible fraud and corruption in this project. However, following the OAI investigation and this independent review, I note that these claims of fraud and corruption have not been substantiated."* Further, the Administrator notes that *"I also take note of Mr. Rath's recommendation for further investigations to determine individual responsibility and accountability. I am reviewing this information as a priority and will take a decision shortly."*

An important response to the Rath Report was that the Administrator formed an Accountability Panel to advise him on matters flowing from the Rath Report.

In a meeting with this third-party reviewer, the Administrator informed that he had received the Accountability Panel Report (which is confidential), had made up his mind and would communicate his decision shortly. The reviewer has not been made aware of his decision to date.

The importance of the Russia Case (and others) and that involve GEF-financed projects is that they:

- a. Stress-test UNDP's internal justice system as the issues cover the work of more than one independent function, especially the Ethics Office and OAI-Investigations.
- b. Will provide substance to the Administrators resolve to get to the root causes of the Russian issues and show that wrongdoing has consequences for the UNDP and the individuals involved.

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- c. If done appropriately, they will provide visible evidence that the slogan of Zero Tolerance for Fraud and Corruption has substance.
- d. Provide valuable lessons learned that can enhance the effectiveness of the internal justice system, and the processes and practices followed.
- e. If handled correctly and on a timely basis, they can help restore relationships of trust between the UNDP and the donor community.

The observations and recommendations made in the Rath Report align with the findings of the OAI GEF Audit as they address how UNDP manages its GEF-financed portfolio. Recommendations cover improved risk assessment, management, and monitoring of the project and portfolio. And, as a result of the MAP actions, these have begun. In addition, project and portfolio performance enhancements are underway. There are new or revived requirements that issues be escalated from the Country Office to the Regional Bureaus to ensure that appropriate action is taken to improve project performance and effectiveness.

Also, the Independent Evaluation Office (IEO) is now required to report issues and concerns if field-based evaluators see indications of fraud and corruption when performing their work.

Finally, in conversations with senior staff in four of the five Regional Bureaus and nine Country Offices, this third-party reviewer heard that risk management, monitoring and oversight have become high priorities for all of them due to the OAI's GEF Audit and MAP requirements. Two of the Regional Bureaus shared that they had created a staff position to address risk management that focuses on portfolio and project risk oversight and monitoring Country Offices at risk. The rest were managing risk in slightly different ways.

7. MANAGEMENT LONGER-TERM SUSTAINABILITY EFFORTS

The MAP responses to the OAI GEF Audit by themselves are significant enhancements to the GEF-financed appraisal process. It includes a renewed requirement to monitor project risk and performance. The timeline to address all the MAP actions were deliberately ambitious. The UNDP is in sight of completing its implementation goal by the end of 2021.

Now that the groundwork is laid for OAI GEF Audit recommendations implementation, the rollout across the organization begins. BPPS recognizes that pressure needs to be sustained to ensure that the rollout across the organization is fully achieved and sustained over time. To that end, the decision to extend the mandate of the Inter-Bureau Task Force to cover full implementation is encouraging.

In parallel, UNDP is designing, piloting and implementing multiple organization-wide enhancements and initiatives designed to enhance UNDP's organizational performance: its efficiency, effectiveness, transparency and accountability. These initiatives include replacing the ageing Enterprise Resource Planning system (ERP), fully developing the Clustering Initiative, implementing the People for 2030

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Strategy, developing the Digital Initiative, and enhancing Enterprise Risk Management. And they are interlinked.

As the lifespan of the Inter-Bureau Task Force is extended, it together with the new Executive Office Coordination Unit, will be better able to monitor how effectively the MAP actions are embedded and integrated into the new ERP – and assess the extent to which they work across the organization, including the GEF-financed project cycle.

8. EXPECTED TIMELINE TO FULL ORGANIZATION-WIDE VALIDATION OF GEF STANDARD APPLICATION

As reported above, this third-party reviewer is mindful that management is currently implementing multiple initiatives. They all connect with the new ERP that is only expected to be fully rolled out in Q4 2022 or Q1 2023.

Each of these projects will positively impact UNDP’s ability to comply with the GEF minimum fiduciary standards. A key to this is that management informs that all MAP process and control enhancements will be integrated and embedded into the new ERP. Typically, post-implementation takes at least a year before a proper assessment of a new ERP can be made.

In the reviewer’s experience, the most suitable timeframe for a third-party reviewer to validate that the UNDP has fully responded to the application of the GEF minimum fiduciary standards will be two years from now, so Q3/4 2023.

This timeline coincides with the Green Climate Fund Secretariat’s proposal to its Board that the GCF reaccreditation approval is conditional on another independent review for compliance with GCF standards two and half years after its Board has approved conditional reaccreditation.

9. THIRD-PARTY REVIEWER DETERMINATIONS

This Review considered the following:

- a. OAI’s GEF Audit conclusions as well as those from EY, who were engaged by UNDP to ensure that management devised a MAP that addressed all OAI audit issues and any others that they found.

- b. UNDP’s revised self-assessed rating of compliance with GEF minimum fiduciary standards was, for the most part the appropriate rating. In some cases, the application of policies by UNDP were at the stage where the MAP actions had taken place or would soon take place, i.e., there are no ‘missing’ MAP actions. Rather, the third-party reviewer’s assessment of the rating was strictly based on whether there was substantive evidence that all MAP actions could be verified down to the project level. This was the challenge: because the roll-out across the organization for many MAP actions was just beginning - or would soon start – it was too early to verify the impact down to the project level. Additionally, with the ERP replacement

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system just starting to be piloted and designed to integrate many of the MAP actions, impacts would be visible only after ERP was implemented across the organization.

- c. The views of managers in headquarters, the Regional Bureaus and a sample of Country Offices who generally agreed that OAI's findings did not come as a surprise to them.
- d. Views sought directly from relevant parties for whom UNDP provides project implementation services to ascertain whether and to what extent UNDP was a reliable partner that followed agreed rules.

Taken together, at the time of the review, the third-party review determined that UNDP actions and inactions left much to be desired as far as the application of certain GEF Standards was concerned.

However, the third-party review also considered the following:

- e. UNDP's non-compliance with GEF Standards was uncovered by OAI. This meant that the internal audit function was performing its professional duties by designing its audit of GEF on a risk-basis and with a substantial audit scope. OAI also stood its ground knowing that its findings would, at a minimum, disrupt UNDP's relationships with GEF. OAI has reviewed the MAP actions and activities that management intends to take to remediate GEF policy and policy compliance issues. It has communicated its satisfaction with the design of remediation actions. It has also conducted and reported on the results of its first follow-up audit. A second follow-up audit is planned to ascertain the extent to which remediation is occurring in the field. OAI is putting pressure on management and holding it to account. As follow-up is a requirement, OAI can be relied upon to continue to report the implementation status on GEF-related activities.
- f. The Administrator's position and actions:
 - i. Immediately convened a high-level inter-bureau Task Force that still oversees multiple facets of comprehensive MAP activities. His stated objective was to regain GEF's trust as well as others in the donor community in a relatively short timeframe.
 - ii. Extended the inter-bureau Task Force timeline and scope recently to drive the successful implementation of GEF Standard requirements across the UNDP and at the GEF-financed project levels as well as drive overall UNDP-wide performance improvements. Also, all remedial actions are being integrated into the new ERP.
 - iii. Confirmed that his term of office extends beyond the timeframe for full GEF remediation work. This means that he is accountable for the successful implementation of all GEF remediation work.

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- g. The new ERP that will integrate many MAP actions needs to be fully designed, tested and implemented. Implementation is expected to be complete in late 2022. Realistically, it will take another year before the new ERP is settled and has a track record sufficient to validate that GEF minimum fiduciary standards compliance requirements are applied satisfactorily.
- h. From interviews, especially in the Regional Bureaus and Country Offices, key OAI GEF Audit issues such as risk management and monitoring at all levels of the organization, are now confirmed as being a priority matter.
- i. UNDP's reaction to GEF's monthly reporting requirements from UNDP, including timely detailed monthly progress reports to address GEF-related concerns. UNDP has delivered on these requirements and demonstrated accountability and transparency to GEF.
- j. The GCF Secretariat's proposing to its Board that UNDP's reaccreditation be approved on condition that a follow-up external review in two and a half years' time confirm UNDP's compliance with GCF requirements.

The sustained reaction of senior UNDP leadership to OAI's GEF Audit report as well as OAI's continued role to provide independent assurance on GEF Standard compliance increases the third-party reviewer's level of confidence that UNDP is on the right track vis-à-vis GEF-financed activities, thereby reducing GEF's risk exposure to UNDP as an implementing partner.

10. OVERALL CONCLUSION

In conclusion, the GEF Council could require that a third-party follow-up review be conducted in about two years to confirm UNDP's compliance with GEF minimum fiduciary standards at the policy level and, more importantly, the application level. Progress towards this goal should be reported to the GEF Council periodically.

SECTION 2

THIRD-PARTY REVIEW OBJECTIVES, APPROACH AND METHODOLOGY

1. OBJECTIVES

The objectives of the third-party Review were to:

- a. Review UNDP's self-assessment of the adequacy of its policies, procedures, standards and guidelines to effectively implement the GEF minimum fiduciary standards.
- b. Review UNDP's self-assessment of its implementation capacity and effectiveness to comply with relevant GEF policies and effectively implement GEF projects and programs.

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- c. Review adequacy of UNDP's Action Plans and other measures to address any gaps or risks of non-compliance with GEF minimum fiduciary standards. This review will include both UNDP policy and implementation capacity.

2. APPROACH

The approach was to assess where UNDP stood regarding compliance with the GEF minimum fiduciary standards having just undergone the OAI GEF Audit and try and ascertain where it was heading. Doing so was a challenge that ended a few days before this report was drafted.

The Administrator convened an Inter-Bureau Task Force led by BPPS once OAI issued its GEF Audit report. One output from this Task Force was creating the Management Action Plan (MAP), which considered all the GEF minimum fiduciary standards policy and application gaps they raised and initiated actions to address and remediate each gap.

The Task Force also set a strict timeline for implementation for each action. This reviewer notes that 'implementation' means that a remediation actions/s was designed (usually in line with OAI recommendations) and assessed by OAI to ensure that the planned action would close the gaps. After evaluating the planned action, OAI gave the Task Force the 'green light' that the rollout could proceed.

EY (an independent international consultancy firm) was also contracted by UNDP *"To provide UNDP with high-quality advisory support to assess the current state of UNDP's compliance with GEF Minimum Fiduciary Standards; determine the adequacy of UNDP controls; recommend remediated controls pursuant to the upcoming Management Action Plan; monitor its compliance; and assess its performance."* EY reviewed what OAI had done but also verified its work by selecting different County Offices to those initially selected by OAI. EY concluded that *"In our professional judgement, the MAP is an adequate response to the recommendations in the OAI Report, subject to two matters that should be prioritized to complete the MAP and which we understand are already being addressed by management, specifically:*

- a. *Under Issue 1, the need for formal guidance within POPP on operationalizing GEF's requirement of "institutional arrangements" to segregate oversight and execution activities on projects.*
- b. *Under Issue 3, the need for fuller guidance on the practical steps that can be taken to resolve matters that have given rise to adverse HACT audit observations, to supplement the guidance already in place to address issues concerning the legitimacy of qualified expenditure. Such matters might include weaknesses in policies, procedures and controls of audited entities."*

Taken together, the third-party reviewer formulated the approach to this complex assignment to meet the Objectives.

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3. METHODOLOGY

a. Preliminary review and reporting and changes to the original scope of work

The preliminary review report was submitted in May 2021. The report was based on a preliminary review of information available at the time from UNDP and the GEF Secretariat as well as a search of publicly available documentation from other credible sources to understand the status quo better and assess the trends, actions to date, and remaining gaps that flow from the information provided by the UNDP.

From this information, the reviewer decided an appropriate risk-based approach to direct attention to higher risk activities/areas/topics as seen by both the GEF Secretariat and UNDP management. Initially, the scope required that the review include validation of remedial actions in the field. As of end May 2021, the scope included verification at the regional and a sample of country offices and projects levels.

The Preliminary Report included field verification at the Regional Bureaus and a sample of Country Offices as well as GEF-finance projects. However, it became obvious in May 2021 that working at these levels would not yield any more information than had been reported in the OIA GEF Audit and was just being confirmed by EY's work that complemented OIA's audit as well as BDO's readiness review for GCF reaccreditation purposes.

Also, it became clearer then, just how the Atlas ERP system replacement would integrate the MAP actions into to the new ERP system over the next two years. The importance of this cannot be overstated because it is this new ERP system that will sustain MAP actions (and other organization-wide control and monitoring improvements) into the future. And, having some degree of certainty that MAP actions will not only meet GEF minimum fiduciary standards requirements in the short term but will be sustained in the longer term, is important for the GEF Council to know.

So, the scope of this review did not include verification in the field but did include obtaining feedback as to the initial impact of MAP actions. To this end, four of the five Regional Bureaus were contacted as well as nine Country Offices.

b. Detailed Review, Verification, and Validation of Observations:

The third-party review assessed multiple UNDP audit reports pertaining to elements of the GEF MFS requirements over the past few years including follow-up audits; management action plans for all these audits and the rate of implementation of agreed management actions; evaluation reports (including joint evaluations with the GEF-Secretariat Evaluations function) other relevant internal and external reports, to confirm whether and to what extent non-compliance with GEF policy, other than what the OAI GEF Audit had reported and EY had confirmed, remained to be addressed in the MAP.

The Review also validated and verified what had been done since the OAI GEF Audit and MAP remediation plan had been put in place to the end of September. These activities included:

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i. Validation:

- **MAP validation:** *The third-party review confirms* that the MAP is sufficient to address the issues and that MAP actions have mostly been designed and assessed by OAI to confirm that the actions will remediate the issues OIA reported in the first place.
- **Review UNDP's GEF minimum fiduciary standard revised self-assessment:** *The third-party review confirms* that UNDP's revised GEF minimum standard self-assessment to ascertain that management responses were, for the most part, appropriate. Where they were insufficient or, as sometimes happened, did not completely address the standard or a particular sub-standard, this was discussed with UNDP management. This review also notes that in some instances, management rated application compliance capacity as 'FULL' even though the roll-out has just begun, making it too early to verify whether the sub-standard is, in fact, being complied with to the extent envisioned by the GEF standards.
- **Review of Programme and Operations Policies and Procedures (POPP):** *The third-party review confirms* that the POPP is a valuable source of all relevant GEF-related policies, procedures, and guides. The POPP has been reviewed and refreshed as a result of the MAP actions. The information provides useful, relevant, current information on GEF projects; and enhances transparency and accountability for GEF-financed projects and related activities.

ii. Interviews:

Interviews were conducted with relevant GEF and UNDP representatives and other parties as suitable for the review to assess their views of UNDP's compliance with the GEF minimum fiduciary standards. In total, the third-party reviewer interviewed some 40 people as well as observing two executive GEF Council meetings.

These interactions are grouped as follows:

- **GEF Council:** Two executive GEF Council meetings were observed (in part) by the third-party reviewer. Here, the GEF Council's confirmed its interest in MAP progress and the number and type of cases being investigated by UNDP involving GEF-financed projects.
- **GEF Management:** GEF managers provided information about programmatic issues GEF had to deal with regularly when UNDP was involved. They raised concerns about UNDP's system of internal justice. However, GEF was pleased with the monthly update reports received from UNDP each month.

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- **UNDP Executive Management:** Interviews with the Directors of BPPS and the Bureau of Management Services (BMS) and the Associate Administrator and Administrator provided insight and validation on topics related to GEF activities. It also provided confirmation as to their seriousness to address the GEF-related issues to the GEF Council's satisfaction – and regain their trust in the UNDP and sustain this over time.
- **UNDP senior managers with a direct impact on GEF-related matters:** Interviews with senior management at Headquarters provided important information, insight, data and access to electronic information regarding this review. Supporting information came in the form of documents, electronic data, and explanations. From these interviews the reviewer was able to get a good sense of what worked and didn't regarding the GEF portfolio, together with reasons. Most of this information aligned with OAI GEF Audit findings.
- **UNDP senior management with an indirect impact on GEF-related matters:** Meetings were held with managers involved in the ERP overhaul to understand how this will impact GEF-related activities. Other meetings were held with the leaders of the Clustering Initiative, the Digital Strategy, and the People for 2030 strategy to assess how and where these developments will positively affect GEF-related activities down the line. At the senior manager level, many department managers are recent recruits to UNDP - and new to the UN System.
- **UNDP oversight bodies:**
 - **UN Board of Audit (UNBOA)** gave helpful insight into the quality of financial reporting and the supportive internal control system. They explained their interest in following up on recommendations made by them and how the rate of implementation in UNDP is increasing.
 - **Audit and Evaluation Advisory Committee (AEAC)** chair offered an independent oversight body view of the effectiveness of UNDP's assurance functions and provided underlying some of the highlights in the Annual Report.
 - **UN Joint Inspection Unit (JIU)** provided information and insight not to be found in their Annual Reports. Also, they informed as to the proper use of JIU Reports.
- **UNDP Regional Bureaus:** Interviews with senior managers from four of the five Regional Bureaus provided a unique perspective on how the MAP actions were affecting the regional bureaus. They also confirmed that

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MAP requirements to enhance oversight and monitoring of GEF-financed projects were now a high priority. They were also eager to showcase what their Bureaus were doing to address the gaps in monitoring the GEF portfolio.

- **UNDP Country Office Resident Representatives:** Interviews with the resident representatives or their deputies from nine Country Offices from all five regions offered a field perspective. Participants explained how and where GEF-financed projects implemented under the UNDP's NIM operating modality raised challenges in all the interviews. Each was careful to explain how the Country Offices prevented conflicts of interest when the UNDP was involved in both the implementation and back-office capacity assistance. *Senior managers were interviewed for the following country offices: Algeria, Argentina, Bangladesh, Brazil, Democratic Republic of Congo, Fiji, Madagascar, Turkey, and Ukraine.*
- **Non-UNDP Interviews:**
 - **EY:** Multiple meetings with EY provided a useful perspective on the challenges that UNDP faces and their view on the sufficiency of the MAP. They also gave a useful perspective on the work done by them at the Country Office level. Finally, they offered advice on aspects of the third-party review which was helpful.
 - **Individuals with knowledge of UNDP:** Input was gathered from a group of knowledgeable individuals that included former UNDP managers; former manager of a major UNDP Implementing Partner; former UNDP assurance senior staff; and senior staff from another Vertical Fund; consultants and former consultants to the UNDP in areas related to the GEF minimum fiduciary standards; and others who volunteered information on specific topics.

iii. Monitoring the UNDP document flow:

This review began at the end of April and started to gather speed in late July. All the while, as new MAP actions were implemented, the documentation was uploaded for review. Typically, this was done in the POPP, but not always, but it did require routine updates to UNDP's revised self-assessment for all the GEF minimum fiduciary standards. Also, many UNDP functional Annual Reports were issued at the end of Q2 2021, all of which needed to be reviewed and discussed.

Also, each month, BPPS/NCE submitted a progress report to the GEF Council on a range of data and information as required by the GEF Council and Secretariat. These were required as part of the third-party exercise.

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iv. Documentary/Data Evidence:

UNDP helpfully supplied information in paper and weblink forms to support their assertions that MAP issues had been resolved, or to show how they were designing remedial actions in response to MAP action requirements. Almost every interview resulted in additional supportive evidence/information being submitted to third-party review.

c. Fact checking:

With all this information, the third-party reviewer went back to the GEF minimum fiduciary standards, sub-standard by sub-standard, to see whether there was sufficient information, supporting data, or corroborating information to independently assess UNDP's compliance with GEF minimum fiduciary standards, without referring to UNDP's revised self-assessed ratings. From this information 14 GEF minimum fiduciary standard Working Papers were prepared and submitted to UNDP for fact-checking purposes. In most cases, UNDP provided useful insight and clarification.

This information was used as the basis for a final Working Paper for the 14 GEF minimum fiduciary standard – and the 78 sub-standards.

d. Final Report:

This FINAL report contains summaries for each GEF minimum fiduciary standard and other commentary, as required by the third-party terms of reference.

4. EY'S ADVISORY SUPPORT FOR RESPONDING TO THE GLOBAL ENVIRONMENT FACILITY PERFORMANCE AUDIT.

The overall objectives of EY's assignment were *"To provide UNDP with high-quality advisory support to assess the current state of UNDP's compliance with GEF Minimum Fiduciary Standards; determine the adequacy of UNDP controls; recommend remediated controls pursuant to the upcoming Management Action Plan; monitor its compliance; and assess its performance."*

The assignment was performed on a phased basis.

- a. Phase 1:** Initial self-assessment:
- b. Phase 2:** Country Assessments:
- c. Phase 3:** Structural Assessments:
- d. Phase 4:** Independent monitoring of progress and impact of remediation measures

In their Final Report EY communicated as follows:

a. UNDP's systems

That "The management of UNDP promptly put in place what is referred to as the Management Action Plan ("MAP") responsive to the issues and recommendations set out in the OAI Report. In our professional judgement, the MAP is an adequate response to the recommendations in

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the OAI Report, subject to two matters that should be prioritized in order to complete the MAP and which we understand management is addressing.”

b. OAI Report

That "The overall audit rating of the Office of Audit and Investigations ("OAI") Report is "Partially Satisfactory/Major Improvement Needed". This rating reflects the observation that there are "established and functioning" governance arrangements, risk management practices and controls in place as opposed to an "Unsatisfactory" rating which would have indicated that governance arrangements, risk management practices and controls were either non-existent, not adequately established or not functioning well. The fact that there are "established and functioning" governance arrangements, risk management practices and controls in place means that improving these established governance arrangements is a lot more straightforward than the institutional effort which would be required to remediate an "Unsatisfactory" rating.

