



GEF/C.38/10
June 4, 2010

GEF Council
June 29-July 2, 2010
Washington, DC

Agenda Item 16

AGENCY PROGRESS ON MEETING GEF'S MINIMUM FIDUCIARY STANDARDS

Recommended Council Decision:

The Council having reviewed document GEF/C.38/10 *Agency Progress on Meeting GEF's Minimum Fiduciary Standards*, is pleased with the progress made by Agencies to come into compliance with the fiduciary standards and expects to see Agencies meeting their proposed timelines for compliance over the course of the next several years.

The Council requests:

- The Asian Development Bank (ADB) to report to Council by November 2010 on steps taken by the ADB to introduce an annual certification to be signed by staff indicating that their actions are in compliance with ADB's code of conduct and ADB's Anticorruption Policy by November 2010
- The Food and Agriculture Organization (FAO) to report to Council on steps taken to establish an Ethics Committee and to issue Investigation Guidelines by November 2010.
- FAO to report to Council by November 2010 on what actions it will take with a clear timeline for meeting GEF fiduciary standards on Financial Management and Control Frameworks, including the implementation of a formal internal control framework
- FAO to meet GEF standards for investigations and whistle blower protection, including the revision of its investigation guidelines and harmonization with the Uniform Guidelines for International Investigations by its updated timeline of July 2010.
- IFAD to meet GEF standards on financial disclosure by its updated timeline of December 2010.
- UNEP to implement GEF standards on external audit, including the conversion to IPSAS accounting standards by 2012 as other UN Agencies have committed to doing.

The Council approves:

- FAO's approach to meet the GEF's procurement process standard by disclosing procurement awards for GEF projects. The Council requests that the GEF Secretariat work with FAO to reach an agreement on the contents and methods of publication by November 2010.

EXECUTIVE SUMMARY

As of May 2010, only three Agencies – the World Bank, the Inter-American Development Bank (IADB), and the European Bank for Reconstruction and Development (EBRD) – met the GEF’s minimum fiduciary standards the other seven agencies that did not fully meet all GEF’s fiduciary standards – ADB, AfDB, IFAD, FAO, UNDP, UNEP and UNIDO – established monitorable action plans for those areas where improvements were needed.

This paper reviews the actions taken by each of the seven Agencies to comply with GEF’s fiduciary standards, and presents items still outstanding as well as their expected completion time.

BACKGROUND

1. In June 2007, the GEF Council approved a set of minimum fiduciary standards recommended by the Trustee as presented in the document “*Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies*” (GEF/C.31/6).¹ The Council requested that each Agency present a self assessment to the GEF Secretariat on its compliance with the fiduciary standards and, as necessary, draft monitorable action plans to remedy any shortfall. The GEF Agencies subsequently prepared self-assessment reports based on a template developed by the GEF Trustee in consultation with the Agencies.
2. In April 2008, Council requested the Secretariat to contract a consultant (“the Consultant”) to draft a summary and comparative analysis of the Agencies’ self-assessment reports and assess whether the Agencies met the recommended minimum fiduciary standards enumerated in GEF/C.31/6.
3. The Consultant provided a summary report, recommendations, and an action plan to track Agencies’ progress towards meeting the fiduciary standards, which Council reviewed in June 2009. (See GEF/C35/5. *Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards*).² The Council requested each GEF Agency that had not fully met the minimum fiduciary standards to provide to Council, on an annual basis, information on progress made towards fulfilling its action plan.
4. As of May 2010, only three Agencies – the World Bank, the Inter-American Development Bank (IADB), and the European Bank for Reconstruction and Development (EBRD) – met the GEF’s minimum fiduciary standards the other seven agencies that did not fully meet all GEF’s fiduciary standards – ADB, AfDB, IFAD, FAO, UNDP, UNEP and UNIDO – established monitorable action plans for those areas where improvements were needed.
5. The Secretariat has consolidated the implementation tracker for these seven agencies, including the updates received by these Agencies (Annex A). Supporting documentation provided by the Agencies is referenced within the implementation tracker and is included as an information document to the June 2010 Council (*Agency Supporting Documentation on Progress for Meeting GEF’s Minimum Fiduciary Standards* (GEF)).
6. This paper reviews the actions taken by each of the seven Agencies to comply with GEF’s fiduciary standards, and presents items still outstanding and their expected completion time.

AGENCY STATUS

Asian Development Bank (ADB)

¹ <http://www.thegef.org/gef/sites/thegef.org/files/documents/C.31.6%20Fiduciary%20Standars.pdf>

² http://www.thegef.org/gef/sites/thegef.org/files/documents/C.35.5_Fiduciary_Standards.pdf

7. Items Completed: The ADB has come into compliance with GEF Standards on *Hotline and Whistle Blower Protection* by separating the intake function for complaints from the investigation function.

8. Items for Discussion: The 2009 Consultant's review found that ADB was not in full compliance with *Financial Disclosure*, but noted that ADB did not originally set a target date for such compliance. The ADB is now seeking its management's approval to introduce an annual certification, signed by staff, indicating that their actions are in compliance with ADB's Code of Conduct and ADB's Anticorruption Policy. This decision will be sought at ADB's Management meeting in September 2010. The Secretariat recommends that this be seen as a time-bound benchmark and asks the ADB to report to Council on whether this goal has been achieved.

African Development Bank (AfDB)

9. Items Completed: In April 2010, the AfDB Board approved a new intake function to maintain an appropriate autonomy from the investigative function. This action addresses the AfDB's only outstanding item under the core area *Whistle Blower and Hotline Projection*. The Secretariat recommends that Council considers the AfDB as having complied with this standard.

Food and Agriculture Organization (FAO)

10. The Consultant's review found that FAO had 14 outstanding items in seven core areas of the GEF's fiduciary standards. FAO has not yet fully complied with any of these items; however the organization appears to be on track to meet several of them. There are three areas where clarification is needed and one area where FAO is requesting an extension in its timeline.

Items on Track:

11. *External Audit: Implementation of IPSAS.* The FAO reported it is on track to implement the International Public Sector Accounting Standards (IPSAS) by January 2012, which satisfies two items covered by the GEF standards.

Items for Discussion:

12. *Financial Management and Control Frameworks.* The Consultant's review concluded that FAO is only partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls (this relates to the core areas *External Financial Audit* and *Financial Management and Control Frameworks*). The assessment noted that while FAO has procedures in place, which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. FAO had not listed a timeline for taking action on this item. In this year's report to Council, FAO has not progressed further, and the Agency maintains that "the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies."

The recommended Council decision directs FAO to clarify by November 2010 when it will be able to meet the GEF standard in this area.

13. *Financial Disclosure and Code of Ethics.* The FAO has appointed an Ethics Officer, whose terms of reference includes monitoring of the organization's financial disclosure program. The FAO had aimed to establish an Ethics Committee by December 2009, it is still under discussion. The recommended Council decision calls on FAO to report to Council by the November 2010 on progress in these two areas.

14. *Procurement Processes.* FAO's procurement policies are not publicly disclosed, as the standard prescribes, because procurement of specialized and regulated goods, works and services is done using the restricted tendering method. FAO's management is willing to disclose procurement awards for GEF projects, if it is deemed necessary by the GEF Council. The recommended Council decision calls on FAO to disclose procurement awards for GEF projects, which FAO believes they can start doing within few months.

Requests for Timeline Extension:

15. *Investigations Function and Hotline & Whistleblower Function.* The Consultant's review found that FAO had not yet published its investigation guidelines because it is pending endorsement