We also note that whilst an observation of "Major Improvement Needed" is unwelcome, the nature of internal audit recommendations means that, while they are based on the selected items that have been subject to internal audit scrutiny, the observations tend to be classified into pre-existing categories, often expressed in general terms and as such, the language of the recommendation can have a magnifying effect on the observations.”

c. The Management Action Plan

That "In our professional judgement, the MAP is an adequate response to the recommendations in the OAI Report, subject to two matters that should be prioritized in order to complete the MAP and which we understand are already being addressed by management, specifically:

- i. Under Issue 1, the need for formal guidance within POPP on how to operationalize GEF's requirement of "institutional arrangements" to segregate oversight and execution activities on projects.*
- ii. Under Issue 3, the need for fuller guidance on the practical steps that can be taken to resolve matters that have given rise to adverse HACT audit observations, to supplement the guidance already in place to address issues concerning the legitimacy of qualified expenditure. Such matters might include weaknesses in policies, procedures and controls of audited entities.”*

d. The GEF Third Party Assessment

That "In our professional judgement, GEF's concerns arising from the OAI Report are adequately addressed in the MAP, subject to our comments on the MAP and the progress in implementing the MAP, as addressed above.

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In addressing the nature and extent of evidence that UNDP relies upon concerning the implementation in practice of the policies relevant to the Fiduciary Standards, we note that there are no GEF or third-party standards or guidance that describe what would comprise adequate evidence and this is a matter of professional judgement, and ultimately a matter for the judgement of GEF and its Third-Party Reviewer. We have supported UNDP in completing the GEF self-certification by providing advice to the officers within UNDP responsible for completing the self-certification, mainly regarding the nature and extent of the evidence of implementation. It was UNDP's own decision as to what it included in the self-certification in response to GEF's specifications and what self-assessment rating it applied. As the GEF self-certification now also concerns evidence of implementation, EY's assessment of COs and of UNDP's whistleblowing process are indirectly relevant to UNDP's response to the GEF self-certification. "

e. Country Office assessments

That "We have performed assessments at ten COs (two in each of the five UNDP regions). This is the same number of COs that were considered by the OAI Report. With one exception, assessing different COs to those addressed by the OAI Report was one of the selection criteria for our assessment, in order to increase the breadth of coverage of both exercises taken together. For the same reason, as we understand it, this criterion was one also applied in selecting the eighteen COs covered by BDO's work.

As already noted, as regards both project oversight and financial resource management we found that there are well-established procedures and controls in place at the COs and that the COs are familiar with those procedures and controls. We also considered the assurance activities, primarily under the HACT framework which UNDP uses to give itself assurance over these systems.

Unsurprisingly for an assessment of the nature and extent we have undertaken, there are a number of observations. The nature and extent of these observations are of the sort we would expect to see if enquiries of similar scope and duration had been performed across any other organization of the size and nature of UNDP's GEF portfolio. It is also unsurprising to us, given that our CO assessments covered the same systems and an overlapping period of time, that most of our observations are similar to those reported in the OAI Report. We have two observations that are different in nature to those set out in the OAI Report, although they do ultimately link to issues raised in that Report. These two issues concern: slippage in project implementation modalities and the role of Regional Technical Advisors.

As described above, UNDP management implemented an action plan ("MAP") to remediate the issues identified in the OAI Report. Whilst the implementation of the MAP is formally the responsibility of business units within UNDP above the country level, most of the MAP actions

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require activities on the part of the COs to give them effect. As part of our CO assessments, we have therefore considered which aspects of the MAP pertain to the COs and whether or not the MAP action has, where applicable, yet been actioned at the CO level. We found only one instance (in respect of MAP item 11.1) where the COs have not yet actioned the aspects of the MAP relevant to them even though the target implementation date has passed: this item concerns the issue of guidance to the COs on dealing with qualified expenses arising from audits and should be rectifiable by the relaunch of that guidance.”

EY assessed the following Country Offices: Namibia, South Africa, Sudan, China, Indonesia, Morocco, Kazakhstan, Turkey, Guatemala, and Mexico.

f. Whistleblowing Hotline and the Ethics Office

That "Academic research, which we find consistent with our own professional experience, highlights the importance of an effective whistleblowing process within an organization in order to both demonstrate that compliance is being monitored and enforced and to disclose instances of non-compliance. We have therefore performed an overview of the framework for UNDP's whistleblowing function and, more generally, the work of OAI and the Ethics Office in this regard.

Based on a small number of interviews (and not a general survey of the COs), our observations are that UNDP's whistleblowing hotline is actively used, indicating a good level of awareness and trust across the organization. UNDP also has an active process to respond to reports made through the hotline.”

The information gathered and provided to the third party reviewer was one of several streams of information that were assessed for UNDP's GEF minimum fiduciary standards compliance review.

5. BDO: GREEN CLIMATE FUND'S REACCREDITATION PROCESS ASSISTANCE

UNDP retained BDO (an international consultancy firm) to assist the UNDP in its Green Climate Fund (GCF) reaccreditation process. BDO's *Independent Assessment of UNDP Management of GCF-Supported Projects* report was issued on 4 June 2021. The Report was valuable in two ways: BDO confirmed many of the OAI GEF Audit and EY reported issues and BDO surveyed country offices that had not been audited or reviewed by OAI or EY, thus increasing the sample size of County Office coverage.

BDO was contracted to assess the following matters:

PART 1: An assessment of the overall alignment of UNDP's policy framework (as set out in UNDP's Programme and Operations Policies and Procedures – UNDP POPP) with the policies and fiduciary standards of the GCF against which UNDP will be assessed as part of the reaccreditation process.

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BDO reports that *“We have found that the UNDP policy framework is mostly aligned with the associated GCF standards.”* Where BDO found ‘minor non-alignment’ on areas that are also GEF-related, its findings are as follows:

- a. The reporting line of the UNDP’s Audit Committee is to the Administrator, rather than the Executive Board, which means that it does not have structural independence.
- b. The role of the Audit Committee in relation to investigations is not clearly defined in its Terms of Reference.
- c. UNDP’s new Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) policy was internally approved on 5 May 2021 but has not yet been rolled out across the organization. As part of this rollout, UNDP should raise awareness of its contents and modify various other UNDP policies to include AML/CFT considerations. The third-party reviewer notes that this policy is now approved and was assessed for the GEF review.

PART 2: An assessment of the practical application of UNDP’s policy framework in project implementation through a detailed analysis of a representative set of 10 full-sized GCF-supported projects currently under implementation by the UNDP and 8 NAP/Readiness projects implemented by UNDP.

BDO reports that *“Across the 18 projects assessed as part of our review, we have raised 21 individual findings. These findings were across 9 projects, and 50% of projects had no findings at all. We have raised overarching observations in relation to the following issues:*

- a. *Role of the Regional Bureaux.*
- b. *Management of Implementing Partners (particularly NIM)*
- c. *Project Management; Role of the Project Board.*
- d. *Delays in project implementation.*
- e. *Financial resources management.”*

BDO assessed 18 projects for its purposes. It also covered the following Country Offices: Armenia, Comoros, Democratic Republic of Congo, Egypt, India, Sri Lanka, Tuvalu, Uganda, and Vietnam.

Outcome of GCF Reaccreditation Application: On 13 September 2021, the GCF Secretariat proposed that the GCF Board conditionally reaccredit UNDP. It listed the conditions as follows:

“Conditions to be met with the submission of the mid-term review documents:

- (1) *Provision by the entity of an assessment report by an independent third party (which could be the Office of Audit and Investigations) which demonstrates to the satisfaction of the Accreditation Panel, in consultation with the GCF Secretariat, that the UNDP Programme and Operational Policies and Procedures (UNDP POPP) are adequately implemented for GCF-supported projects and readiness projects. This assessment is to be based on a representative sample of GCF-funded projects determined and selected by the independent third party and should be substantially similar in scope and areas assessed in Part 2 of the report “Independent*

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Assessment of UNDP Management of GCF-supported Projects” by the accounting firm BDO LLP issued on 4 June 2021; and

- (2) *Provision by the entity of an assessment report by an independent third party that UNDP has completed implementation of its AML/CFT Policy Implementation Plan formally approved on 2 September 2021. This assessment can be included in the assessment report required by the previous paragraph.”*

Conclusion: For GEF’s UNDP third-party purposes, BDO’s findings dovetail with those reported by both EY and OIA.

6. CHALLENGES IN CONDUCTING THE UNDP THIRD-PARTY REVIEW

This third-party review is a 'first' for the GEF and the UNDP. As such, it uncovered some challenges as follows:

a. Lack of guidance for third-party reviewers:

As also noted by EY in its review of GEF minimum fiduciary standards work for UNDP, *“there are no GEF or third-party standards or guidelines that describe what would comprise adequate evidence and this is a matter of professional judgement, and ultimately a matter for the judgement of GEF and its Third-Party Reviewer.”* This reviewer adds the following:

- i. There are 14 minimum fiduciary standards. However, the bulk of the assessment lies in assessing the 78 sub-standards. The result is that a significant body of work needs to be evaluated in the first instance by the Agency and reviewed by the third-party reviewer.
- ii. In some instances, a sub-standard/s of one standard can only be assessed after sub-standards of other standards have been evaluated. This increases the complexity of the review and mainly applies to 'process' standards.
- iii. On the face of it, some sub-standards do not line up logically with the standard under which they fall. Yet, they might have relevance to the assessment of another entirely different standard.
- iv. When a specific Code, Policy, or Process is assessed, there is not always a sub-standard that discusses the capacity of the unit/department who must implement that Policy/Code/Process - or enforce it. Without this broader capacity assessment, the sub-standard evaluation yields very little helpful information about how well the Code/policy is applied. So, it has been added for this review.

b. Risk management is assumed rather than specified:

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There is no single standard devoted to the quality of the Agent's risk management function. However, the effectiveness of risk management is part and parcel of almost all other standards. *The reviewer added an assessment of the risk management effectiveness for each standard. The GEF might consider adding a standalone standard to assess ERM effectiveness in an Agency.*

c. The effect of accelerating the UNDP third-party review:

The GEF Council decision to accelerate UNDP's third-party review, while understandable, this coincided with multiple, parallel initiatives within UNDP. These include: (1) remediating multiple issues flowing from the OAI's GEF Audit Management Action Plan that included an extensive EY Review; (2) rolling out several key organization-wide initiatives (e.g., ERP, Clustering, Etc.); and (3) readiness for the Green Climate Fund reaccreditation review that included an intensive BDO Review. *From the GEF third-party reviewer's perspective these remediation and organizational improvements meant that UNDP, for all intents and purposes, was a moving target. Prime example are: (1) standards that were reviewed earlier in the year using largely 2019 information had to be reviewed again due to the publications of 2020 Annual Reports for assurance functions, Ethics, External Auditors, etc.; and (2) as MAP remediation actions were taken over the course of the review, these had to be reviewed again taking into account the latest changes. The GEF Council should expect further updates from UNDP when the Council meets in December 2021 to consider this report.*

d. Expectations vary as to MAP remediation readiness in the field vary:

UNDP's Task Force was appointed in early 2021 to respond to OAI's GEF Audit. The MAP plan is a tactical response to the OAI report and is highly complex and has tight implementation deadlines. However, its objective is to reinforce the foundation of UNDP's work on GEF-financed projects. The MAP refines the design and prioritizes processes and controls that must be strengthened and sustained for each OAI recommendation. This, however, is only the first stage of implementation. The second stage is critical: socializing the new design and control framework and applying it to the point that it becomes the 'cultural norm' when using GEF funds. This stage is the hardest to achieve in a short period because it is behavioral. Sufficient time must elapse to allow staff to become well-acquainted for the new systems and controls before accurate evaluation and validation can be done across the organization – and especially the field. Only then will it be possible to validate that all the GEF minimum fiduciary standards are being complied with in the Regional Bureaus and Country Offices and in GEF-financed projects. *For this reason, and in alignment with the GCF reaccreditation conditions,*

It is commendable that there has been minimal slippage in the MAP plan implementation deadlines. However, some key actions will only be completed when the GEF Council

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considers this third-party Report in December 2021. As mentioned above, roll out across the organization is only just beginning. *That said, this review provides the GEF Council with a level of confidence that planned MAP activities that cannot yet be implemented, or recently implemented, are very likely to achieve their goals going forward. In support of this is the extension of the Inter-Bureau Task Force to oversee the longer-term implementation.*

e. Interconnected UNDP-wide initiative complicates MAP implementation – but strengthens the system overall.

Management is replacing the ERP system (ATLAS), implementing the People for 2030 strategy, accelerating the Clustering Initiative and its Digital Strategy. All these projects interconnect. When fully operational, UNDP-wide enhancements embed and integrate the processes, controls, and monitoring elements that are important to GEF. Additional features - that are not specific to GEF only - will enhance UNDP-wide transactional control, monitoring, and reporting. *The review does not assess these activities in any depth. However, it does look to see if, directionally, they are likely to enhance the efficient and effective use of GEF Funds, enhance monitoring, and improve transparency and accountability in a reasonable timeframe.*

OAI conducted its audit pre-COVID-19, yet remediation efforts seem not to have been held up due to the pandemic. *Management must consider the disruptive risk of COVID-19 and factored this into the MAP timelines going forward.*

7. TIMELINE OF ACTIVITIES LEADING UP TO THE GEF'S THIRD-PARTY REVIEW

The timeline (below) shows the range of inputs, activities, and timelines that directly impact this GEF third-party review.

In summary, OAI conducted its scheduled performance audit of GEF-funded activities between Q1 and Q3 2020. The final Report was issued in December 2020 together with management comments and, by extension, a commitment to remedy the issues raised by OAI and accepted by management.

Around the time OAI completed its audit - but before its Report was finalized - BPPS self-assessed its compliance with GEF minimum fiduciary standards. However, OAI's audit confirmed that there were significant weaknesses and gaps in how UNDP applied GEF minimum fiduciary standards to UNDP projects funded by GEF. These findings contradicted the self-assessment results – not so much on policy completeness but on applying the same policies across the UNDP.

Within days of the publication of the OAI audit report, senior management convened a high-level Inter-Bureau Task Force, led from within the Executive Office, to oversee remedial actions and create

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a Management Action Plan (MAP) that was broad in scope and timebound to meet OAI requirements (as well as GEF's).

One of the Inter-Bureau Task Force's initial decisions was to contract EY to conduct a major review with a scope of work that included performing tests at the field office level, opining on the quality and completeness of the MAP, and highlighting any other gaps that it may find.

In early Q2 2021, and with the GEF's upcoming third-party review in mind, BPPS revised its self-assessment of compliance with GEF minimum fiduciary standards. OAI findings were reported along with MAP actions to deal with the issues. Also, activities already accomplished were listed, Etc.

In late Q2 2021, the GEF third-party review commenced, using the material then available for review, but mindful that work on multiple steams was ongoing and that the 'landscape' would change as management took MAP action steps.

In parallel, to ready UNDP for the Green Climate Fund's independent reaccreditation review, BDO, conducted a readiness review and reported its findings. This report is included in this GEF third-party review.

Over 2021, UNDP has kept the UNDP Board, the GEF Secretariat, and Council apprised of progress to address GEF minimum fiduciary standards compliance issues and update them on progress on investigations involving GEF-funds.

In August 2021, the *Inter-Bureau Task Force for the implementation and sustained impact of the OAI GEF Management Action Plan* was formalized. This Task Force is co-chaired but the Executive Office and Executive Coordinator for Vertical Funds and has three tasks: (1) complete the timely implementation of the MAP and related assessments; (2) drive related behavior and cultural enhancements for sustained change, and (3) apply learning from the GEF OAI audit across the GEF portfolio and beyond for sustained, organization-wide impact.

In September 2021, following its independent review, the Green Climate Fund Secretariat proposed to its Board that UNDP be reaccredited. However, this proposal was conditional on UNDP undergoing an additional independent review two and a half years after the Board's decision. This review is meant to verify that actions recently taken by UNDP to remedy compliance gaps have, indeed, been implemented across the organization.

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Timeline of Activities

- September 2019: OAI notifies UNDP management that its planned performance audit of the GEF Vertical Fund will begin shortly. This decision coincided with communications between BPPS and OAI that senior management wanted OAI to review areas of concern.
- November 2019: OAI formally informs BPPS that it will be audited in early 2020.
- March-August 2020: OAI conducts its GEF audit.
- July 2020: External consultant (Amitav Rath) contracted by the Executive Office to perform an *Independent Review of GEF Financed Project on Standards and Labels for Promotion Energy Efficiency in Russia (the 'Russia Review')*.
- August 2020: UNDP submits its initial self-assessment of its compliance with the GEF minimum fiduciary standards to GEF.
- December 2020: OAI releases its final UNDP-GEF Management Performance Audit Report (with management comment).
- December 2020: Associate Administrator convenes the first Inter-Bureau Task Force meeting to drive the MAP implementation resulting from the OAI performance audit of GEF.
- December 2020: Independent report on 'Russia Review' issued.
- January 2021: EY contracted to perform comprehensive work related to the OAI audit and MAP implementation
- February 2021: BDO reports on its work to assist UNDP with its Green Climate Fund reaccreditation preparation that also relates to UNDP's compliance with GEF minimum fiduciary standards.
- April 2021: UNDP completes a self-assessment covering policy and implementation compliance with GEF minimum fiduciary standards.
- April 2021: GEF mandated third party review of UNDP's compliance with GEF minimum fiduciary standards commences.
- April-May 2021: OAI conducts fieldwork to follow up on issues raised by it and assess progress to address the problems.
- June 2021: OAI issues its follow-up report.
- August 2021: EY releases its final report.
- August 2021: The Administrator formalizes the Inter-Bureau Task Force arrangement to drive the MAP implementation and ensure that UNDP delivers the highest standards of development services and apply learning for the GEF OAI Audit across the GEF Portfolio and beyond for sustained, organization-wide impact.
- September 2021: GCF Secretariat proposes to the Board that UNDP be reaccredited to the CGF (on condition it undergoes another independent compliance review midway in 2.5 years).
- September 2021: Draft report on the results of GEF's third-party assessment of UNDP's compliance with GEF minimum fiduciary standards is submitted to the GEF Secretariat.

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SECTION 3:

GEF MINIMUM FIDUCIARY STANDARDS THIRD-PARTY ASSESSMENT RESULTS

For each GEF minimum fiduciary standard, pertinent background is provided, followed by a summary of the assessment for each sub-standard. At the end of each standard assessment the third-party reviewer's conclusion on GEF standards' policy and application compliance is reported.

Summary of Third-Party Assessment Results

PROJECT/ACTIVITY AND OVERSIGHT CRITERIA				
	GEF Standard	Assessed Policy Compliance	Assessed Application Compliance	Third-party reviewer comments
1.	Project Appraisal Standards	FULL This rating agrees with UNDP's revised self-assessment rating	PARTIAL This rating agrees with UNDP's revised self-assessment rating	MAP Actions have just begun to take effect for the ' <i>Fiduciary oversight to ensure adequate monitoring</i> ' sub-standard. Verification at Regional Bureaus and Country Office levels can only be done after MAP actions take full effect.
2.	Procurement Processes and Oversight	FULL This rating takes into consideration actions taken since April 2021 on the <i>Assessment of executing entities sub-standard</i> that UNDP rated as 'Partially Complaint' in its revised self-assessment	PARTIAL This rating agrees with UNDP's revised self-assessment rating	MAP actions are complete but two still need to be fully rolled out. These are (1) ' <i>Assessment of executing entity capacity</i> ', and (2) ' <i>Monitoring of performance in projects</i> '. Only after that can they be verified.

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3.	Monitoring and Project-at-Risk Systems	FULL This rating agrees with UNDP's revised self-assessment rating	PARTIAL This rating agrees with UNDP's revised self-assessment rating	MAP actions on most of the sub-standards still need to be rolled out at the project, Country Office, and Regional Bureaus levels. Only after that can they be verified.
4.	Project Completion and Financial Closure	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
5.	Evaluation Function	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
GOVERNANCE FRAMEWORK CRITERIA				
6.	External Financial Audit	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
7.	Financial Management and Control Frameworks	FULL This rating considers actions taken recently when the UNDP revised its rating for the <i>'defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees'</i> sub-standard from 'TBD' to FULL	PARTIAL This rating considers the fact that for the <i>'Existence of a control framework'</i> sub-standard, the current Internal Control Framework is under revision, has yet to be approved, and the effect of changes is therefore unknown	The Internal Control Framework revisions may or may not entail substantial changes. However, the impact of even small changes can have a significant effect on multiple GEF standard requirements. Likewise, the impact of UNDP's recently revised <i>'fiscal agent</i>

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				<i>and fiduciary trustee'</i> sub-standard needs to be assessed for compliance application purposes as it has implications across the UNDP that can only be verified later.
8.	Oversight of Executing Entities	FULL This rating agrees with UNDP's revised self-assessment rating	PARTIAL This rating agrees with UNDP's revised self-assessment rating	MAP actions on most of the sub-standards still need to be rolled out at the project, Country Office, and Regional Bureaus levels. Only after that can they be verified.
9.	Financial Disclosure/Conflicts of Interest	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
10.	Code of Ethics/Conduct	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
11.	Internal Audit	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
12.	Investigations	FULL This rating agrees with UNDP's revised self-assessment rating	FULL This rating agrees with UNDP's revised self-assessment rating	
13.	Hotline and Whistleblower Protection	FULL This rating agrees with UNDP's revised	PARTIAL This rating disagrees with UNDP's revised self-assessment	This review suggests enhancements to the Policy. Information about the revisions

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		self-assessment rating	rating because UNDP's <i>Protection Against Retaliation policy</i> is under revision and it not yet approved	proposed are awaited to ascertain how they affect the rights of the whistleblowers or improve the overall internal justice system.
14.	Anti-Money Laundering and Combatting the Financing of Terrorism	FULL This rating agrees with UNDP's revised self-assessment rating	PARTIAL This rating disagrees with UNDP's revised self-assessment rating because the AML element of UNDP's recently approved <i>AML-CFT policy</i> has not yet been rolled out	Verification can only take place after the full AML-CFT policy has been rolled out. This is just beginning.

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I. PROJECT/ACTIVITY AND OVERSIGHT CRITERIA

1. PROJECT APPRAISAL STANDARD

Project appraisal functions include establishing standards and appropriate safeguards to determine whether projects and activities are reasonably likely to meet their development goals before funds are dispersed.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with the Policy Alignment of GEF's Project Appraisal standard. It reported that it complied fully with the application alignment of GEF's Project Appraisal standard for all sub-standards except (d) Fiduciary oversight to ensure adequate monitoring, which it reported as partially compliant.

Background

UNDP intends that its strategic investment criteria (such as a paradigm shift potential, level of innovation, potential to catalyze other sources of financing, strong theory of change, potential to strengthen and broaden partnerships) will drive engagements with its partner countries and strengthen the overall design of programmes. The intention is that UNDP maintains its status as a pioneering and thought leader for nature, climate and energy development while also boosting the overall results and impacts of its programmes in an ever more complex and demanding vertical fund investment landscape.

UNDP recognizes the value it can offer the importance of identifying project ideas and concepts that, if correctly researched and presented, and are within the scope of UNDP's Nature, Climate and Energy mandate. Over the past years, the environmental project funding has come from GEF. And UNDP would like this to continue – even increase over time.

UNDP recognized that safeguards are essential to ensure the projects they propose are reasonably likely to meet their development goals needed to be enhanced and used widely. They also recognize the need to monitor and oversee projects over the life cycle of those projects.

The UNDP Programme and Operations Policies and Procedures portal (POPP) is the repository of all the information needed for the UNDP to navigate through multiple policies, guidelines, dashboards, instructions, standards that should be followed, considered, used throughout the project cycle. This applies equally to GEF-financed projects, and it is noted that a centralized, one-stop-shop for all guidance and requirements related to vertical climate fund (GEF/GCF/AF) programming now exists. Having all this information in a single place was implemented in January 2021 and is a significant benefit flowing from the OAI GEF Audit.

In addition, UNDP has introduced additional steps to the appraisal process to ensure that its project proposals to the GEF for Financing are of a high standard to the point that GEF commits to invest in the UNDP proposed project.

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OAI, in its GEF Audit and EY, both confirm that the project appraisal stage needs to be enhanced and that the level of monitoring and oversight onwards through the project lifecycle needs to be maintained.

Summary

UNDP's project cycle, including appraisal, is governed by a comprehensive suite of quality control and assurance mechanisms, all outlined in the Project and Programme Management (PPM) sections of UNDP's Programme and Operations Policies and Procedures (POPP).

UNDP-supported country, regional and global programmes and projects (GEF-financed or not) must comply with UNDP's quality standards for programming. Managers, in line with UNDP's accountability framework, are accountable for upholding them. The Policy on quality standards for programming requires that projects are Strategic, Relevant, Principled, Managed and Monitored, Efficient, Effective, Sustainable and Nationally owned.

UNDP's appraisal process for the GEF-financed project has been strengthened to meet UNDP Policies and Procedures requirements, not only the GEF Standard requirements. UNDP also has Standard Operating Procedures for Project Originating and integrated Programming of Vertical Fund Supported Projects. This SOP describes the process to be followed to meet GEF's requirements. There are processes for staff in headquarters, the regional Bureaus, and the Country Level to be familiarized with the requirements.

Two GEF inputs guide evaluations of project proposals by UNDP's Technical Advisors: the GEF-7 programming document and its Scientific and Technical Advisory Panel (STAP) that provides independent scientific and technical advice to the GEF on its policies, strategies, program, and projects.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***A project and activity appraisal process is in place to examine whether proposed projects and activities meet appropriate technical, economic, financial, environmental, social (including considerations of gender equality), institutional and other relevant criteria and whether they are reasonably likely to meet stated objectives and outcomes.***

Project appraisal is a mandatory process for all UNDP development projects. A project appraisal committee (PAC) is convened to review the quality of all proposed projects and the capacity of the implementing partner to deliver.

The POPP includes documented process design and controls for all stages of the GEF-financed project cycle: design, implementation, and closure. Helpfully, POPP's Visual Guides make it easier to see the whole Appraisal Stage conceptually and in detail. And there are links to clarifying information and other necessary information that must be considered in the design phase of potentially GEF-financed projects.

UNDP's appraisal process for the GEF-financed project has been strengthened to ensure that it meets UNDP Policies and Procedures requirements, not only the GEF Standard requirements but because doing so makes good business sense. In cases that they do not

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meet UNDP's needs, the appraisal process considers alternative ways to strengthen the business case, considering options such as bundling and sequencing with other funded activities, including those financed by UNDP.

UNDP has Standard Operating Procedures (SOP) for Project Originating and integrated Programming of Vertical Fund Supported Projects. This SOP describes the process to be followed to meet GEF's requirements that, if followed, will likely achieve GEF goals – and that are aligned with scientifically sound principles. This includes:

- i. *The Pre-Investment Screening Process (PISC) (new since January 2021)* has three steps:
 - o Country Office Pre-Investment Proposal Preparation
 - o Pre-Investment Screening Committee (PISC)
 - o Pre-Investment – that includes a recommendation to BPPS-NCE Executive Coordinator for a final decision
- ii. *Initial Screening – Triage Process for Accepting Programming Requests*, that looks at three inputs:
 - o Country Office Capacity Assessment (New tool is currently being piloted)
 - o Implementing Partner Capacity Assessment (PCAT and HACT)
 - o Based on the inputs of both partner capacity assessments, the most appropriate Engagement Modality (NIM, DIM, UNDP Country Office support to NIM) will be determined.
- iii. *Exclusionary Criteria – Project ideas that meet only one of the exclusionary criteria are rejected.*
- iv. *Strategic Investment Criteria* – The PISC will prioritize project ideas that focus on a variety of development priorities that are listed.
- v. *Budget/Costing Considerations* – PISC will prioritize projects with a clear potential to achieve development impacts and advance the nature and climate agenda.
- vi. *Human Resource Considerations* must be clear from the outset that the project will have the necessary human capacity to deliver the project.
- vii. *Deliver the Plan* – All new programming will be accompanied by a delivery plan with critical milestones that the project counterparts must meet. The program will be monitored during the implementation of the project and will be integrated into the ProDoc system.

The Pre-Investment Steering Committee (PISC) process step was introduced in January 2021. This arrangement is being piloted for GEF-financed projects (pre-PIF) with the probability that this enhanced appraisal model will be rolled out for all UNDP projects appraised in due course.

After PISC approval, the PIF is developed, and before it is submitted to the GEF, the PIF is technically cleared (including for social and environmental safeguards) by senior management in the NCE team before PIFs are presented to the GEF.

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The potential GEF-financed project proposals that have undergone this additional step have been received by the GEF Secretariat for consideration for the December Work Programme, where the benefit will be seen from the GEF side for the first time.

All UNDP-supported country, regional and global programmes and projects must adhere to UNDP's quality standards for programming, and managers are accountable for upholding them.

The staff both in headquarters, the regional Bureaus and the Country Level are being familiarized with the new process steps for GEF-financed (and GCF) project appraisal steps to meet GEF requirements. BPPS (Effectiveness Group) conducted a series of webinars and meetings about the revised PPM to familiarize all staff as to the key PPM revisions and new tools and strengthen capacity in several areas:

Bureau for Management Services (BMS) launched a Project Risk Dashboard in February 2021 that, on the face of it, looks comprehensive and focuses the user on key risk areas.

UNDP's August monthly report to the GEF Secretariat (and UNDP's website) confirms that all MAP actions have been responded to and the adequacy of the responses have been reviewed by OIA, who are satisfied that they will address the issues raised in its report. Management is implementing the changes.

- b. (b.1) *The appraisal process provides institutional checks and balances at the stage of project design: Policies and risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social (including considerations of gender equality), institutional and fiduciary assessments must be conducted to incorporate environmental, social or other relevant concerns into a proposed project or activity.***

The policies and risk assessment procedures are discussed in (a) above.

To address the environmental and social considerations (including gender equality) and assist in the project design stage, UNDP has these topics covered by the following Policies and Procedures to help identify gender considerations and potential social and environmental risks of UNDP-supported projects at the early stage of project design:

- i. UNDP's Social and Environmental Screening Procedure (SESP) identifies social and environmental risks of the project and prescribes management plans as outlined in UNDP's Social and Environmental Standards (SES).
- ii. UNDP's Gender Strategy

Risk management is now being taken more seriously, and risks are identified early in the project origination phase (see SOP – Programme Origination). Should risk mitigation measures be insufficient, the project will not proceed to the design stage.

Risk is addressed in the following ways:

- i. At the early stage, project risks are described, and intended mitigation measures are included in the relevant project documentation.

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- ii. As the project context and risk profile changes over time between project design and project start, risks are reassessed during project initiation.
- iii. Project risks are entered into UNDP's corporate Project Risk Register at project start.
- iv. Risk is monitored as part of UNDP's project management procedures, and information in the system is updated as needed. UNDP's Project Risk Monitoring Template helps articulate the kinds of risks that exist, address them, and use the systems and record the risk exposure.
- v. GEF project submission and endorsement delays and design risks (i.e., safeguards) are also monitored in the PIMS+ VF Performance Risk Dashboard.

Human capacity is essential for monitoring, evaluating, and making critical decisions. These activities lie with staff who need to be trained to act usefully and decisively when problems emerge. UNDP has put in place several focused training programs (e.g., risk management, certification, etc.) that can easily be shared across the UNDP, so that UNDP can be reactive when issues arise at the appraisal stage or over the project's lifecycle. UNDP has several training courses available on risk management.

BPPS supports Regional Bureaus (RBx) in creating regional action plans to enhance SES capacity on oversight and implementation support, especially risk-assessment procedures. RBx are responsible for monitoring progress against the finalized action plans. BPPS provides support with the implementation of the action plans. *In discussions with Regional Bureaus as part of the third-party assessment, they confirm that RBAP and RBAS have created a dedicated Regional Risk Manager position and staffed the posts. The other regions take a somewhat different approach and have incorporated the risks management role into the Country Support Units in the Regional Bureaus.*

- b. (b.2) *The appraisal process provides institutional checks and balances at the stage of project design: Guidelines or policies are in place that includes evaluation by technical advisors, who assess whether or not a proposed project or activity is eligible for GEF funding, based on the GEF-mandated criteria; is likely to achieve GEF goals; and is aligned with scientifically sound principles.***

Two GEF inputs guide evaluations of project proposals by UNDP's Technical Advisors: the GEF-7 programming document and its Scientific and Technical Advisory Panel (STAP) that provides independent scientific and technical advice to the GEF on its policies, strategies, program, and projects. Guidance from both sources is UNDP's responsibility follows.

UNDP'S Technical Advisors are fully trained on required GEF criteria. Their job is to:

- i. Verify the potential eligibility of a concept or idea
- ii. Conduct research on the concept or idea
- iii. Provide up-front guidance to UNDP Country Offices
- iv. Verify technical reports and project conceptualization
- v. Verify compliance with GEF requirements

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- vi. Ensure that a pre-screening of potential environmental and social opportunities and risks is carried out, and
- vii. Provide detailed screening against technical, financial, and risk criteria.

UNDP recently introduced the RACI matrix, which defines clearly who is Responsible, Accountable, Consulted, and Informed for oversight functions, actions and requirements throughout the entire project lifecycle, from origination to design, implementation and closure. This effort to introduce the RACI matrix was driven by the BPPS Nature Climate and Energy Unit, in close collaboration with the UNDP regional bureaus and applied to all GEF-financed projects. BPPS NCE clears all GEF projects before submission to the GEF.

The Standard Operating Procedures (SOPs) for Project Origination and Integrated Programming of Vertical Fund Supported Projects shows that after an initial screening process of a Government's request for UNDP support, a task team is formed, which includes oversight and technical support by the Technical Advisor with expertise in the GEF focal area(s) of a project plus other staff with expertise in Gender, Social and Environmental Safeguards, Procurement, etc. to promote a more holistic and integrated approach to programme development and design.

UNDP has Standard Operating Procedures for Project Originating and integrated Programming of Vertical Fund Supported Projects. This SOP describes the process to be followed to meet GEF's requirements that, if followed, will likely achieve GEF goals – and that are aligned with scientifically sound principles. This includes:

- i. *The Pre-Investment Screening Process (new since January 2021)* has three steps:
 - o Country Office Pre-Investment Proposal Preparation
 - o Pre-Investment Screening Committee (PISC)
 - o Pre-Investment – that includes a recommendation to PPS-NCE executive coordinator for a final decision
- ii. *Initial Screening – Triage Process for Accepting Programming Requests*, that looks at three inputs:
- iii. Country Office Capacity Assessment
- iv. Implementing Partner Capacity Assessment
- v. Engagement Modality
- vi. *Exclusionary Criteria – Project ideas that meet only one of the exclusionary criteria are rejected.*
- vii. *Strategic Investment Criteria* – The PISC will prioritize project ideas that focus on a variety of development priorities that are listed.
- viii. *Budget/Costing Considerations* – PISC will prioritize projects with a clear potential to achieve development impacts and advance the nature and climate agenda.
- ix. *Human Resource Considerations* – it must be clear from the outset that the project will have the necessary human capacity to deliver the project.

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- x. *Deliver the Plan* – All new programming will be accompanied by a delivery plan with key milestones that the project counterparts must meet. The plan will be monitored during the implementation of the project and will be integrated into the ProDoc system.

Once a PIF/proposal is developed, it goes through a technical screening process tracked in the PIMS+ platform and cleared by the relevant Principal Technical Advisor (PTA).

Suppose a project idea does not successfully pass the steps and conditions outlined in the Standard Operating Procedures (SOPs) related to programme origination. In that case, the idea will not move forward to become a project. If a PIF/proposal is not technically cleared in PIMS+ by the relevant Principal Technical Advisor, it will not be submitted to the GEF until all required technical criteria are met.

- c. ***Project and activity development objectives and outcomes are clearly stated, and key performance indicators with baseline and targets are incorporated into the project/activity design.***

To articulate at project development objectives and outcomes, as well as key performance indicators and targets, UNDP's Formulate Programmes and Projects Policy (Designing a Development Project: Paragraphs 23-27) (POPP) is a helpful guide to project design as it addresses baseline indicators and targets for projects. While some of this Policy states what must be considered in the formulation phase, much else is a detailed guide on how to meet the Policy's requirements. The requirement that baselines and targets are defined is a specific requirement per this Policy. Project indicators are mandatory. Para. 32.b states, *“Establish clear results-based indicators to measure if a result has been achieved. Ensure the data source and frequency of all indicators are established, along with baselines and targets. National data sources should be used where available and practical.”* And in Para.19 states that *“Each outcome and indicative output contained in the programme must have at least one result indicator that meets established quality standards to measure and track performance.”* It goes on to require outcome indicators *as well*.

The Policy articulates the principles that are the overarching development objectives and the Regional Bureaus' role in monitoring quality throughout the project cycle that leads to achieving these development objectives.

Each project formulation considers these specific requirements to ensure that the projects comply with the detailed Policy requirements.

The technical review and clearance processes of proposal documents and project documents are built into the PIMS+ platform. The technical review of a project document includes a review of the results framework.

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If there are issues with the results framework within the project document of a GEF-financed project, the project will not be technically cleared by the relevant Principal Technical Advisor. The project document will be sent back to the Technical Advisor, who will work with the Country Office and Implementing Partner to resolve the issues.

d. *Appropriate fiduciary oversight procedures are in place to guide the appraisal process and ensure the GEF Partner Agency's quality and follow-up actions during implementation.*

UNDP's fiduciary oversight procedures will guide the appraisal process that has been assessed using the results of assessments done for all other standards because each standard informs how well UNDP provides adequate fiduciary oversight to its portfolio from beginning to end.

Assessments of (a), (b.1), and (b.2) show that action has and is being taken to enhance monitoring and oversight capabilities and capacity at both the Regional and Country Office levels. However, the changes are too new to be validated to see if they have the intended impact. However, UNDP is moving in the right direction.

Regional Bureaus and Country Office managers confirmed that they were now stepping up their portfolio and individual project monitoring and oversight and escalation to the next level if issues are detected. They all agreed that this was a necessary activity.

UNDP's capabilities to ensure that it monitors implementing partners through the project implementation to closure are informed by the results of assessments of compliance with other GEF Standards that cover *Project/Activity Processes and Oversight Criteria* and those Standards that cover the *Governance Framework Criteria*. As they play different but connected roles, all these activities will influence, impact, or provide assurance that the quality of UNDP's project implementation monitoring over the project's life is adequate.

CONCLUSION: This review confirms that UNDP fully complies with the policy element of GEF's Project Appraisal standard. For policy application, UNDP partially complies with GEF's Project Appraisal standard because MAP actions have just begun to take effect for the '*fiduciary oversight to ensure adequate monitoring*' sub-standard. Verification at the Regional Bureaus and Country Office levels can only be done after the MAP actions take full effect.

2. PROCUREMENT PROCESSES AND OVERSIGHT

GEF Partner Agency procurement processes covering both internal/administrative procurement and procurement by recipients of funds include written standards, based on widely recognized methods and an internal control framework to protect against fraudulent and corrupt practices (using widely

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recognized definitions such as those agreed by the International Financial Institutions Anti- Corruption Task Force) and waste.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Procurement Processes standard policy compliance. For application compliance, UNDP rated itself fully compliant with all sub-standards except for (a) *Procurement policies and guidelines meeting minimum fiduciary requirements*; (h) *Assessment of executing entity capacity*; and (i) *Monitoring performance in projects*.

Background

UNDP's procurement operations are one of its principal activities. Its website states, among other things, that UNDP Procurement Services Unit (PSU) is responsible for procuring US3 billion worth of goods, works, and services each year. It seeks to develop lasting procurement capacities among clients and partner countries. The PSU helps Country Offices and Headquarters units to keep pace with the dramatic growth in volume and complexity of procurement at UNDP.

PSU applies a strategic risk management approach to procure complex goods and services vital to UNDP's projects and programmes. The goal is to reduce purchase costs by consolidating global volumes and standardizing categories through centrally-managed long-term agreements (LTAs) and corporate partnerships."

Consequently, a well-functioning procurement operation is critical to the GEF who developed multiple sub-standards under its main Procurement Processes and Oversight Criteria standard to fully describe how and where the Agency's procurement competence is needed.

Summary

UNDP has a well-established procurement operation that impacts the rest of the UNDP in multiple ways. UNDP has set itself some goals that, if they are achieved as planned, will centralize UNDP-wide procurement into the Shared Services model where the scale of the operations can be done more efficiently and effectively and promote transparency and accountability.

As would be expected, the procurement operations have been the subject of OAI's audits for years, whether at the Country Office level or Headquarters. These audits have been direct and indirect in the OAI GEF Audit. The Procurement Department's responses to OAI's GEF audit have been handled professionally, and changes have been made in a timely fashion. In addition, the role of the procurement team in the design and implementation of the new ERP cannot be understated as it provides a vital service across the UNDP and beyond.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. Specific GEF Partner Agency policies and guidelines promote economy, efficiency, transparency and fairness in procurement through written standards and procedures that specify***

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procurement requirements, accountability, and authority to take procurement actions. As a minimum, these policies and guidelines provide for:

- ***Open competition and define the situations in which other less competitive methods can be used; and***
- ***Wide participation through the publication of business opportunities; descriptive bid/proposal documents that disclose the evaluation criteria to be used; neutral and broad specifications; non-discriminatory participation and selection principles; and sufficient time to submit bids or proposals***

The UNDP Programme and Operations Policies and Procedures (POPP) consolidates all procurement information in one place, is easily accessible, and searchable a value that cannot be overstated. The POPP is an asset not only because it is comprehensive but because it is clear and understandable. And the whole system is transparent.

The policies outline formal procurement standards and guidelines across each phase of the procurement process, and they apply to all procurements conducted by UNDP. All programme and operational policies and procedures are located online in one location for easy access, learning and coordination. The POPP has a search engine and is easy for the end-user to navigate and find required resources.

The POPP clearly articulates the general principles apply to all phases and types of the procurement: 1) Best Value for Money; 2) Fairness, Integrity and Transparency; 3) Effective Competition; and 4) UNDP's interest.

These principles include encouraging open competition where possible and the broadest possible participation. And they promote sustainable procurement that includes eTendering wherever possible. UNDP's procurement activities are also available to the public on the UNDP website.

b. Specific procurement guidelines are in place for different types and categories of procurement, including the recruitment of consultants managed by the GEF Partner Agency.

The Procurement Methods Policy in the UNDP Procurement's Section of the POPP covers types of competition and standard procurement methods conducted by UNDP. Procurement methods are listed as being:

- i. Micro-purchasing
- ii. Request for quotation
- iii. Invitation to bid
- iv. Request for proposal
- v. Direct contracting

The Procurement Methods Policy in the UNDP Procurement's Section of the (POPP) also covers specific categories procured by it, as follows:

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- vi. Construction Works – that has a specific Construction Policy and Guidance Note for implementing works procurement which is accessible to all country offices.
- vii. Individual Consultants: Individual Consultants Policy applies that lists the thresholds and provides the procurement process to be followed.

c. Procurement guidelines provide security and confidentiality of information during the bidding, opening, evaluation and debriefing phases of procurement.

Procurement guidelines provide for security and confidentiality throughout the procurement lifecycle. This is achieved in several ways:

- i. Most of UNDP's procurement uses the e-procurement process and e-tendering that enhance security for all.
- ii. At the evaluation stage, the Evaluation Policy requires that strict confidentiality be observed.
- iii. The procurement review committee observes the same level of confidentiality.
- iv. Procurement ethics compliance is another way that UNDP uses to make everyone aware of the standards and principles on which the UNDP insists. It is also used to make staff aware of the risks of fraud and corruption.
- v. All procurement staff sign the annual conflict of interest and financial disclosure requirements and attend mandatory training from time to time.

d. Procurement guidelines provide for a procurement protest mechanism whereby bidders have a right to complain during the bidding process about non-compliance with procurement policies and procedures and irregularities in the process; they are informed of this right, and there is a transparent process whereby complaints are received and addressed.

UNDP offers a protest mechanism to receive and deal with complaints of various kinds. Such complaints are addressed using the Procurement Complaints Policy. The process to be followed is specified and is readily available on the POPP. There is an escalation of protest mechanisms as well.

Protests are logged manually at the business unit who then handle the issue. If it is not settled, then the objections are escalated to headquarters. An average of five such escalations occurs annually.

e. Standard contracts include dispute resolution procedures that provide for an efficient and fair process to resolve disputes arising during the performance of the contract.

UNDP's dispute resolution provisions are in the Contract Management policy (available online at POPP). Management report that "UNDP seeks to resolve disputes amicably per the terms of the dispute resolution clause. UNDP has normally been able to resolve such disputes amicably, and only once in the last ten years has a dispute gone to arbitration. In that case, UNDP prevailed over the claimant's claim."

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UNDP have different mechanisms and staged procedures to be followed in the event of a dispute. Specifically, the process starts with trying to resolve the dispute at the affected unit. If this doesn't work, the head of procurement becomes involved. If they do not resolve the matter, the case is taken over by the Legal Office. As a final step, the dispute goes to arbitration.

There are dispute clauses in multiple contract types.

- f. ***General Conditions of Contract and tender conditions require contract awardees to adhere to anti-fraud and corruption policies and provide access to GEF Partner Agency investigators to bidder/contractor records relating to bids and contracts if needed to support investigations of complaints of fraud or corruption.***

Procurement fraud is a significant issue in the UNDP, as OAI and the Vendor Review Committee reported.

To prevent fraud and corruption from occurring, the UNDP General Terms and Conditions for Contracts (Standards of Conduct - Section 31) refers to the UNDP Policy on Fraud and Corrupt Practices policies. This section is expanded to include links to:

- UN Supplier Code of Conduct
- UNDP Policy on Fraud and other Corruption Practices
- UNDP Office of Audit Investigations Guidelines
- UNDP Social and Environmental Standards, including the related Accountability Mechanism
- UNDP Vendor Sanctions Policy
- All security directives issued by UNDP

And Section 36 discusses Anti-Terrorism financing.

Contractors acknowledge and agree that they have read the contract and are familiar with the requirements related to fraud and corruption (which are also available online). In making such acknowledgement, Contractors represent and warrants to the UNDP that they are in compliance with the requirements of the clauses and will remain in compliance throughout the term of the contract. This includes the clauses on fraud. The suppliers also sign the Bidders Declaration in the Solicitation Document such as the Request for Quotation and at the Bid Submission that they will abide by the General Terms and Conditions.

As part of the evaluation of vendors at the solicitation stages:

- i. The company profile of the vendor is verified. Dunn and Bradstreet's reports are used for this purpose, especially for high-value contracts. The Evaluation Process Worksheet is used to assemble the information needed for this due diligence process. Also, efforts to expand the impact of sanctions imposed by the UN or multilateral development banks have resulted in an agreement to collaborate by sharing

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information. This means that cross-debarring individuals, organizations, or companies who have been sanctioned in any one of the collaborating institutions are allowable.

- ii. The UNGM Ineligibility List is consulted to see if the vendor is listed. This confidential database lists vendors who have been debarred across the UN or among the multilateral development banks. Cross-debarment is an added deterrent.

The Vendor Review Committee is a technical advisory body tasked with considering allegations made against UNDP vendors. The VRC may issue *Notices of Administrative Action* when it determines that the Office of Audit and Investigations (OAI) has provided information that indicates that one or more vendors have engaged in proscribed practices. The VRC will give the vendor a reasonable period to respond to these allegations and their supporting documentation and present explanations and documentation of its own. 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.

The Vendor Committee Secretary also periodically verifies that no new contracts have been awarded to Ineligible Vendors.

OAI, in its GEF Audit, reported three findings that it rated Medium Priority (Important). The findings were accepted by management, and remedial actions were included in the Management Action Plan. All three actions are expected to be completed by the end of September and rolled out after that.

The third-party review notes that while the remediation design phase is largely completed, requiring staff at the CO and Regional Bureaus and headquarters to comply with the changes will take time to be verified across the UNDP. As one of the actions is linked to the development and implementation of the new ERP system, the Sourcing Module is already released. Phase 2 of the procurement element of ERP is expected to be rolled out around June/July 2022.

g. Procurement guidelines encourage the consideration of sustainability concepts in the procurement of goods.

UNDP's Sustainable Procurement Policy articulates UNDP's General Principles and General Considerations for sustainable procurement. The objective is for the 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' on the POPP to assist in achieving this goal.

The UNDP Administrator is responsible for UNDP to meet the sustainable Development Goals 2030 with the support of the Directors of the Bureau of Management Service and the Regional Bureaus and the Country Offices. The Director of Procurement is responsible for driving sustainable procurement initiatives in UNDP.

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UNDP management reports that climate change continues to drive stakeholder pressure on the UN system to showcase its commitment to improving its operations' environmental and social performance. The combined annual procurement spend of UN agencies represents a significant opportunity to influence markets towards sustainability.

Through the UN Working Group on Sustainable Procurement, UNDP collaborates on several initiatives to strengthen and promote sustainable procurement practices in the UN System. UNDP is a key member of the group. The group has established *Sustainable Procurement Indicators* with corresponding guidance on how to operationalize the initiative.

UNDP is involved with multiple initiatives, all designed to enhance procurements sustainability. These include:

- i. eTendering
- ii. The Greening UNDP Moonshot Facility launched in September 2019 with ambitious targets as follows:
 - To reduce greenhouse gas emissions from UNDP operations by 25% by 2025 and 50% by 2030.
 - To implement the best waste management in all UNDP premises.
 - To minimize the use of natural resources.
 - UNDP own efforts under different slogans: We Monitor; We Reduce, and We Offset. These slogans are supported ongoing monitoring and reporting.

The Joint Inspection Unit (JIU), in its *Report of UNDP on the Recommendations of the Joint Inspection Unit in 2020*, assessed the UNDP Moonshot Facility and communicated its experiences in reviewing its operations. The JIU made ten recommendations to the UN System designed to promote environmental sustainability with a deadline of 2022.

JIU's recommendations are relevant to the GEF's Procurement Standard and UNDP's commitment to sustainable procurement. If not already done, this list of proposed actions should be included in the procurement follow-up actions.

Finally, UNDP provided multiple examples of what it was doing to impact UNDP's procurement function to enhance sustainable procurement.

h. Specific procedures, guidelines and methodologies of assessing the procurement procedures of executing entities are in place.

This sub-standard addresses UNDP's requirement that it assess its Implementing Partners' capacity to implement GEF-financed projects. In conversations with field management and headquarters, their concern is that UNDP simply does not have complete control over the Implementing Partner (the Executing Partner in GEF documents).

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UNDP's Transactional Procurement Strategies & Procurement Planning Policy lists the requirements for planning and establishing the procurement strategy for UNDP procurement processes. This Policy requires that UNDP seeks the answers to multiple questions about the capacity of the Implementing Partner to procure, manage risks, formulate a procurement plan, assess the procurement expertise, and understand the sufficiency of the budget allocated to procurement operations.

Another key capacity assessment tool is found in UNDP's Harmonized Approach to Cash Transfer (HACT) Guidelines. These Guidelines require that an Implementing Partner's capacity and system of internal controls, including controls and procedures over procurement, be assessed to see to what extent they meet UNDP's prescribed capacity assessment thresholds. However, Regulation 16.05 (a and b) in the *UNDP Financial Regulations and Rules* states that "*executing entities/implementing partners can follow their procurement policies provided they are consistent with UNDP procurement policies and principles. And where the financial governance of an executing entity or, under the harmonized operational modalities, implementing partner, does not provide the necessary guidance to ensure the best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.*"

HACT capacity assessments completion reports are tracked on the HACT dashboard. The standard HACT capacity assessment questionnaire used for the capacity assessment includes a section on procurement which contains 15 questions on procurement aimed at assessing if the principles of the partner's procurement policies and procedure are in line with UNDP's.

HACT guidelines also require assurance activities including Audits and Periodic On-Site Reviews (Spot Checks) be carried out at periodic intervals based on the value of reported expenditures and a partner risk rating determined when the partner's capacity assessment was carried out. The scope of assurance activities includes confirming reported expenses are valid and adequately supported. Systems of internal controls identified during capacity assessment, including controls over procurement, are functioning as intended.

In addition, UNDP recently drafted a Partner Procurement Risk and Capacity Assessment Tool for Implementing Partners. A consultant has been engaged to finalize and integrate the tool into the PCAT. It will be piloted for GEF and GCF projects in due course.

OAI, in its GEF Audit, made two recommendations about Implementing Partner capacity assessments.

- i. BPPS and the Bureau for Management Services, in close coordination with the Regional Bureaus, will upgrade and improve the capacity assessment tools for implementing partners, including a strengthening of the focus within the capacity assessment tools of procurement capabilities. Guidance and procedures will be further enhanced to ensure that the experience of working with the implementing

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partners, as identified through the monitoring, spot check and other assurance activities (including audits), are acted upon through adjustments to the assurance plans and disbursement modalities during the lifecycle of the project. Work was completed ahead of schedule and is awaiting OAI review.

- ii. The system of monitoring, oversight and strengthened management will be applied to implementing partner audit performance:
 - Bureau for Management Services shall include NIM audit performance in its corporate monitoring of audit performance, including regular reporting to the OPG.
 - Regional Bureaus will strengthen their oversight on Country Offices on implementing partner risks and audit observations.
 - Country Offices will strengthen their risk management activities to ensure that risks identified via implementing partner audits are adequately addressed (which may require GEF Secretariat approval to provide Country Office support to national implementation) and assurance plans and disbursement modalities adjusted accordingly. Work was completed, and OAI has assessed this as 'closed'.

The third-party reviewer notes that it will take time to roll out these actions across the UNDP. Validation will only be possible after they have been rolled out and staff have become familiar with the enhancements required for Implementing Partner monitoring and oversight at all levels of the UNDP.

i. Procurement performance for implemented projects is monitored at periodic intervals, and processes require a response when issues are uncovered.

Procurement performance is detailed in UNDP's *Transactional Procurement Strategies & Procurement Planning policy* that lists detailed procedures on planning, the establishment of the procurement strategy contract management considerations, programme and operations consultations, market research, risk analysis and other factors that will enable UNDP to implement successful procurement processes which facilitate the satisfactory performance of vendors on the contract.

On the procurement implemented by Implementing Partners under the NIM modality, Regulation 16.05 (a and b) in the UNDP Financial Regulations and Rules states that "*executing entities/implementing partners can follow their procurement policies provided they are consistent with UNDP procurement policies and principles.*

The *new Construction Policy* (Clause 7) in UNDP applies to all works implemented by UNDP, reads, "*The Policy applies to the procurement and delivery of Works in all contexts in which UNDP works under the following implementation modalities, services and projects: (a). Projects implemented directly by UNDP (DIM) and including Works undertaken on behalf of other UN Agencies; (b). The provision of procurement support services to implementing partners, including Country Office*

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support to NIM projects or projects implemented by NGOs or other partners for which UNDP retains procurement responsibility, including MPS; and (c). UNDP management projects, in respect of building and facility services. The Policy lays out the requirements for the sourcing, management and monitoring of construction works in UNDP the Policy lays out the procedures from the inception, feasibility studies, to the handover to the end-users or partners."

UNDP's Harmonized Approach to Cash Transfer (HACT) guidelines require an implementing partner's capacity and systems of internal controls, including controls and procedures over procurement, to be assessed for IP's who meet UNDP's prescribed capacity assessment thresholds. The *Monitoring policy* addresses both monitoring to evaluate project results and operational monitoring. This covers an assessment of the implementation of procurement plans. These assurance activities are performed by third-party service providers (spot checks may be performed by qualified UNDP staff if cash transfers to the partner are below specified thresholds). Issues identified, including lapses in internal controls, are flagged and discussed with the partner for resolution.

Completion of assurance activities is tracked on the HACT dashboard. Evidence of this tracking on the HACT Dashboard was reviewed. The dashboard is accessible to the country office and regional bureau management. OFRM usually flags non-compliance in communications to regional bureaus (during quarterly financial reviews) and country offices (in quarterly one-pager communications to the Head of Office).

OAI routinely reviews procurement in its Country Office audits. In Q4 2021, OAI will complete an audit of Implementing Partners to confirm the extent to which some of the early MAP actions are taking effect. In addition, OAI monitors the annual audits of NIM-implemented projects based on agreed thresholds. Both these OAI activities are the Third Line of Defense monitoring that, together, provides valuable input to procurement management as to how well procurement is being monitored in the field.

OAI's GEF Audit reported specific gaps in procurement oversight that are included in the MAP and are both remediated. The two actions are:

- i. Under Regional Bureau oversight, GEF project procurement will be assessed to ensure alignment with mandatory procedures applicable to all projects. These assessments will be discussed with BPPS during joint meetings three times a year. **Work commenced due end September 2021.**
- ii. For procurement processes that UNDP undertakes, the Bureau for Management Services will further improve procurement process management with the roll-out of the new Oracle Cloud ERP application, which will be part of an end-to-end digital tool for procurement. This is expected to improve the weaknesses identified in procurement planning, evaluation team establishment and evaluation of offers. It is envisaged that all

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actions will occur within the system and documents maintained in the tool. **Work commenced - completion date is the end of September 2021.**

The third-party reviewer notes that the roll-out of the two actions will only be complete when the new ERP is implemented. This means that validation of the actions can only be done in about two years.

j. Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed.

UNDP has made a significant effort to ensure that it is a transparent organization – and this has been publicly recognized internationally by the IATI. More importantly, records of UNDP Contract Awards can be searched by date on the UNDP Procurement website and all program expenditures (including procurement awards) on its Transparency Portal (www.open.undp.org).

UNDP reports all project expenditures, including procurement awards, on its Transparency Portal, open.undp.org. All policies and guides related to procurement are on the GEF POPP portal. These are available to all staff and the public.

CONCLUSION: Taking into consideration the MAP actions taken since the self-assessment, on policy compliance, this review confirms that UNDP fully complies with GEF’s Procurement Processes and Oversight standard for policy compliance. For application compliance, the review agrees with UNDP’s rating of ‘partial’ compliance because MAP actions for most of the sub-standards still need to be rolled out at the project, Country Office, and Regional Bureaus levels. Only after that can they be verified.

3. MONITORING AND PROJECT-AT-RISK SYSTEMS

The GEF Policy on Monitoring establishes minimum requirements based on widely recognized best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and activities, particularly those deemed to be at risk.

UNDP’s revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF’s Monitoring and Project-at-Risk Systems standard.

Background

OAI reviewed the application of this Standard in its GEF Audit. OAI required high priority action be taken in the following areas:

- Insufficient oversight over GEF projects.
- Country Offices lack the capacity to implement GEF projects.

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- Weaknesses within project management.
- Project reporting needs improvement both in substance and accuracy.

Looking into the same functions, EY agreed with OAI's results but suggested that priority be given to 'Insufficient oversight over GEF Projects' and 'Limited monitoring of audit recommendations of implementing partners'. Taken together, this means that the monitoring and project-at-risk activities have five high priority issues linked to it – as well as several medium priorities.

Feedback from conversations with Country Office and Regional Bureaus management was positive. They acknowledged that there had been monitoring 'slippage' over time and were already taking steps to improve these functions.

OAI's follow-up audit confirms that the MAP actions do address the issues raised but that the real test will be to verify results on the ground. OAI has plans to verify this late in 2021 or early 2022.

From the third-party review perspective, this might still be too early to have implemented the many changes in Monitoring and Project-at-risk flowing from OAI's Audit. Typically, an internal audit verifies when the new arrangements have been in place long enough to confirm the general application. In UNDP's case, this might only be in late 2022 or early 2023.

Summary

UNDP has embarked on tightening its oversight responsibilities for the GEF portfolio. Requirements to monitor projects at risk and country offices at risk are laid out and widely accessible in the POPP. Realistically, it will be some time before evidence can be assessed to show (1) that the new measures are working as intended and (2) that all these are in consistent use across all five Regions.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***Monitoring functions, policies, and procedures have been established consistently with the GEF Policy on Monitoring requirements.***

UNDP has the human capacity to monitor its project portfolio and especially GEF-financed projects. Its monitoring and evaluation specialists are trained and are spread across the organization from IEO/BPPS/NCE in headquarters to the Regional Bureaus and at the larger Country Offices. UNDP's detailed monitoring and evaluation policies and procedures and measurement criteria are in one POPP and are readily accessible, consistent with GEF requirements. *The third-party reviewer noted that Country Office managers indicated that human capacity was a concern for some of them (see (e) below).*

- b. ***The roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels. The monitoring function at the entity/portfolio level is separated from the project and activity origination and supervision functions.***

Roles and responsibilities are described in the RACI matrix that covers headquarters, Regional Bureaus, and Country Offices down to project monitoring and evaluation. These roles and responsibilities are further elaborated in UNDP's Guidance in is updated 2021 GEF Annual

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Monitoring Process. Regarding the separation of portfolio-level monitoring from day-to-day project execution, the Project Board monitors GEF-financed projects, and project information is collected in the GEF PIR tool and escalated to the Regional Bureaus for additional comment. This Performance Risk Dashboard is used to flag performance issues in the GEF portfolio and identify projects that require enhanced oversight. *The third-party reviewer noted from interviews with Regional Bureaus and Country Offices that steps had been taken to enhance and prioritize monitoring and oversight of GEF-financed projects – especially projects-at-risk.*

- c. ***Monitoring reports at the project/activity level are provided to a project/activity manager and an appropriately higher level of managerial oversight within the organization so that mid-course corrections can be made, if necessary. Monitoring reports at the entity/portfolio level are provided to both project/activity managers and an appropriately higher level of oversight within the organization so that broader portfolio trends are identified and corresponding policy changes can be considered.***

As reported in (c) above, the Performance Risk Dashboard flags issues at the project or portfolio levels. The risks are 'owned' in the Country Office, but monitoring is complemented at the Regional Bureau level and BPPS/NCE. Additional oversight plans are agreed upon with the Regional Bureau and Resident Representative.

- d. ***A process or system, such as a project-at-risk system, is in place to flag when a project has developed problems that may interfere with the achievement of its objectives and to respond accordingly to redress the issues.***

UNDP's Enterprise Risk Management (ERM) Policy spells out risk categories, risk ownership and escalation responsibilities. It describes how to conduct and perform risk assessments at the project level and over the project cycle. The ERM POPP has additional information and guidance on project risk management of projects. *The third-party reviewer notes that, despite all the guidance and policy requirements, the OAI GEF Audit reports significant gaps in application. Here too, the third-party reviewer noted from interviews with Regional Bureaus and Country Offices that steps had been put in place to enhance and prioritize monitoring and oversight of GEF-financed projects – and especially projects-at-risk.*

- e. ***Adequate fiduciary oversight procedures are in place to guide the project risk assessment process and ensure its quality and monitor follow-up actions by the GEF Partner Agency during implementation.***

Adequate oversight comes in the form of human capacity and systems effectiveness. While more attention is being given to project monitoring, Country Office managers interviewed stated that human capacity may be deficient. UNDP response is that the new ERP system implementation and analytics coming from the Digital Initiative are expected to relieve Country Office staff of some of the burden and make risk and performance monitoring more efficient and effective. Also, as the Clustering concept develops, work that is now performed at the Country Office level will be taken over by a Shared Service Center that is better equipped to handle transactions directly

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handled in Country Offices. This, too, should provide 'space' for more hands-on project monitoring in due course.

CONCLUSION: This review confirms that UNDP fully complies with GEF's Monitoring and Projects-at-Risk standard. However, applying this standard is partially compliant until the reforms and priorities are fully addressed and enforced across the organization. Validation can only be done once the new ERP is fully operational.

4. PROJECT COMPLETION AND FINANCIAL DISCLOSURES

Operational systems and overall capacity are in place to conduct necessary activities relating to project completion and financial closure.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Project Completion and Financial Closure standard.

Background

UNDP is committed to making information about its programmes and operations available to the public. Project Completion and Financial Closure are two important last steps in UNDP's stewardship of donor funds. UNDP takes this seriously, as seen in the step-by-step requirements and checklists that must be carefully followed. Of interest to this third-party review is that the Project Manager is required to close out the project. This enhances accountability.

Additionally, UNDP takes several steps to ensure that the quality of the information that is accessible publicly is of a high standard. These steps, and others, have resulted in the UNDP being highly rated (again) by the International Transparency Aid Initiative (IATI).

Summary

The operational systems and overall capacity allow UNDP to effectively conduct procedures related to project completion and financial closure.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. Procedures have been established concerning operational project completion and financial closure, including reporting on results, lessons learned and recommendations for improvement, and final financial reports.***

Project Completion and Financial Closure are taken seriously, as evidenced by the step-by-step requirements and checklists that must be carefully followed and are articulated in its Close and Transition Policy. This Policy describes the process as follows: (1) Project closure routine; (2)

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Transfer and Disposal of Assets; and (3) Evaluating a project. The requirement for third-party reviews to close out the project enhances accountability.

For the financial closure routine, UNDP's are also listed in the Close and Transition Policy and the Financial Closure of Development Project Policy that lists the many steps taken, including how to refund money to the donor.

For GEF projects, the PIMS+ Risk Dashboard displays projects at risk of non-compliance with meeting agreed project operational closure and financial closure dates and delays in completing terminal evaluations. BPPS/NCE takes action to follow up with Country Offices when project closure is delayed. These risks can also be escalated to senior management when necessary and discussed with the Regional Bureau during the three meetings.

Evaluations are performed as required. For GEF-financed projects, *GEF's Guidance on Conducting Terminal Evaluations for UNDP-Supported GEF-financed Projects* are applied.

b. *Procedures to make project results publicly available.*

The UNDP Disclosure Policy dictates that various data is made public for UNDP project work (including evaluations). UNDP's online Transparency Portal allows open, up to date, comprehensive public access to information on 5,000+ development projects in some 170 countries and territories worldwide.

UNDP also does routine checks of its publicly available project information and data is correct.

UNDP's project details, including results, and documents are also published to the International Aid Transparency Initiative (IATI) and available for public access on IATI's online portal. And the IATA assesses the quality and quantity of UNDP data that is publicly available and rates it highly compared to other organizations.

CONCLUSION: This review confirms that UNDP fully complies with GEF's Project Completion and Financial Closure standard.

5. EVALUATION FUNCTION

The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The evaluation goals are to provide an objective basis for assessing results, enhance accountability in achieving agency objectives, and learn from experience. The GEF Evaluation Policy, adopted by the GEF Council in June 2019, establishes requirements for a GEF evaluation function using widely recognized best practice norms and standards of impartiality, professionalism, and a high degree of independence.

UNDP's revised self-assessment

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In April 2021, UNDP reported that it complied fully with GEF's Evaluation Function standard.

Background

The Independent Office of Evaluation (IEO) provides an objective basis for assessing results, thereby enhancing accountability across the UNDP.

Its 2019 Evaluation Policy is sound, and the Evaluation Guidelines it applies are precise, detailed and accommodate the specific needs for GEF-financed projects. The quality of its work is in accordance with best practices and is professional.

IEO is transparent and shows its accountability, making available all its output and the results of surveys and peer reviews. It shows initiative in the following ways:

- a. Over the past five years, IEO and OAI have collaborated to share information and where IEO accepts OAI information for its purposes. It is also performing some joint work with OAI, which is an efficient use of another credible assurance unit in the UNDP.
- b. By developing the use of digital technology to leverage its work efficiently and effectively.
- c. By appointing an international Evaluations Advisory Panel (IEAP) to provide periodic advice on evaluation strategies, plans, methodologies and deliverables. It consists of eminent evaluation experts and scholars from around the world.
- d. Through settling M&E issues at the regional level. Also, any red flags indicating fraud and corruption in the field are now reported to Regional Bureau Directors, IEO, and OAI for investigation.

While not explicitly directed at IEO, the quality of evaluations in the field and the effectiveness of monitoring and oversight both in Country Offices and the Regional Bureaus lies in the field. Responsibility was not directly given to IEO, but IEO is part of the organizational response. As such, IEO is helping by providing additional guidance for project evaluations and increasing its monitoring of the evaluation process and control effectiveness. IEO reports that already they see positive changes in evaluations quality. One illustration is an increase in evaluations meeting a satisfactory level – in 2019 20% were satisfactory this rose to 34% in 2020.

Summary

IEO is an effective, independent assurance provider across the UNDP and to its stakeholder community. It is transparent about its plans and the results of its interventions. It also shares information that is helpful to a wide audience. In discussion with headquarters and field management, they appreciated OIE's work and data availability from OIE's ERC portal.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***An established body or function undertakes independent evaluations as part of a systematic program of assessing results, consistent with the requirements of the GEF Evaluation Policy.***

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UNDP has a fully independent evaluation function that reports to the Board. IEO conducts independent evaluations on a systematic basis. It also has conducted three joint evaluations with the GEF Evaluations Department on the Small Grants Programme. The IOE provides an objective basis for assessing results, thereby enhancing accountability across the UNDP.

- b. ***The evaluation function follows impartial, widely recognized, documented, and professional standards and methods consistent with the norms, principles, criteria and minimum requirements in the GEF Policy on Evaluation.***

IEO applies the UNDP Evaluations Policy and Guidelines that embody the United Nations Evaluations Group (UNEG) standards, and also align to the 2019 GEF Evaluation Policy. IOE's independence and objectivity are enshrined in its Policy and assured by the Board to whom it reports.

IEO subjects itself to a regular peer-review conducted by independent evaluators. The last review in 2019 resulted in the Policy being revised, confirmation of the strengths of IOE and some recommendations that would enhance IOE's efficiency and effectiveness but do not substantively impact the GEF assessment.

The 2019 Evaluation Policy is sound, and the Evaluation Guidelines IEO applies are precise, detailed and accommodate the specific needs for GEF-financed projects. The policies, guidelines and evaluation reports are publicly available. The quality of its work is in accordance with best practices and is professional.

- c. ***The evaluations body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the GEF Partner Agency, ideally reporting directly to the Board of directors or comparable body. If its structural independence is limited, the evaluation body or function has transparent reporting to senior management and the governing Board.***

IEO reports to the Board, thereby entrenching its independence. Conducts organization-wide or thematic evaluations and oversees a process of decentralized evaluations of projects. IEO provides additional oversight for Policy and Programme Support (BPPS) who oversees the monitoring of evaluation plans in all regions. IOE also publicizes the results of its work on the UNDP public website. In addition, IEO has developed a significant body of work for use in evaluations across the UNDP, which is found on its Evaluations Resource Centre (ERC).

- d. ***An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum, to all parties directly or indirectly involved with the project. To enhance transparency, to the extent possible, reports are available to the public.***

UNDP's disclosure policy requires that IEO disclose the results of its work which it does. It routinely reports its activities to the Audit and Evaluations Advisory Committee, which oversees IEO, and advises the Administrator. Each year, IEO publishes its Annual Report posted to the UNDP website and discussed with the Board.

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CONCLUSION: This review confirms that UNDP fully complies with GEF's Evaluation Function standard.

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II. GOVERNANCE AND FRAMEWORK CRITERIA

6. EXTERNAL FINANCIAL AUDIT

The external financial audit function ensures an independent review of financial statements and internal controls.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's External Financial Audit Standard, including each sub-standard.

Background

The External Financial Audit, what it is, who the responsible parties are, how it is audited, and how it is overseen and reported on, are all covered in **The UNDP Accountability System – Accountability frameworks and oversight policy** (established by the UN General Assembly (UNGA) resolution 26/88 and subsequently reaffirmed).

The **Accountability Framework** *“underscores the commitment of UNDP to results and risk-based performance management, as well as the shared values and culture of accountability and transparency.”*

The **Oversight Policy** of the UNDP *“includes the organization of independent internal and external oversight to provide assurances to the Executive Board and the Administrator that functional systems of internal controls are in place, including evaluation of the policy framework, efficient utilization of resources, and adherence to professional and ethical standards in UNDP.”*

The oversight roles and responsibilities of the United Nations Board of Auditors (UNBOA) are outlined in General Assembly resolution 74 (1) of 7 December 1946 and in the rules and procedures adopted at the 49th Regular Session of the Board on 30 June - 1 July 2005 and amended at the 35th Special Session on 7 December 2005.

UNDP's Accountability System is the foundation of multiple functions - including that of the External Financial Audit. While not referred to under each sub-Standard below, it forms the basis for this Third-Party review of UNDP's compliance with the GEF Minimum Fiduciary Standards.

The external auditor of the accounts of the United Nations Programmes and Funds, in accordance with article VII of the United Nations Financial Regulations and the annex to it – which also governs UNDP – conducts independent audits and issues a report to the General Assembly on (a) the audit of the financial statements and relevant schedules relating to the accounts of UNDP for the financial period; (b) compliance of transactions with the Financial Regulations and legislative authority; and (c) such information as the Board of Auditors deems necessary concerning the efficiency of the financial

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procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization.

Summary

UNDP has robust financial systems that support its operations across the world. More than this, its internal control regime and the quality of its reporting on financial matters is sound. This is verified by the UNBOA, who perform their work diligently and make recommendations intended to improve the quality of financial controls. The GEF Trust Funds are accounted for and audited, and the results are shared with the GEF separately and integrated into UNDP's Annual Financial Statements. In both cases, the GEF Trustee and Secretariat receive audited financial statements on which they can rely.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***The GEF Partner Agency has appointed an independent external audit firm or organization to perform an annual audit of its financial statements.***

UNDP, has always been audited by the UNBOA who perform the annual audit of its financial statements and those of the UNDP's GEF projects. The UNBOA is a rotating group of national Supreme Audit Institutions (SAIs) appointed by the UNGA. It reports to the UN Fifth Committee and the UNDP Executive Board.

- b. ***The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA) or the International Standards of Supreme Audit Institutions (ISSAI).***

The UNBOA performs its work using the International Standards on Auditing (ISA) and audits UNDP's financial statements on this basis.

- c. ***Financial statements are prepared in accordance with recognized accounting standards such as International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.***

Management confirms that the Annual Financial Statements that it prepared used the International Public Sector Accounting Standards as its basis for accounting. And the UNBOA has provided an unqualified audit opinion each year since IPSAS was implemented.

- d. ***The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the GEF Partner Agency governing body that these internal controls are adequate.***

The UNBOA assesses the adequacy of the internal controls over financial reporting and provides recommendations in its Annual Audit Report where it believes UNDP should improve. It follows up on these recommendations annually.

- e. ***An annual audit opinion on the financial statements and, as appropriate, on all GEF funds received from the Trustee and administered by the GEF Partner Agency is issued by the external auditor and made public.***

The UNBOA, after auditing the Annual Financial Statements and the adequacy of internal controls, confirmed in its Annual Reports (including for the 2020 Annual Financial Statements) that it was

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satisfied with the basis of preparation and adequacy of internal controls and gave an unqualified audit opinion (in other words, a clean opinion). The Audit Report (including the Annual Financial Statements) are available on the web.

- f. ***An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements, as well as risk management, internal control, and internal audit. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability, and regularity of meetings.***

UNDP does not have an independent audit committee that reports to the UNDP Board. However, it does have an internal independent Audit and Evaluation Advisory Committee (AEAC) that the Administrator appoints. In its terms of reference, the AEAC also reports to the UNDP Board. This it does through its Annual Report to the UNDP Board. In this Annual Report, the AEAC indicates that it actively reviews the scope and results of the UNBOA's external audit, including the financial statements, risk management, internal control, and internal audit, and monitors identified remedial actions. The AEAC's Annual Report is available on the UNDP website.

- g. ***The external auditor makes regular reports of observations concerning accounting systems, internal financial controls, and the administration and management of the organization. Auditor and management progress reports are reviewed by the audit committee or comparable body annually.***

Finally, the UNBOA audits not only the Annual Financial Statements but also reviews and assesses internal controls more generally and the sufficiency of risk management and administrative matters that it observes and on which it opines and makes recommendations. The Annual Audit Report published on the UNDP website communicates these activities, results, and recommendations.

CONCLUSION: This review confirms that UNDP fully complies with the GEF's External Financial Audit standard.

7. FINANCIAL MANAGEMENT AND CONTROL FRAMEWORKS

An internal control framework is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:

- ***Effectiveness and efficiency of operations***
- ***Reliability of financial reporting and financial management frameworks***
- ***Compliance with applicable policies and procedures***

UNDP's revised self-assessment

In April 2021, UNDP reported that it fully complied with GEF's Financial Management and Controls Framework with one sub-standard exception. UNDP rated sub-Standard (c) '*Defines roles and*

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responsibilities pertaining to the accountability of fiscal agents and fiduciary trustees' as 'TBD', i.e. "to be determined".

As for its capacity and compliance rating, all the sub-standard requirements were rated as in full compliance, except for (c) that was rated as 'TBD'; and two that were rated 'partial', (f) *Financial management controls*, and (h) *Segregation of implantation and execution of GEF projects*. The rating was because the quality and sufficiency of its remedial work on both sub-standards were undergoing OAI assessment.

Background

UNDP has an Accountability Framework (2008) that ties the UNDP into the United Nations systemwide accountability requirements. It provides the basis for proper accountability across the UNDP.

The Premise for UNDP Accountability is:

- i. *"The principle of national ownership, with operational activities carried out for the benefit of the programme countries, at the request of those countries and in accordance with their policies and priorities for development. As we work in increasingly demanding, complex and challenging environments, the need for more robust oversight and accountability at UNDP has become even more critical. UNDP, therefore, recognizes the increased international focus on accountability within the evolving aid and development environment.*
- ii. *Accountability and transparency are at the forefront of its activities.*
- iii. *The decentralized operations of UNDP enable its country offices to work with programme governments to find, lead and own solutions to global and national development challenges. This also includes the building and development of relevant national capacity. UNDP commitment is therefore operationalized at the country level through its development activities, project boards and country office management systems; and at the corporate level, through its corporate management system and its accountability to the Executive Board.*
- iv. *Accountability has always been embedded in the structure of UNDP and its operational procedures. While commitment to accountability has not changed, the context has been dynamic, and the formulation, application and enforcement of the principle of accountability have evolved.*
- v. *UNDP has therefore established an organizational accountability system to support increased transparency, clarity and alignment of all organizational activities, following the guidance provided by international practice, standards and new institutional systems. This organization-wide accountability system is aligned with the updated strategic plan..."*

Further, the Accountability Framework specifies the Components of UNDP's Accountability System. These are:

- i. *"The UNDP accountability system is based on a set of core guiding principles of accountability...and relies on the strategic integration of multiple accountability activities that together form the basis for a structured, comprehensive review of programmes throughout UNDP. It serves as the primary source for performance standards, metrics, reporting requirements to ensure that programmes are aligned with the updated strategic plan in support of internationally agreed development goals, including the Millennium*

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Development Goals, while fully responding to national development priorities. It includes four facets: organizational, coordination, programmatic and staff accountability. The operationalization of the UNDP oversight policy ensures adherence to legislative and regulatory frameworks and assures the integrity of the elements of the accountability framework through active monitoring and reporting. This is achieved through various reviews and assessments and reflected in reports provided to the Executive Board.

- ii. *The UNDP accountability system comprises (a) an accountability framework and (b) an oversight policy.*
- iii. *The accountability framework describes organization-wide processes for monitoring, analysing, and improving performance in all aspects of the organization. This includes the regulatory framework, policies, processes and procedures in support of the UNDP strategic plan...*
- iv. *The oversight policy details the specific procedures, tools and reporting schedule for providing UNDP management and its stakeholders with independent assurance, including evaluation at all levels, of UNDP programmatic interventions at the global, regional and country levels. The oversight policy is an integral part of the UNDP accountability system, as it serves to provide independent assurance to the Administrator, the Executive Board and other stakeholders.*
- v. *Accountability activities cover all UNDP activities in all locations and include a robust, independent, cyclical audit and evaluation schedule. The results of these accountability activities document the extent to which goals are being met and how they will be used to ensure continuous improvement throughout UNDP."*

The UNDP Accountability Framework is based on six core guiding principles, ten elements of accountability, monitoring mechanisms, and the relevant descriptions of accountability.

Also, the UNDP has developed guidance materials specifically for GEF-funded projects in its Delegation of Authority (DOA) and Roles, Accountability, Consult, Inform matrix (RACI).

The effectiveness of their application across the UNDP and down to GEF-funded projects (for either the National Implementation Modality or Direct Implementation Modality) is reviewed by UNBOA for the financial audit. Additionally, UNBOA looks at the effectiveness of internal controls for financial reporting for all the UNDP, including the results of OAI's work and management's responsiveness to agreed actions coming out of OAI audits. Taken together, UNBOA has provided a clean audit opinion on UNDP's annual financial statements and the internal controls over financial reporting for many years, including 2020.

At the same time, three significant initiatives are underway that promise a major step-up in applying effective internal control across the UNDP. These are:

- **New Enterprise Resource Planning system:** The Atlas ERP replacement system is being readied for roll-out over the next 18 months to two years. The new system will integrate Atlas auto controls and protocols with existing manual controls at all levels of the UNDP and more. The objective is to strengthen control in general - including controls over GEF-funded activities; automate where possible; improve reporting and transparency; develop preventive controls, thereby allowing for improved managerial oversight across the organization.

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- **Shared Services 'Clustering' Concept:** The Shared Services concept is not new but, UNDP's involvement is growing. When it is fully embraced, it will 'cluster' Human Resources, Procurement, and Finance activities more effectively performed centrally. As this happens, it should result in more standardization, better service delivery, enhanced risk management and control, and greater transparency. As this concept takes activities away from the Country Office and consolidates them elsewhere, systems and processes will need to change. All this must be embedded and integrated into the new ERP.
- **Consolidated Databases and the Digital Initiative:** The UNDP has multiple databases that are not yet fully linked and integrated. This inefficiency is recognized in the new ERP design and, when implemented, will consolidate data, thereby enhancing efficiency and transparency. In preparation for this, the Digital Initiative is looking into strengthening the usefulness of the data available (in one place) to provide actual data for historical reporting purposes. More importantly, it will be used to generate predictive using the data to hand (artificial intelligence) that will enhance information needed for managerial decision-making and identify trends and specific issues that will inform where preventive action is necessary.

Enterprise Risk Management

The ICF calls for robust risk management. The Three Lines of Defense model is the one that UNDP says it has chosen. If so, then the Second Line of Defense (Enterprise Risk Management) would be quickly and clearly distinguishable from line management and the assurers.

Looking deeply at ERM was not the purpose of this third-party review. However, enterprise risk cannot be ignored, especially when looking at how effective the ICF is. From this reviewer's vantage point, it appears as if the Second Line of Defense (ERM) merges with the First Line (Line Management) (in which case it vanishes) or the Third Line of Defense (OAI and Evaluators), where OAI finds itself playing the role of enterprise-wide risk identifier (e.g., the GEF Audit). Most large organizations, and all the multilateral financial institutions, have distinct, separated Three Lines of Defense that provides the ERM robustness that the organization seeks.

Risk is addressed in one way or another – but appears not to be 'joined up' enough in headquarters. So there seems to be a gap between micro risk management at the country level and enterprise risk management in headquarters.

Interviewees for this review commented on ERM arrangements and observed that UNDP has some way to go to implement a robust, effective ERM. UNBOA and AEAC have commented on it in their 2020 Annual Reports, and OAI quite recently audited ERM. UNDP should look at how ERM is set up, who leads ERM, and how macro and micro risks are managed and consolidated to get an enterprise-wide view of the exposure and address the issues accordingly. The question is this: would a robust ERM, working as an independent Second Line of Defense, have uncovered the GEF issues sooner than was the case?

GEF Audit Update

The design of remediation actions identified by OAI in the GEF Audit is almost complete, although applying these actions across the UNDP has just begun. As the GEF requirements are embedded into the new ERP

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over time, the groundwork for the new ERP, Clustering, Data Management systems is laid, but here too, the application is now getting underway. And the GEF Standards requirements and UNDP-wide transformative systems implementation intersect with each other. When this is finalized, UNDP's overall organizational design is reasonably mature.

Looking ahead

Organizational design, while highly complex, is mainly technical - and is typically the easiest part. The hardest part is its application. It is behavioural, and so impacts everyone working in and with the UNDP. As such, it will be at least two years before senior management can state with any level of confidence that the organizational design is working as intended across the UNDP. From a GEF perspective, it is only after implementation that management will confirm that operational internal controls are effective and efficient; and that applicable GEF policies and procedures are complied with and that all the elements of this Standard can be sustained into the future.

Summary

Management has taken steps to ensure that the Internal Control Framework is fit for all its work and that guidance is provided at the right level of granularity. The onus is increased for its application at both the Regional Bureaus and Country Office levels. This is no small undertaking as it covers GEF's Standards requirements as well.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.**

The current (last revised in 2020) Internal Controls Framework (ICF) is under revision and a new version is unavailable to the third-party reviewer. However, the existing ICF was formally adopted, and it is well documented and defines roles and responsibilities for management, internal auditors, and the UNDP Board.

- b. The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.**

The ICF (2020) covers all the elements prescribed by the COSO and follows the COSO Internal Control Framework model used globally in both the private sector and international development agencies and organizations. Therefore, it is robust and comprehensive and facilitates UNDP compliance with sub-standard (b) in terms of the COSO control components.

- c. The control framework has defined roles and responsibilities pertaining to the accountability of fiscal agents and fiduciary trustees.**

UNDP rated this sub-standard as 'TBD' on the basis that it did not believe it applied. In discussion with management and considering the December 2020 GEF Council Document definition, UNDP realized that if it interpreted 'fiscal agents and fiduciary trustees' as Implementing Partners, it the sub-standard does apply to it and so it revised its rating to 'fully complies'. The basis for this rating

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is that the ICF establishes stringent control requirements around implementing partner engagement, management, and audits of funds entrusted to Implementing Partners.

HACT Guidelines govern partner relationships with UN and non-UN agencies. And the HACT activities are designed, in part, to manage Implementing Partner risks. Evidence was reviewed showing the extent to which assessments of Implementing Partners have been carried out this year for both macro and capacity assessments and assurance activities that covered risk assessments, spot checks, and audits conducted. In its GEF Audit, OAI recommended that the capacity tool to strengthen monitoring of Implementing Partners is updated and applied. MAP remedial action is underway, and an OIA audit is expected to be complete before the year-end.

After considering OAI's finding, the third-party review agrees with UNDP that this sub-standard fully complies with the GEF standard requirements both for policy and capacity purposes.

- d. At the institutional level, risk-assessment processes are in place to identify, assess, analyze, and provide a basis for proactive risk responses in each financial management area. Risks are evaluated at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent.**

UNDP checks that its risk assessments at the institutional level and the quality of its risk assessments for each financial management area are fully compliant with GEF requirements.

The third-party review takes a less narrow view of 'financial management areas'. While there are financial management risks, there are operational and other risks that, if they occur, have a direct impact on UNDP's reputational and financial credibility and so must also be assessed under this sub-standard purpose (as well as in other standards).

While there is enterprise risk management (risk management that is institution-wide), there is work to be done to enhance this function. Both the UNBOA and the AEAC reported concerns about its maturity and effectiveness in their 2020 Annual Reports. So has OAI. In its GEF Audit Report and its July 2020 Enterprise Risk Management Audit, it reports that more needs to be done primarily at the Regional Bureaus and Country Office levels. It is too soon to say how management will address these issues. ***For this element of the sub-standard, the third-party review concludes that there is partial compliance with the GEF sub-standard requirements.***

- e. The control framework guides the financial management framework.**

The ICF is supplemented by an Accountability Framework and supported by an ICF User Manual updated in January 2021. Also, the Accountability Framework cross-references to various other relevant documents that establish roles and responsibilities, including those related to financial management and anti-fraud controls. However, in its GEF Audit, OAI reported evidence of weak ICFs and poor accountability around delegations of authority at the Country Office level and weakness in financial resources management at the Country Office level.

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- f. **Procedures are in place for identifying internal controls, including controls designed to prevent or detect fraud, and assessing control details annually in core financial management areas, including:**

- i. **Budgeting;**
- ii. **Accounting;**
- iii. **Funds flow (including disbursements, cash management, unused fund close-out); and**
- iv. **Financial reporting.**

Procedures are in place to identify internal controls, including detecting and preventing fraud. These internal controls also cover budgeting, accounting, cash management, and financial reporting. The UNDP Annual Report and UNBOA Annual Audit reports speak to the strength of internal controls more generally, and the financial management controls specifically. Specifically for fraud, the OAI Annual Reports provide data on their fraud detection work. Finally, the OAI GEF Audit found weaknesses in GEF-financed projects, which is being remediated by the MAP. As it is too soon to verify that these actions have resulted in wide acceptance and compliance, ***the third-party reviewer concurs with UNDP that this sub-standard is in partial compliance with the GEF standard.***

- g. **The control framework applies rigorous measures to prevent and combat fraud and other forms of financial mismanagement by employees, by contractors and suppliers under the GEF Partner Agency's procurement, or in respect of funds provided to executing entities.**

UNDP has multiple ways to show that it applies measures to prevent and combat fraud or other forms of financial mismanagement. These take many forms in the UNDP. They include the staff Code of Conduct, the financial disclosures and conflicts of interest declarations, vendor due diligence and monitoring, OAI audits and investigations, the Ethics Office, and general oversight and monitoring across the organization. Investigations outputs, as well as the Administrators Annual Report, inform on the sanctions imposed for wrongdoing that provide the evidence that zero tolerance for fraud is taken seriously.

However, OAI reports weaknesses in its GEF Audit that are being remediated. Also, UNDP's enterprise risk management (ERM) needs to be strengthened (as mentioned elsewhere in this report); the revised ERM Policy, as well as the Risk Tolerance Framework, must be approved and rolled out before UNDP can say, for sure, that the risk of fraud and financial mismanagement is under control. Finally, the new AML-CTF policy needs to be implemented and rolled out to prevent and detect money laundering and terrorist financing. ***The third-party reviewer believes that more work must be done to show compliance with this sub-standard, so assesses compliance as partial now.***

- h. **There is a separation of functions between project implementation and execution:**
- i. **There is a separation of functions. The entity that undertakes project execution reports and is responsible to the agency that carries out project implementation, with the latter overseeing the executing entity and having accountability to the GEF Council. This**

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explicitly precludes a merging or crossing over of the functions of the GEF Partner Agencies and executing entities as they are distinct and separate.

- ii. In cases where a GEF Partner Agency carries out both implementation and execution of projects, the GEF Partner Agency must separate its project implementation and execution duties and describe in project planning documents each of the following:
 - A satisfactory institutional arrangement for the separation of implementation and executing functions in different departments of the GEF Partner Agency; and
 - Clear lines of responsibility, reporting and accountability within the GEF Partner Agency between project implementation and execution functions.

UNDP applies the National Implementation Modality (NIM) for most of its GEF-funded work. In many cases, delivery under this NIM modality depends on UNDP providing 'execution support' (or country office support). In such instances, UNDP has protocols, authority matrices and an internal Delegation of Authority Agreement (recently updated) for GEF-financed Projects to ensure proper separation of duties.

In its GEF Audit, OAI found evidence where the separation of functions between project implementation and execution needed to be enhanced. MAP actions are underway. ***The third-party reviewer believes that, while the MAP actions are sufficient, more work must be done in the field to confirm compliance with this sub-standard, so this sub-standard is assessed as 'partial' compliance at this point in time.***

- i. **Financial management segregation of duties: Duties are segregated where incompatible. Related tasks are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between settlement processing, procurement processing, risk management/reconciliations, and accounting.**

Segregation of Duties is a critical control. It is looked at in all OAI Country Office audits and catered for in numerous documents, including the Operational Guidelines of the ICF. Two UNDP initiatives are underway that will tighten control to ensure proper delegation of duties. These are the new ERP that will have embedded auto-controls to identify instances of breakdown or attempted breakdown; and the Clustering Initiative that seeks to remove some services from the Country Office level and consolidate them in one of the Shared Services where the constraints at the Country level can be overcome.

However, two matters require attention:

1. The Internal Control Framework is currently under revision and a new version has not yet been approved by the OPG – or reviewed as part of this third-party review. Until the revisions have been reviewed, it is not possible to know what else is directly or indirectly impacted by the changes. Any changes to the Framework must be integrated into other linked policies and guides and then rolled out across the organization.

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2. Enterprise Risk Management has yet to be mature to a level expected of an organization the size of the UNDP. It is suggested that, until it sets and applies risk tolerance parameters, risk assessment, as a critical component to the ICF Model, is substandard.

CONCLUSION: This review confirms that the GEF Financial Management and Controls Frameworks Standard policy requirements are fully complied with – including the sub-standard for *'fiscal agent and fiduciary trustee'* that has just been rerated by UNDP. However, the application of the *'fiscal agent and fiduciary trustee'* sub-standard needs to be assessed by management to see to what extent it is applied and, if not, then actions need to be added to MAP. Also, when the ICF revisions are approved, management needs to assess how these changes affect other GEF minimum fiduciary standards because the impact of even small changes in the ICF can have a big effect elsewhere. Therefore, UNDP is in *'partial'* compliance for these reasons.

8. OVERSIGHT OF EXECUTING ENTITIES

GEF Partner Agencies have measures to review and oversee GEF-financed projects and program implementation.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with the policy alignment of GEF's Oversight of Executing Entities standard.

For its application compliance rating, the sub-standards for (b) *'Public information on funding agreements'* and (d) *'Response to misuse of GEF funds'* were rated as fully compliant. Sub-standards dealing with (a) *'Executing entity capacity assessment'* and (c) *'Monitoring of grants'* were rated as partially compliant. This was because MAP actions were still being implemented and could only be validated in due course.

Background

To oversee Executing Entities (Implementing Partners and Responsible Parties, collectively to be known as "Partners"), there is a plethora of valuable and detailed information and guidance available to staff to ensure proper oversight for all projects (including GEF-financed projects). All this information is now housed in the UNDP POPP and so is readily accessible to all.

Nonetheless, the OAI GEF Audit found that oversight of Partners was unsatisfactory. In discussions with Country Office managers and Regional Bureau managers, they admit that OAI was correct to *'call out'* the quality of oversight and monitoring activities. Over time, oversight and monitoring activities had slipped

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as a priority. With the GEF Audit and other interventions, this is beginning to be addressed across the organization.

Part of the root cause is that risk management has not matured to the level expected for an organization with the size, spread, and complexity of UNDP. The risk assessment element of the Internal Control Framework on which reliance is placed by multiple stakeholders holds the UNDP back. Management has accepted this and is addressing this issue on numerous fronts.

In its GEF Audit, OAI made recommendations to improve oversight – especially at the Country Office and Regional Bureaus. EY, in its review, basically confirmed OAI's findings underscoring the seriousness of the issues in the field. EY's findings on the matter of lack of proper oversight confirmed that the problem is systemic. Management accepts this and has acted firmly and forcefully to ensure that remedial action is completed in a relatively short timeframe. Almost all the MAP actions concerning Partner oversight have been designed, reviewed by OAI, and implemented.

Tools and Guides have been updated and are now beginning to be used. A new step in the project process is the Pre-Investment Steering Committee which, it is hoped, will cause UNDP to think harder about project risks at an early stage and decide, based on an early risk assessment, whether or how to proceed with a particular project. As this new step takes effect over time, it is hoped that the quality of project proposals going to the GEF for financing will improve.

Finally, OAI is currently engaged in an audit of Implementing Partners as a standalone project. It is more than likely that this audit will add to the collective knowledge of how well UNDP oversees its many Implementing Partners.

Summary

Considerable work is currently underway to improve Implementing Partner oversight and monitoring requirements. It will take time for the new arrangements to take hold, especially at the Regional and Country levels, and it is only when this happens can a validation of the reforms' effectiveness be done.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***There is a well-defined due diligence process before the GEF Partner Agency approves of a project to assess fiduciary risks, including preparation of risk mitigation and action plans so that proposed executing entities have adequate fiduciary controls in place to manage GEF funds used to finance a project.***

UNDP has standard operating procedures, and extensive guidance available to staff to ensure adequate capacity due diligence is undertaken on prospective implementation partners and subsequent monitoring for all NEX projects (including GEF-financed projects). This includes the Partner Capacity Assessment Tool and the micro assessment requirements of the UNDG Harmonized Approach to Cash Transfers (HACT) Framework (updated in 2021). All this information is now housed in the UNDP POPP and so is readily accessible to all.

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However, the OAI GEF Audit found that oversight of Partners was unsatisfactory, and this is being addressed through the MAP.

One MAP action point has been to develop an additional prescreening process that includes vetting project concepts and ideas by the Investment Steering Committee (PISC). If endorsed for further development, the project is screened again to ensure that (1) there is Country Office capacity; (2) there is Implementing Partner capacity (including PCAT and HACT assessments); and (3) After inputs from various sources, a proposal on the implementation modality (NIM, DIM, or UNDP Country Office support to a DIM project). *The third-party reviewer saw evidence of some of the first project proposals that underwent the PISC process and can confirm evidence that supports the usefulness of the PISC. However, it is too soon to confirm the effectiveness of the enhancement.*

b. Information regarding funding agreements is made publicly available.

The UNDP has made a serious effort to ensure that funding arrangements are publicly available on its website. This openness is recognized by high scoring on the Aid Transparency Index on whose website the information is also made available publicly. A sample of projects was reviewed that confirm that appropriate information is available for public scrutiny.

c. There is a monitoring system designed to ensure that grants are implemented and funds are used by executing entities as intended.

The sub-standard calls for a robust monitoring system to ensure that grants are implemented, and funds are used as intended. OAI, in its GEF Audit and EY, in its follow-up review of GEF-financed activities, both found weaknesses in the monitoring and oversight of GEF-financed projects and made several recommendations that are now part of the MAP. The third-party reviewer saw evidence of some of the initial actions on the ground and confirmation from both the Country Office and Regional Bureaus that monitoring is now a high priority but feels that it is too soon to see the full effect of the new changes.

d. There is a framework for projects funded by GEF to suspend disbursements to executing entities and recover GEF funds not used in compliance with legal agreements, including fraud.

There are appropriate provisions in UNDP's grant agreements to ensure UNDP can suspend disbursements to executing entities and access relevant records for investigation in the event of indications or complaints of fraud and recover GEF funds not used in compliance with legal agreements, including fraud. There has, so far, not been any monies refunded to GEF for fraud or corruption or financial mismanagement. It can show projects that were canceled for reasons such as implementation challenges where the project was closed, etc. Also, as a result of an OAI investigation by its Social and Environmental Compliance Unit (SECU), the outstanding grant fee was refunded to GEF for one project.

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CONCLUSION: This review confirms that GEF's Oversight of Executing Entities Standard policy requirements are fully met, but until application compliance across the organization can be assessed, it is partially compliant for all the sub-standards as they are still being rolled out at the project, Country Office and Regional Bureaus levels.

9. FINANCIAL DISCLOSURE/CONFLICTS OF INTEREST

The financial disclosure and conflicts of interest policies delineate the process surrounding mandatory financial disclosures of identified parties' possible or apparent conflicts of interest.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Financial Disclosure and Conflict of Interest Assessment standard.

Background

In the GEF-UNDP contractual agreements, it is expected that the Agency (in this case UNDP) have standards of care for the receipt and use of GEF trust funds that will meet the GEF Minimum Standards requirements.

Interestingly, UNDP has well documented and practiced conflict of interest policies and practices. In addition, they have added some specific conflict of interest steps when GEF-financed project work is involved. The third-party reviewer believes that these additions are necessary to overcome some of GEF's misgivings around conflict of interest given the predominance of UNDP's execution modality, where the risk of conflict of interest is heightened. They are pragmatic steps to address GEF concerns. And they were initiated by UNDP and are outlined in the updated UNDP GEF project document, the legal agreement UNDP signs with the Implementing Partner (updated in September 2021).

Despite the challenges of COVID-19, UNDP was able to complete its 2020 Financial Disclosure process, consisting of 100% submission compliance. However, verifying the information through random sampling was not done. For 2021, the Financial Disclosure process again achieved 100% submission compliance and the verification process was reinstated in 2021. The Ethics Office will, in its 2021 Annual Report, show that this GEF requirement was complied with fully.

Summary

The Ethics Office has a robust financial disclosure policy in place with a process that is effective. Staff have opportunities to discuss their actual or potential conflicts of interest and discuss them before making transparent disclosures. Of more significance to GEF are the customized conflicts of interest requirements when GEF-financed projects are involved.

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Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. *Documented policies covering identified parties define conflicts of interest arising from personal financial interests or otherwise that require disclosure, including actual, perceived and potential conflicts.*

UNDP has documented policies articulating who is mandated to submit an annual financial disclosure report and report any conflict of interest. Moreover, in the GEF-financed projects, implementing partners must disclose to the UNDP once they become aware that a UNDP-supported project or activity, in whole or in part, is the focus of an investigation for alleged fraud/corruption. UNDP project document template for GEF-financed projects were revised to take this requirement into account (Template revised in July 2021).

- b. *The policies describe prohibited personal financial interests and other types of conflicts of interest situations.*

The onus is on staff to disclose any real or potential conflict of interest. Material is provided that specifies the types of issues that may give rise to a problem. Also, training is available on this topic. Finally, staff have ample access to the Ethics Office and others, who can advise on the matter at hand.

For GEF-financed projects, the UNDP ethical 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 taken to ensure that conflicts of interest are handled appropriately where GEF has agreed that UNDP provides country support services and executes the project.

- c. *The policies describe the principles under which conflicts of interests are reviewed and resolved by the GEF Partner Agency. It describes sanction measures for parties that do not self-disclose where a conflict of interest is identified.*

UNDP's Code of Ethics deals with the consequences of non-compliance in detail. Undisclosed conflicts, if discovered and reported, follow an investigatory process to resolution. The Ethics Office reports annually on the results of the financial disclosure program. This Annual Report is publicly available on the UNDP website, and it is also made available to the UNDP Board for its review.

- d. *Parties covered by the policies are provided with a way to disclose personal financial interests and other conflicts of interest situations annually and on an ongoing basis to an administrative function within the GEF Partner Agency.*

New staff immediately are engaged in the financial disclosure and conflicts of interest requirements during mandatory onboarding activities. It is made clear who must submit the financial disclosure report to the Ethics Office.

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- e. *The policies establish processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.*

The Ethics Office is designated to monitor the financial disclosure program. It uses an online system to process the reports and has steadily improved its questionnaire. The Ethics Office calls on staff whom the process shows needs to be assessed further. This has resulted in written reports being submitted in some cases. Nonetheless, there are checks on this system, including requiring a written response through a sampled verification process whereby the Ethics Office authenticates the accuracy and completeness of reports.

CONCLUSION: This review confirms that UNDP fully complies with the GEF Financial Disclosure and Conflict of Interest Assessment standard

10. CODE OF ETHICS/CONDUCT

A code of ethics/conduct or equivalent for GEF Partner Agency staff promotes responsible behaviour and ethical behaviour.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Code of Ethics/Conduct standard.

Background

The UNDP has a robust Code of Ethics that promotes staff conduct and ethical behaviour.

The Ethics Office provides ethics services to UNDP personnel stationed in over 170 countries and territories. Its mandates responsibilities are:(a) standard-setting and policy support; (b) ethics training, awareness-raising and outreach; (c) providing confidential advice and guidance to staff and management on ethics issues and ethics-related policies; (d) administering the UNDP financial disclosure programme; and (e) administering the UNDP protection against retaliation policy.

In its 2020 Annual Report, the Ethics Office reported that *"The Ethics Office functions on the principles of independence, impartiality and confidentiality. Recognizing that a strong organizational culture of ethics and accountability is an essential foundation for the effective performance of UNDP programmes, the Office promotes ethical conduct and decision-making by all personnel. Approaching ethics from a pragmatic perspective, promoting core ethical standards, and the visible adherence to those standards by all personnel ultimately uphold the organisation's reputation with government partners, donors, other stakeholders and the public that UNDP serves. The Office accordingly works to embed and consolidate ethics in UNDP business processes and decision-making throughout all levels of the organization."*

In its 2020 Annual Report, the Audit and Evaluation Advisory Committee provided its views on the Ethics Office (EO) as follows:

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“The Committee was briefed on the activities of the EO at each of its meetings during 2020 and met in private sessions with the Director of the EO at each meeting. The Committee discussed work programme delivery, resource constraints and the way these were addressed. The Committee welcomed the reaffirmation by the Associate Administrator a.i. that the organization values the work of the EO, and assurances of continued support.

Overall, the Committee was impressed by the professionalism of the EO leadership and staff and satisfied with the scope, coverage and implementation of the 2020 work plan, given the limited resources available.”

Summary

The Code of Ethics, while important, only shows its actual value when the principles espoused in the Code are integrated into the everyday lives of UNDPs staff at all levels. The Ethics Office has made inroads through its willingness to train, inform, and advise staff. The Office also has a vital compliance role that it abides by diligently and precisely.

Regarding the assessment of sub-standards compliance, the third-party reviewer confirms that:

- a. ***A documented code or equivalent defines ethical standards to be upheld, including protecting GEF Partner Agency and trust fund assets. The code lists parties required to adhere to the standards, including senior managers, employees, consultants and independent experts. It describes disciplinary and enforcement actions for violations and provides appropriate flexibility in application and implementation in local environments.***

UNDP’s Code of Ethics is comprehensive and sets the expected Values and Behaviors expected of staff. It addresses enterprise risk and specific risk types such as fraud and misuse of resources. It describes how wrongdoing must be reported and how the Code is enforced. It also gives details about whistleblower protection. It also provides links to multiple policies and guides that support the ethical climate in the UNDP.

- b. ***An ethics or related function provides administrative support for the code or equivalent, including awareness-raising of the code or equivalent, providing advice on and monitoring compliance with the Code or equivalent and investigating or referring for investigation identified or alleged violations.***

The Ethics Office is an independent internal function. It provides administrative support to the EO and provides ethics awareness training and advising. In addition, it is responsible for managing the Financial Disclosure and Conflicts of Interest policy activities and reporting and taking the lead on handling protection against retaliation matters.

The Ethics Office mounts various events to promote UNDP values and codes of behavior, from mandatory training for new employees to focused courses and refresher training activities globally.

- c. ***Multiple avenues for reporting compliance and other business conduct concerns such as a hotline (for example, web portals for online reporting, and information on confidential email and phone numbers and physical means of reporting) and contact information for functional/department options (e.g., human resources, ethics office or internal audit) are readily available (e.g., on the GEF Partner Agency’s intranet and external websites).***

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As reported elsewhere, there are multiple ways of communicating with the Ethics Office on the wide range of topics that fall under the EO's purview and that are related, one way or the other, to the Code of Ethics.

CONCLUSION: This review confirms that UNDP fully complies with GEF's Code of Ethics/Conduct standard.

11. INTERNAL AUDIT

Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve risk management, control, and governance processes.

UNDP's revised self-Assessment

In April 2021, UNDP reported that it complied fully with GEF's Internal Audit Function standard.

Background

OAI (in accordance with the Institute of Internal Auditors [IIA] Standards) has shown its independence and objectivity – even courage – over the past year due to the GEF Audit. But it is not the only audit that has been cross-cutting. It shows that OAI is complying with the IIA Standards, is independent, objective and seeks to add value to improve UNDP's operations.

The most recent example of OAI's added value to the UNDP has been the GEF Audit. The feedback about it and management's response to it has been highly positive.

Creating an intra-Bureau task team was a 'first' and highly effective in creating cross-cutting remediation plans. The resultant Management Action Plan remains ambitious, comprehensive, and timebound. Many of those interviewed both in headquarters and the field said that the result of the GEF Audit would likely transform the way that UNDP did business generally. This, of course, remains to be seen. OAI has proven its worth.

Coming out of the third-party review are two topics that OAI might consider including in its annual audit planning that should be of interest to a wide cross-section of stakeholders:

- **Review of UNDP's internal justice** system to determine that the system is efficient and effective and that the critical functions involved (i.e., Ombudsman, Evaluations, Ethics Office, Investigations, Human Resources and the Legal Office) work together to enhance organizational and individual accountability.
- **Review Policy Administration and Coordination** to ensure that the policy foundation of the UNDP is fit for purpose and works efficiently and effectively.

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EY input

Management appointed EY to conduct an external review that assessed the *“adequacy of actions in response to the findings in the Audit Report based on its experience of investigations and remediation support for types of issues set out in the Audit report...”* Although not specified in its terms of reference, EY also revisited OAI’s conclusions, audit rating, and priorities of its recommendations. Such actions are highly unusual.

On the positive side, EY confirmed that OAI's approach was largely correct, and the overall rating was correct. EY suggested that OAI reconsider how it communicates its audit findings to avoid the impression that issues found are more widespread than might be the case. EY's insights are well-worth considering in future audit work.

External Quality Assessment cycle

The IIA Standards state that *“External Assessments must be conducted at least once every five years.”* OAI follows this cycle. The next EQA will be done in 2022. However, the best practice is for internal audit to look at the nature of the organization's business. Its stakeholders need to receive independent assurance that OAI conforms to the Standards (and applies best practices).

If OAI considers the sources of UNDP's income; the fact that UNDP acts as a fiduciary on behalf of donors; the average length of service of Executive Board members; and the Administrator's term of office, a five-year cycle is insufficient. It is recommended that the cycle time be shortened to say 3-years.

Separately, but connected, other UNDP independent assurance providers (i.e., Ombudsman, OAI-Investigations, Ethics, and Evaluations) might consider timing their external assessments in the same timeframe as OAI, thereby providing the same stakeholders with comprehensive external quality assurance for all independent functions.

Comparative Reporting Arrangements to strengthen OAI independence

OAI's reporting arrangement differs from that of the Independent Evaluation Office (IEO), where the reporting arrangements are as follows: *“The Director reports directly and is accountable to the UNDP Executive Board. The Director is appointed by the UNDP Administrator, in consultation with the Executive Board and Audit and Evaluation Advisory Committee (AEAC)”*

In comparison, the functional reporting line of IEO to the Executive Board strengthens its independence in contrast to OAI who reports to the Administrator. While the day-to-day interactions between the two functions and the Administrator might not be different, the differences become most apparent when there is a significant problem in the UNDP that the Executive Board can only resolve. OAI-Internal Audit informs that it is satisfied with the current arrangements where the Office reports to the Administrator, with an annual report submitted to the Executive Board.

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Finally, from interviews with County Offices, Regional Bureaus, headquarters, and the AEAC, the general feeling is that internal auditing adds considerable value to the UNDP.

Summary

UNDP's internal auditing function demonstrates its capacity to influence organizational change. It has shown its independence and objectivity through its many audit engagements, in particular the GEF Audit. It is respected for the value that its work adds across the organization.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. *Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA). GEF Partner Agencies have their internal guidelines to aid audit staff in applying the standards.***

OAI's internal audit Section has adopted the International Standards for the Professional Practice of Internal Auditing, the IPPF; the Core Principles, the Code of Ethics and the Standards and the Definition of Internal Auditing established by the Institute of Internal Auditors (IIA), which is incorporated into its written charter and implemented through internal standard operating procedures.

- b. *Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.***

In its Annual Report, OAI asserts that they comply with both the UN Code of Ethics and the IIA Standards. The IIA Standards requires that internal auditing practitioners comply with the professional ethics standards as well. Internal auditors sign an annual attestation certifying compliance with both Codes.

- c. *The internal audit function is functionally independent and objective in the execution of its respective duties. There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to objectively fulfil its responsibilities.***

The Director, OAI, each year, in its Annual Report, confirms that the OAI is independent of management. In addition, the IIA Standards require internal auditors to declare if their independence and objectivity has been compromised. OAI informs that it has nothing to say in this regard. The Chief Audit Executive in UNDP is the Director, OAI, who functionally reports to the Administrator, is overseen by the AEAC that advises and is appointed by the Administrator and provides its Annual Report to the Board. *The third-party reviewer notes that this arrangement is sufficient for compliance with the IIA Standards. However, increasingly, the Director, OAI, should report to the Board on the same basis as the Director IEO.*

- d. *The internal audit function has documented terms of reference/charter that outlines its purpose, authorized functions, and accountability and confirms the professional standards are***

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being followed and the arrangements are in place for the function's independence and objectivity.

OAI has a Terms of Reference that covers both its internal auditing and investigations Sections. For its internal Auditing Section, the charter specifies its purpose, function, accountability and the standards that it will apply.

OAI's Annual Report is a publicly available document that confirms that It has complied with its terms of reference over the preceding year.

- e. *The internal audit function has a documented description of the audit planning process, including a risk-based methodology for preparing these audit plans, including the cycle of coverage expected in each audit plan. The audit plan outlines the function's priorities and is consistent with the GEF Partner Agency's goals.***

OAI's Internal Auditing Section prepares its annual plans on a risk-based methodology. It ensures that its audits are aligned to the achievement of UNDP business objectives. For example, OAI in 2018 decided to audit the Vertical Funds. This was a departure from the way OAI looked previously at Vertical Funds. This led to the GEF being the third Vertical Fund audited in 2020.

In its multi-year audit plans, OAI uses its judgement to ensure that audit coverage is sufficient to provide a level of assurance to the Administrator and the Board on the situation in the UNDP. This opinion is reported in the Annual Plan each year.

- f. *The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) for proper coverage and to minimize duplication of efforts.***

OAI shares all its internal audit reports on the UNDP website, which makes them publicly available. It also coordinates with both the external auditor (UNBOA) and the Independent Office of Evaluation to enhance efficiency among this group and generally enhance the assurance functions' effectiveness.

- g. *The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and responding to recommendations.***

OAI disseminates its findings by following a process that begins with OAI meeting with an auditee at the conclusion of the audit and sharing results and findings and seeking agreement on management action points. Once this is agreed, management's action plans are included in the final report that is then issued, and after that, it is uploaded to the UNDP's public website.

- h. *The internal audit function has a process in place to monitor the response to its recommendations.***

OAI uses a database to track its recommendations and agreed management actions. OAI then does follow-up audits and reports to the Administrator and the AEAC on progress each quarter, or lack thereof, towards implementing agreed actions points. It is expected that all

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recommendations will be implemented within an 18-month timeframe. If not, they are notified to the Board.

i. *A process is in place to monitor and assess the overall effectiveness of the internal audit functions, including periodic internal and external quality assessments.*

The overall effectiveness of OAI's internal auditing section is assessed at least every five years, which is the minimum requirement of the Institute of Internal Auditors. OAI complies with this minimum requirement, and its next external quality assessment is planned for 2022.

In its last external Quality Assessment, OAI was assessed as 'general conformance' with the IIA Standards.

CONCLUSION: This review confirms that UNDP fully complies with GEF's Internal Audit Function Standard.

12. INVESTIGATION FUNCTION

The investigation function provides for independent, objective investigation of allegations of fraudulent and corrupt practices (taking into account recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) in GEF Partner Agency operations and allegations of possible agency staff misconduct.

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with the GEF's Investigation Function standard.

Background

OAI's Investigations Section is a long-established independent function in the UNDP. It addresses a wide variety of matters that come to its attention through the Hotline that OAI administers, as a result of advice provided by the Ethics Office or the Ombudsman, or referrals from OAI Internal Audit Section, or face to face meetings with individuals who wish to report their concerns.

Summary

OAI's annual global intake was 370 cases in 2019 (the last public statistic available), and these cases comprise allegations ranging from sexual misconduct, exploitation and abuse; fraud and corruption; workplace harassment; abuse of authority; retaliation; theft; and complaints related to infringements of social and environmental standards. OAI has set itself targets for case processing. However, the outer limit to complete a case is over a year, and some cases extend beyond a year.

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OAI's staff complement of some 35 people includes four small teams that focus on case intake, quality control, sexual misconduct investigations, and social and environmental safeguards infringements. The remainder are dedicated investigators or support staff, including one dedicated IT investigator.

OAI applies the Uniform Principles and Guidelines for Investigations that are followed across the UN System. It is expected that the function will be independently peer-reviewed next year.

The Independent Systems and Silos: Review (Russia Case) stress-tested how UNDP handles cases of this nature. Such cases are rare in the UNDP, but if handled well, can yield important information that does need to be taken seriously. The existing Protection against Retaliation policy is being revised and, hopefully, will address the issues both on the Ethics Office and OAI sides, as noted in the Rath Report. If so, it will add to the evidence that the UNDP seeks to be an accountable organization.

When considered alongside the many issues that OAI handles, and the requirements of the GEF Standards, the Rath Report conclusions, that raise concerns that UNDP management need to address, do not detract from UNDP's compliance with the GEF minimum fiduciary standards conclusion below.

In compliance with the Financial Disclosure standard, Implementing Partners of GEF-financed projects must disclose to the UNDP once they become aware that a UNDP-supported project or activity, in whole or in part, is the focus of an investigation for alleged fraud/corruption.

Finally, when comparing the functional reporting lines of the Director, IEO to the Executive Board and the Director, OAI, to the Administrator, we note that the IEO reporting arrangement strengthens its independence in comparison with OAI. While the day-to-day interactions between the two functions and the Administrator might not be different, the differences become most apparent when there is a major problem in the UNDP that the Executive Board can only resolve. A best practice is for the Director, OAI, to report functionally to the Board and administratively to the Administrator.

Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***The GEF Partner Agency's investigation's function has publicly available terms of reference that outline the purpose, authority, and accountabilities.***

OAI's charter sets out the OAI Investigation Section's mandate, authority and accountability – information that is publicly available.

- b. ***To ensure functional independence, the investigations function is headed by an officer independent from operational or programmatic activities who reports to a level of the organization that allows the investigation function to fulfil its responsibilities objectively and independently.***

The Director, OAI, is appointed by the Administrator and reports functionally to him. OAI is also overseen by the Audit and Evaluation Advisory Committee (AEAC) that is appointed by - and advises - the Administrator. The Director, OAI, also communicates with the Board by submitting the OAI Annual Report for Board review and by interacting with the Board from time to time. As

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stated in the Background above, the Director, OAI is not functionally independent of management. The third-party reviewer believes that the functional independence of the head of the investigations function (and the internal auditing function) enhances the notion of accountability in an organization and should be considered. Also, it would not be a precedence, as it would mirror the reporting lines of the Director, IEO.

- c. ***The investigation function is carried out in accordance with standards, referred to in its terms of reference that provide for:***
- i. ***Maintaining objectivity, impartiality, and fairness throughout the investigative process and conducting investigation activities competently and with the highest levels of integrity.***
 - ii. ***Basing investigative findings on facts and related analysis, which may include reasonable inferences and take into account both inculpatory and exculpatory information.***
 - iii. ***Having sufficient access to the personnel, records, facilities of the entity to meet the above requirements.***

OAI's Investigation Section states that it performs its work in accordance with the Uniform Principles and Guidelines for Investigations (endorsed by the 10th Conference of International Investigators). These Guidelines guide the elements described in this GEF sub-Standard. These Guidelines provide General Principles, Rights and Obligations, Procedural Guidelines, Investigative Findings, and Referrals to National Authorities. *The third-party reviewer notes that the application of these Guidelines can only be validated when a peer review is done, as the records of investigations practices were not available for this review.*

OAI reports that it enjoys access to any information that it requires and to staff and management alike.

It is also well-staffed with qualified personnel.

Finally, it has a followed process that includes: (1) it's Information and Analysis Team (IAT) who handle all new complaints of wrongdoing and prioritizes cases based on specific criteria. Once the investigation is completed, the case goes to the Policy, Quality Assurance and Special Investigation (PQSI) unit that reviews cases to ensure that those with substantiated allegations have complied with relevant standards and sufficient evidence. In 2020, 71 investigation reports went through a quality assurance process. This Unit also develops and upgrades internal policies, provides advice to external units on corporate issues, and conducts assessments and investigations on sensitive cases.

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- d. ***The investigation function has published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process.***

The UNDP Investigations Section maintains a web page with summary guidance on its complaint handling procedures (online referral, phone, direct email). The Investigations Guidelines are published on the website.

The UNDP Legal Framework for Addressing Non-Compliance with UN Standards of OAI Investigation Guidelines are publicly accessible. The Guidelines are less than two years old, and the Standard Operating Procedures are updated routinely.

- e. ***The investigation function has a defined process for periodically reporting information on the investigation function, case trends, and lessons learned concerning internal controls. To enhance accountability and transparency, to the extent possible, case trend reports, and other information are made available to senior management and respective functional business areas.***

On the matter of reporting, OAI's Staff of OAI's Information and Analysis Team (IAT) team and the Policy, Quality Assurance and Special Investigations Unit (PQSI) contribute to the preparation of timely annual statistics and activity summaries in partnership with the Audit Section to produce the OAI Annual Report. Also, the IAT team coordinate briefings on annual statistics to the Regional Bureau and Headquarters senior management, including an analysis of patterns/trends and lessons learned.

The Associate Administrator is formally briefed once per month on high priority cases to ensure UNDP management are fully aware of any potential impact on UNDP programmes or operations to assist in planning simultaneous/post-investigation management actions.

The OAI Annual Reports are shared with the UNDP Executive Board and available via the UNDP website.

- f. ***The GEF Partner Agency notifies the GEF Council promptly, through the Secretariat and with a copy to the Trustee, if the Agency determines that GEF funds are not being used or have not been used for the purpose for which they have been provided, including any fraudulent or corrupt practices. In addition, subject to GEF Partner Agency requirements of confidentiality, the GEF Partner Agencies:***

- i. ***Report to Council promptly, through the Secretariat, when an Agency has taken under formal review an allegation of possible non-compliance with Agency fiduciary requirements, including fraud and corruption involving a GEF funded project, following its policies and procedures, together with any non-confidential information about the review that the Agency can provide***

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- ii. ***Report to Council on an annual basis through the Secretariat, statistical information on cases involving non-compliance with Agency fiduciary requirements (including fraud and corruption) involving GEF-financed projects and are under their formal review.***

According to this GEF standard, OAI has developed reporting links with the GEF Secretariat and to the GEF Council. OAI reports that *"since 2019, UNDP (and OAI) has held six informal briefings with the GEF Council to provide an update on GEF project grievances. As of 25 March 2021, 16 ongoing investigations into GEF projects have been reported to the GEF. This includes five SECU cases, 2 cases under review by UNOPS and five OAI cases opened in 2018 and early 2019 or before 19 December 2019 when the GEF requirement to report on grievance cases came into effect."*

UNDP reports annually to the GEF as per GEF policy and on an ad-hoc basis when requested by the GEF. This reporting covers ongoing grievances into GEF projects, the management actions taken by UNDP to suspend a project or put a project under enhanced oversight, and the status of the independent investigation.

CONCLUSION: This review confirms that UNDP fully complies with GEF's Investigation Function Standard.

13. HOTLINE & WHISTLEBLOWER PROTECTION

GEF Partner Agency policies provide avenues for reporting suspected violations and protections for individuals reporting such violations

UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Hotline and Whistleblower Protection standard.

Background

This Standard covers two separate but related topics, more specifically in the sub-Standards:

- **The Hotline:** the mechanism provided by the organization for staff and others to speak up on a variety of complaints/concerns/allegations safely and securely, even anonymously; and
- **Whistleblower Protection:** the means whereby a staff member, who believes s/he is being victimized for having spoken up about perceived wrongdoing in the organization, is protected against retaliation.

Hotline

UNDP provides multiple mechanisms, including web-based reporting and a worldwide phone number, for staff and others to report concerns. The Hotline is managed by an independent service provider, under a

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contract managed by OAI, with interpreters to facilitate secure and even anonymous communications in a wide range of languages.

In its 2020 Annual Report, OAI reported that its annual global intake was 370 cases in 2019 (the last public statistic available), and these cases comprise allegations ranging from sexual misconduct, exploitation and abuse; fraud and corruption; workplace harassment; abuse of authority; retaliation; theft; and complaints related to infringements of social and environmental standards.

EY, in its Report, informs as follows: *“Academic research, which we find consistent with our own professional experience, highlights the importance of an effective whistleblowing process within an organisation in order to both demonstrate that compliance is being monitored and enforced and to disclose instances of non-compliance. We have therefore performed an overview of the framework for UNDP’s whistleblowing function and, more generally, the work of OAI and the Ethics Office in this regard.*

Based on a small number of interviews (and not a general survey of the COs), our observations are that UNDP’s whistleblowing hotline is actively used, indicating a good level of awareness and trust across the organisation. UNDP also has an active process to respond to reports made through the Hotline.”

Whistleblower Protection

The UN system does not formally define ‘whistleblowers’. The issues only arise when an informer makes a retaliation complaint and seeks protection. In such cases, the Ethics Office conducts a preliminary review to determine a prima facie case of retaliation and refers the matter to OAI for investigation. Requests for protection against retaliation must be made directly to the Ethics Office, although other types of complaints may be received directly by OAI. OAI and the Ethics Office keep records of complaints received or passed on to them. These records form that primary data for annual reporting to the Administrator as well as the Executive Board.

UNDP has a 2018 Policy for Protection against Retaliation that meets the minimum elements in the related GEF standard. The 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.

The Rath Review assessed the handling of issues related to UNDP’s Russia country office concluded in early 2021 that *“the UNDP policies are comparable to the best, although the structures that support whistleblowers were not seamless and can be improved.”*

However, the Report continued to note the following: *“But this does not result in complete satisfaction for the whistleblowers or the reviewer. Several issues emerge from the review. First, the ongoing efforts of the whistleblowers contributed to the subsequent determinations of mistakes and wrongdoing. Second,*

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there are reasons to believe each case deserved a more expeditious resolution of the issues raised. Third, in the second case, the lengthy investigations into the alleged retaliation appear unsatisfactory. The issue of "retaliation", even if by disgruntled individuals, if correct, must be guarded against, with faster and better investigations. Some of their allegations deal with individuals who may now be working at the UNDP, and independently, it is recommended that additional follow up investigations are required. The review considers a speedy review of the two cases should be undertaken and identified further steps for consideration: examine if the office of the Ombudsman (or similar arrangements) could play a larger role as a single point for contacts, guidance, mediation, coordination; and urges the UNDP to conduct an assessment of constraints and barriers to more coordinated responses, with the examples of the two individuals concerned. There could also be additional empirical work done, with surveys and statistical methods to arrive at more actionable findings on the actual performance and perceptions of those who have interacted with the whistleblower systems and resulting investigations currently in place."

Mr Rath, in a footnote, stated that *"The reviewer has found no evidence to disagree with the Ethics Office statement that the two persons were treated fairly and appropriately in accordance with UN SGBs and UNDP whistleblowers policy, or that they were not treated in accordance to established policy."*

OAI and the Ethics Office offered responses to the Rath Report, basically affirming that the courses they took, over the years, and the decisions they made, were the correct ones.

The third-party reviewer recommends that an audit be conducted of the Internal Justice System that would look at how the various participants in the system (i.e., the Ombudsman, OE, OAI, HR, Legal Office) interact with each other effectively and efficiently to ensure that the system does not operate in silos and is trustworthy and that staff seeking protection under the policy receive fair treatment. This would also include protection against retaliation cases).

In 2020, the Ethics Office received 45 inquiries regarding protection against retaliation. Of the 45, only four were formal complaints falling under the scope of the policy. Detailed preliminary assessments were made of all four cases, and none received protection. All four were advised as to other avenues to address their concerns.

In 2019 there were two complaints (2018 – two; 2017 – three; and 2016 - two). These statistics show that very few complainants succeed in obtaining protection from retaliation. This pattern is similar to UN System-wide statistics.

The determination process involves the Ethics Office and OAI, who must be trusted to perform their work because of confidentiality. This, too, is common practice. *The third-party reviewer relied on what was provided by both Office of Ethics (EO) and OAI and what was stated in the Rath Report.*

There were no MAP actions related to this policy. However, the third-party reviewer is informed that the Protection against Retaliation policy is under revision. Depending on what is revised, it might add to the evidence that the UNDP seeks to be an accountable organization. However, until the revised policy is approved, it is not possible for this review to ascertain why the revisions were necessary at all, what

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deficiencies or enhancements the revisions address or deliver, or how the revised policy affects other related policies that will also need updating.

Summary

UNDP has a 2018 Policy for Protection against Retaliation which meets the minimum elements in the related GEF standard. The 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.

Regarding the assessment of sub-standards compliance, the third-party reviewer confirms that:

- a. ***A hotline or comparable mechanism (for example, web portals for online reporting, and information on confidential email and phone numbers and physical means of reporting) is in place and accessible to ensure the capacity to take in reports of suspected unethical, fraudulent or similar activity as defined by GEF Partner Agency policy.***

UNDP offers multiple avenues that a complaint can select to lodge a matter with the Ethics Office of OAI to take further. In 2019 OAI received a total of 370 cases from around the globe.

- b. ***An intake function coordinates information reported from the Hotline, compliance and other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.***

OAI has its Information and Analysis Team (IAT) that reviews all cases that come to OAI. Based on what they have, the Unit decides how cases should proceed – and how to prioritize them. IAT does not participate in investigations themselves.

- c. ***Records are maintained of complaints received from the various communication channels, and the status of actions taken on them with regard to the confidentiality of cases.***

For cases reported to OAI, IAT records all case details. These include complaints of any kind. These statistics are compiled into reports that are provided to the Administrator routinely and form the basis for OIA's Annual Report that is publicly available.

For cases that go to the Ethics Office, records are kept and reported in its Annual Report publicly available.

- d. ***A whistleblower protection policy is in place which:***

- i. ***Specifies who is protected and defines protected disclosures, including those relating to violations of law, rules or regulations, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety***
- ii. ***Defines the standard of protection from retaliation, including placing the burden on the agency to provide evidence that the alleged acts of retaliation would have taken place absent the protected disclosure.***
- iii. ***Extends protection for staff***
- iv. ***Establishes reasonable timeframes for lodging complaints of retaliation.***

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- v. ***Allows management/human resources to take precautionary measures, if deemed appropriate, to protect complainants.***
- vi. ***Indicates that staff found to have engaged in retaliation will be subject to disciplinary measures.***

The current Policy for the Protection Against Retaliation defines the wide range of staff, consultants, contractors, volunteers, etc., who can seek protection against retaliation. It also defines retaliation and a Protected Activity. Protected Activities are defined as a “good faith report alleging misconduct and made in accordance with the procedures set out in the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct.” The UNDP Legal Framework provides the list of activities that must be reported.

- e. ***Policies are in place to provide confidentiality and anonymity, as requested, of whistleblowers, informants and witnesses or others making reports (such as by using appropriate hotline technology and preserving anonymity in the reporting processes).***

Policies are in place to provide confidentiality: (1) UNDP’s Policy for Protection Against Retaliation (2018); and (2) UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct which states that “Requests for confidentiality by investigation participants will be honored to the extent possible within the legitimate needs of the investigation.”

- f. ***Procedures are in place for the periodic review of Hotline, whistleblower, and other reported information to determine whether it is handled effectively and whether processes for protecting whistleblowers and witnesses are consistent with best international practice.***

An independent review of how the hotline/whistleblowers are handled to ensure that they are handled effectively and whether processes protecting whistleblowers and witnesses are consistent with best practices has not been conducted in the Ethics Office and might be peer-reviewed in OAI when next this is performed. The Rath Report looked at particular cases and not the system as a whole. His report indicates some issues, not with policy, but in how the individual cases were handled. *The third-party reviewer notes that compliance with laid down practice would be within the scope of an audit of the internal justice system.*

CONCLUSION:

Hotline: This review confirms that UNDP fully complies with the Hotline element of GEF’s Hotline and Whistleblower Protection standard. However, GEF’s Whistleblower Protection is ‘partially’ complied with until the effect of the new policy revision is assessed.

14. ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

GEF Partner Agencies demonstrate that they have in place the necessary policies, procedures, systems, and capabilities to (address the risk of money laundering and terrorist financing)

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UNDP's revised self-assessment

In April 2021, UNDP reported that it complied fully with GEF's Anti-Money-Laundering and Combatting the Financing of Terrorism standard.

Background

OAI identified the lack of an Anti-Money Laundering policy (AML). EY, in its report, made the point that elements of AML and Combatting the Financing of Terrorism (CFT) existed in various policies and needed to be brought together.

A new combined UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy was approved in May 2021. Because of its recent formulation, the Policy has not yet been fully rolled out across the organization.

The third-party reviewer notes that these two quite different risks have been combined into a single policy. So, as the new policy is rolled out, care must be taken to inform those who identify and monitor AML-CFT prevention and identification that AML and CFT each have different risk profiles, different 'red flag' indicators, and are likely to have different likelihood and impact characteristics. For example, the political impact of CFT is expected to be higher than AML. And the financial implications for AML will likely be higher than for CFT. These risk distinctions are not articulated in the new policy.

Also, the new AML-CFT policy has more than 30 related policies, lists, reports, and SOP's that have yet to be updated due to the addition of AML to the AML-CFT policy.

A detailed implementation plan has been developed and was approved by management in September 2021. The reviewer has read the draft Implementation Plan only, however, the draft plan is comprehensive. It will have a dedicated team with the necessary financial resources to purchase software tools and training purposes. The draft Plan describes the roles and responsibilities, and accountabilities that this combined policy requires.

Once it is rolled out, the new AML element will require that Finance, Procurement, Legal, risk management adjust their daily process and procedures to account for their new AML responsibilities for risk management. And so will BPPS, BERA, OAI and the Ethics Office. And POPP will need to be updated as well.

The expectation is that the full rollout will be complete early in Q3 2022.

Summary

UNDP has recently combined Anti-Money Laundering with its Combatting the Financing of Terrorism policy. Because it is new, the Anti-Money Laundering element of the AML-CFT standard is not fully met. As the combined approach has a comprehensive implementation plan approved that will have dedicated resources available to roll the policy out across the organization, it is expected that the AML element will be able to be validated in about 18 months. This is according to the implementation plan timeline.

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Regarding the assessment of sub-standards compliance, the third-party review confirms that:

- a. ***Systematically screen individuals and entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism***

UNDP does systematically screen for CFT. But it has only just begun screening for AML.

- b. ***Effectively address risks when identified based on standard decision-making procedures.***

The specific risks associated with AML have not yet been articulated, so they are not yet addressed. This will be taken care of under the new combined policy implementation plan.

CFT risks assessments are already considered for a range of UNDP activities.

- c. ***Prevent GEF funds being used for any payment to persons or entities, or the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.***

The implementation plan still being developed needs to be very specific as to the red flags to watch out for both types of risk that are now combined in a single policy. When this is done, it can be expected to help guide the stand-alone AML-CFT screening processes with the checks already in place in other UNDP policies.

CONCLUSION: This review confirms that UNDP fully complies with the Combatting the Financing of Terrorism element of the newly combined GEF standard. However, UNDP partially complies with the Anti-Money Laundering element in the combined GEF standard. Verification can only take place after the full AML-CTF policy has been rolled out. This is just beginning.

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SECTION 4

MANAGEMENT LONGER-TERM SUSTAINABILITY EFFORTS

The Inter-Team Task Force's efforts to address the OAI GEF Audit concerns has been effective. The reviewer understands that, typically, the Task Team mechanism has a relatively short timeframe to deliver results.

BPPS recognized that, for the GEF remediation work, a more extended timeframe is required. So, in August 2021, the Administrator approved the Terms of Reference for the UNDP Inter-Bureau Task Force. The Terms of Reference states that *“Ongoing efforts to address and strengthen specific areas are overseen by UNDP’s **Executive Group** (chaired by the Administrator) and **Organization Performance Group** (chaired by the Associate Administrator). Headquarters-led and focused efforts are combined with country-level change, led by UNDP’s **Resident Representatives**. A new **Corporate Performance Unit (CPU)** reporting directly to the UNDP Administrator was established to enhance corporate oversight and ensure coordinated responses. An **Inter-Bureau Task Force** was convened with senior representation across all Bureaus to support implementing the management action plan.*

*Six months on, 27 of 31 actions in the management action plan has been implemented. That said, UNDP’s commitment continues to 1) **complete the timely implementation** of the MAP and related assessments; 2) **deepen its culture of diligence and determination** to deliver the highest standards of development services, and 3) to apply learning from the GEF OAI audit across the GEF portfolio and beyond for sustained, organization-wide impact. **Recognizing that behavior change takes time, UNDP management at all levels will continue its heightened focus** on people, leadership, transparency, systems, accountability, application, monitoring and learning, through its country offices, regional bureaus and corporate units.*

*The **Inter-Bureau Task Force**, co-chaired by the UNDP Executive Office and UNDP Executive Coordinator for Vertical Funds (GEF, GCF, Adaptation Fund), will therefore continue to convene senior representatives to 1) complete the timely implementation of the MAP and related assessments; 2) drive related behavior and cultural enhancements for sustained change 3) apply learning from the GEF OAI audit across the GEF portfolio and beyond for sustained, organization-wide impact.”*

This reviewer is encouraged that efforts to fully and thoroughly address the OAI GEF Audit issues are (1) being led by senior leadership; (2) will extend over the challenging rollout phase; (3) will use lessons learned to enhance GEF-financed activities from now on; and (4) see to what extent it might organizationally impact.

More importantly, the Task Force will now be able to ensure that GEF requirements will be integrated and embedded into other major organization-wide initiatives under implementation (i.e., ERP, People for 2030 Strategy: Clustering, Digital Strategy).

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SECTION 5

POTENTIAL ENHANCEMENTS COMING FROM THE THIRD-PARTY REVIEW

From the third-party review, there are several topics that UNDP might wish to consider as potential enhancements:

a. UNDP policy administration

UNDP is rich in policies and related guidance and procedures. A good practice is that OAI reviews this topic to provide assurance that policy administration is efficient and effective.

b. The internal system justice system

This system is essential to an organization that wishes to be accountable and transparent. Reviewing the system, rather than the individual functions that deliver the internal justice system assesses the effectiveness and efficiency of the system as well as the level of cooperation and interaction among the internal justice system functions. An independent review provides an overview of how well it works, where the gaps, bottlenecks, and overlaps are, and where it might apply global best practices.

c. UNDP's ethics and integrity maturity

Assessing the maturity of UNDP's organizational ethics and integrity is a useful way of testing the Control Environment (COSO element) and benchmarking where the UNDP is at present. Such an assessment shows strengths and weaknesses against a range of individual benchmarks that together make up UNDP's ethics and integrity Foundation, its Culture, and its Risk Management of ethics and integrity activities.

d. Enterprise Risk Management

Reconsider the enterprise risk management functional arrangements to create a robust Second Line of Defense within the UNDP.

e. Office of Audit and Investigations Reporting lines

Even though this might be a 'first' in the UN System, consider strengthening the OIA's reporting line to the Board – bringing it in line with the reporting arrangements for the Director IEO and following good governance practices.

f. Assurer external peer review quality assessment cycles

UNDP assurance functions (IEO, OAI Internal Audit, OAI Investigations, Ethics Office) are supposed to be externally peer reviewed routinely. It might be useful if they all underwent a review in the same year so that the Board and the Administrator had a good view as to the professional quality of individual assurers – and the assurance systems a whole. It might be best to require every three

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years as this cycle is better aligned to the rotation of Board members and the term of office of the Administrator.

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SECTION 6

ACKNOWLEDGEMENT

This independent third-party review would not have been possible without considerable assistance and guidance from several people. Two people stand out and I want to thank them: Nancy Benet and John Fitzsimon.

Both showed great patience and fortitude as I asked my many questions, many times. They both displayed grace when I called or emailed them at night, over weekend, or while they were on vacation. Their generosity is appreciated. They added to my understanding of the UNDP and the GEF.

J Graham Joscelyne

Third-party Reviewer

ANNEX 2: INDEPENDENT EXTERNAL REVIEWER CV

J GRAHAM JOSCELYNE, CA (SA), CIA, CRMA

South African and United States of America joint citizenship



PROFICIENCY AND EXPERTISE

- Extensive experience at the board leadership level where good governance enhances reputation which, in turn, sustains stakeholder funding.
- Successfully led transformational projects covering governance, risk, control, and internal auditing activities.
- Deep understanding of internal audit and risk management and ethics global good practices.
- Has a deep appreciation of global affairs through extended involvement with the international multilateral community.
- Extensive knowledge of how to develop effective counter fraud and corruption practices.
- At the board level successfully oversaw all the above activities including innovative sanctions arrangements and compliance monitoring.

OVERSIGHT RESPONSIBILITIES – Specifically Financial, Audit and Risk Oversight

- Independent Audit Committee member of the African Capacity Building Foundation – 2020 to date
- Member of the Advisory Committee on Internal Oversight for UNRWA – 2020 to date
- Member of the Board of Trustees and Audit & Risk Committee Chair for the International Center for Tropical Agriculture (CIAT) - 2011 through 2016
- Independent member of the CGIAR Consortium Audit & Risk Committee - 2015 to 2016
- Independent Chair of the Audit & Ethics Committee for The Global Fund to Fight Aids, Tuberculosis and Malaria - 2012 through 2016
- Member of the Audit Advisory Committee for the UN Population Fund - 2007 through 2009
- Chairperson of the Audit Committee for the World Food Programme - 2004 through 2009

RELEVANT CAREER HIGHLIGHTS

- Advises the multilateral development community and private sector financial institutions in arrangements and activities covering governance, strategy, risk management, ethics, and assurance functions.
- Leads internal auditing quality assessments of large organizations (including multilateral organizations); regulated financial services organizations; public and private sectors using the IIA Standards as well as the attributes laid down by the US Office of the Comptroller of the Currency.
- Advises on implementing global best practices for integrity and ethics policies, practices and compliance mechanisms.

- Advises large organizations on how to build professional internal auditing capacity and impact, using relative standards and best practices, and teaches the Institute of Internal Auditors Inc. quality assessment methodology.
- Assesses compliance with fiduciary, social & environment and gender performance standards, and fraud and corruption capacity and impact of entities seeking Adaptation Fund accreditation.
- Co-led the implementation of the COSO internal control framework across the World Bank Group; assessed the adequacy and effectiveness of control frameworks in the multilateral community and private sector financial institutions; and applicants for Adaptation Fund grant-funding.
- Assessed social & environmental compliance as a panelist on behalf of the IFC's Compliance Advisor/ Ombudsman.
- Led the transformation of the World Bank Group internal audit function and instituted the first investigative function to deal with fraud and corruption on a global scale.

CAREER SUMMARY

JOSCELYNE + ASSOCIATES, INC. – Vienna, VA, USA since 2007
As *Managing Director*, evaluates, advises, implements governance, strategy, enterprise-wide risk management, accounting, compliance, and internal auditing arrangements – including quality assessments. He leads internal auditing, risk management, and compliance reviews – and benchmarks these functions against international standards and best practice. He developed the World Bank's global strategy for public sector internal auditing capacity-building.

Engagements include:

- Interim Director of Internal Auditing for four Centers of the CGIAR.
- External quality assessment of the Inter-American Development Bank internal auditing function
- Advising on the risk management processes in the Inter-American Development Bank, as well as the World Bank and African Development Bank treasury departments.
- Auditing the internal control framework effectiveness including ethics arrangements; risk management implementation; and compliance effectiveness.
- Advising on risk and assurance regulatory challenges to financial institutions and providing practical insight and a step by step approach to address them efficiently and effectively.
- Assessing accountability mechanisms for the UN Department of Field Support to deliver its strategy and providing a 'roadmap' to improve accountability.
- Facilitating multiple workshops for top UN leadership and key General Assembly members on major reform initiatives.
- Advised a large multinational bank on key professional enhancements to its internal audit function resulting in the IA function being among the first to be rated as a 'strong' internal auditing function by its lead US Regulator.
- Provided performance assessment and training to improve Audit and Risk Committee effectiveness particularly for the public sector and donor-funded organizations.
- Assessed the professional quality of the internal auditing departments for UNICEF, Inter American Development Bank, Caribbean Development Bank, Central Bank of Seychelles, as well as a wide range of public and private entities.
- Assesses fiduciary internal audit arrangements for Adaptation Fund accreditation purposes where he serves as an independent technical panelist.

Developed and implemented a risk-based audit approach for public sector internal auditing for the World Bank, that was used in Kenya, Mozambique and Ghana and now is more widely used across Africa and Asia.

He is knowledgeable about public sector accounting and auditing and, from an Audit Committee perspective, oversaw the successful implementation of International Public Sector Accounting Standards (IPSAS) in the World Food Programme and IFRS at CIAT. He teaches risk-based auditing and audit quality and is a keynote speaker at international conferences on the subjects of risk and assurance, fraud and corruption. *Clients include the World Bank Group, United Nations Organization, UNWomen, UNDP, UNESCO, IAEA, African Development Bank, InterAmerican Development Bank, International Monetary Fund, CGIAR, Caribbean Development Bank, a Big 4 consulting firm, large US and non-US financial institutions, private sector organizations, and Central Banks.*

UHY ADVISORS, INC. – Washington, D.C. USA2003 to 2007
As *Managing Director*, assessed the professional quality of internal auditing functions for both the United Nations Organization and the United Nations Development Programme. This was followed up with an assessment of how the UN Office of Internal Oversight Services assesses its own risks. He conceived of, initiated and led a multi-year, donor-funded project to maximize the impact of internal auditing in the Government of Kenya by reconstituting the function at the national level; improving its knowledge and application of international professional Standards; and introducing risk-based auditing. He helped organize and deliver a workshop on Performance Auditing for evaluators in the China National Audit Office. Also, he provided risk advisory services to UNICEF.

He undertook a multi-year consultancy for the US operations of a listed FTSE 100 financial services group with particular focus on successfully improving its corporate governance, risk management, and regulatory compliance functions as well as its internal audit division.

WORLD BANK GROUP – Washington, D.C. USA1995 to 2003
As *Auditor General*, provided independent objective assurance to both the President and the Audit Committee of its Board of Directors. He introduced risk-based internal auditing and improved the professionalism and effectiveness of his team. His work covered the World Bank Group (IBRD, IFC and MIGA) and its partners – both donors and implementers - giving him unique knowledge of the complex development business issues as well as experience of the needs and challenges of its partner countries. As part of his overall mandate, he led extensive audits of complex trust-funded arrangements, processes and controls that significantly reformed the Bank’s trust funds oversight and control. He co-implemented the World Bank internal control framework (COSO). He developed a sound knowledge of the impact of corruption and its risks – as well as how to address the issue, both within the organization as well as with its counterparts. To this end, he instituted the Group’s Investigations function initiating and completing numerous fraud and corruption investigations. He led initiatives with other multilateral development banks and the UN Organization to develop similar capabilities and encourage collaboration.

ANGLOVAAL GROUP – Johannesburg, South Africa1986 to 1995
As *Group Audit and Information Services Manager* for one of South Africa’s largest publically listed mining, industrial and financial services group. Led the group internal auditing function. This provided in-depth knowledge of the extractive industry and well as a wide variety of industrial sectors including fishing,

packaging, construction, textiles, food, and distribution. Because of the risk of international sanctions and a major shift in the IT industry, he was tasked with directing the corporate head office and mining group IT services functions to bring strategic direction and stability over this turbulent period.

QUALIFICATIONS and CERTIFICATIONS

Certificate in the Theory of Accountancy – University of the Witwatersrand, South Africa.

Chartered Accountant (South Africa).

Certified Internal Auditor – Institute of Internal Auditors.

Certification in Risk Management Assurance – Institute of Internal Auditors.

Accredited Quality Assessor – Institute of Internal Auditors.

EXECUTIVE DEVELOPMENT

Executive Development Course – Graduate School of Business, University of Capetown.

World Bank Executive Development Course – Harvard Business School.

September 2021

ANNEX 3: THIRD PARTY REVIEW TERMS OF REFERENCE

Terms of Reference

Third Party Review of Compliance with GEF Minimum Fiduciary Standards

I. Background

In accordance with the GEF Policy on Monitoring Agency Compliance with GEF Policies (ME/PL/02, October 2016)¹², GEF Agencies responsible for project implementation (the “Agencies”) carry out self-assessments of their compliance with relevant GEF policies and report findings to the GEF Council once per GEF Replenishment cycle (i.e. every four years), starting in the final year of the seventh replenishment of the GEF Trust Fund (GEF-7), i.e. in 2022. The relevant policies fall under two broad categories: i) GEF minimum fiduciary standards, and ii) environmental and social safeguards, including gender. These Terms of Reference cover the GEF minimum fiduciary standards, which can be found at the GEF website¹³.

Each Agency is required to complete a certification of compliance, addressing the following issues: i) changes, if any, to the policies, procedures or capabilities on the basis of which the Agency was originally determined to be in compliance with GEF policies, and ii) if changes have occurred, whether the Agency remains in compliance with those policies. Supporting information is provided along with the certification.

A risk-based, independent, third-party review of Agencies’ compliance with relevant GEF policies is then carried out taking into account Agencies’ periodic self-assessments and other information.

The GEF’s governing Council has decided that, in light of certain audit findings at one of the 18 GEF Agencies (UNDP), the self-assessment and third party review related to this Agency will be undertaken on accelerated schedule, with the components related to the first category, i.e. GEF minimum fiduciary standards, to be completed by October 2021. The GEF Secretariat therefore seeks to contract a consultant to undertake the independent third party review of UNDP’s adherence to GEF minimum fiduciary standards as described in the Scope of Work below.

II. Scope of Work

In accordance with paragraphs 10-12 of the GEF Policy on Monitoring Agency Compliance with the GEF Policies, the consultant will:

- i. Identify, assess and verify cases where the Agency reports changes to the policies, procedures, or capabilities on the basis of which the Agency was found to be in compliance with relevant GEF policies and concludes it remains in compliance with those policies. The reviewer will document and verify whether – in light of the changes identified, the supporting information provided, and other relevant information – the Agency continues to have adequate policies,

¹² http://www.thegef.org/sites/default/files/documents/Monitoring_Agency_Compliance_Policy_0.pdf

¹³ http://www.thegef.org/sites/default/files/documents/gef_minimum_fiduciary_standards_partner_agencies_2019.pdf

procedures, standards and guidelines in place, as well as sufficient, demonstrated project implementation and monitoring and supervision capacity, to comply with the relevant GEF policies.

- ii. Review available information and made a determination of the level of risk of non-compliance by the Agency with a relevant GEF policy, independently of the findings of the Agency's self-assessment. In determining whether there is a risk of non-compliance by the Agency with a relevant GEF policy based on factors other than the Agency's self-assessment, the reviewer will make an assessment of the Agency's track record of implementing the policies, procedures and guidelines on the basis of which it was found to be in compliance with a GEF policy, as well as audits, evaluations, and other external reports that provide information regarding the Agency's compliance.

To address this scope the consultant will:

- a) Review the Agency self-assessment of the adequacy of its policies, procedures, standards and guidelines to effectively implement the GEF minimum fiduciary standards.
- b) Review the Agency self-assessment of its implementation capacity and effectiveness to comply with relevant GEF policies and effectively implement GEF projects and programs.
- c) Review the Agency audit reports, management action plans, evaluations and other relevant internal and external reports, identify areas where risk of non-compliance with GEF policy has been identified.
- d) Review adequacy of Agency Action Plans and other measures to address any gaps or risks of non-compliance with GEF minimum fiduciary standards. This will include both Agency policy and Agency implementation capacity.
- e) Identify and consult directly with relevant Agency representatives and other parties as relevant for the review.
- f) Prepare reports detailing the findings of the review, including assessments against each of the GEF minimum fiduciary standards, to be made available to Secretariat and GEF Council.

III. Deliverables and Timeline

The consultant will submit the following to the GEF Secretariat:

- A. ***Inception Report (within 10 days of contract effectiveness)***. This report will summarize the proposed scope of work, detail the methodology to be used, outline of the draft report, and timeline for intermediate deliverables. The GEF Secretariat will review the report and provide any request for adjustments within 5 business days.
- B. ***Preliminary Review Report (May 12)***. This report will summarize findings to date, including preliminary review and analysis of available information, including progress reports from UNDP on implementation of its Action Plan, policy compliance and implementation capacity. This report will include preliminary identification of potential actions required to close any gaps or deficiencies identified with respect to UNDP compliance with GEF policies. The GEF Council requested UNDP to provide its updated Self-Assessment by May 1. Where possible, the Preliminary Review will include a summary, preliminary review of the UNDP Action Plan and identification of any possible gaps. This report will provide the basis for interim reporting to the June 15-17, 2021 meeting of the GEF Council.

- C. **Draft Final Report (September 1, 2020):** This report will elaborate on the findings and issues raised in the Interim Report and contain the full risk-based third party review and assessment of the Agency's self-assessment and Action Plan, policy compliance and implementation capacity. This report will identify any additional actions required to close any gaps or deficiencies identified by the self-assessment, Action Plan, consultant's review and UNDP. The GEF Secretariat will review and provide any comments to the consultant within 5 business days.
- D. **Final Report (October 1, 2021):** In accordance with the decision of the GEF Governing Council, the Final Risk Based Review will be submitted to the GEF Secretariat by this date.

IV. Level of Effort

It is anticipated that approximately 50 days will be required to complete all deliverables over the period March-October 2021. No travel is anticipated.

V. Consultant Selection Criteria

The consultant's eligibility includes confirmation of independence from GEF Council, the GEF Secretariat or any GEF Agency. Competency requirements are expected to include the following:

- Demonstrated 15-year work experience on issues of governance and accountability in the context of international development assistance, including expertise relating to fiduciary oversight, financial management, and auditing.
- In-depth knowledge of internationally accepted standards and practices regarding project development and appraisal, financial management, procurement, project monitoring and risk management, and project evaluation.
- Substantial experience in assessing the quality of systems of either development agencies or recipients of development assistance related to the development and implementation/execution of projects, financial management, procurement, project monitoring and risk management, and project evaluation.
- An understanding of government and nongovernmental financial reporting systems. Knowledge of forensic accounting and internal audit, and other internal control mechanisms.
- Experience with or knowledge of accreditation processes is preferred.
- Ability to communicate fluently, both in writing and orally, in English. Working knowledge of other UN languages is desirable.
- Excellent drafting skills, strong operational and analytical skills, and an ability to work as a member of a team.
- Advanced degree (Master's degree or equivalent) in business administration, finance, accounting, or related field or a combination of degree in the aforementioned fields in combination with at least 15 years of working experience.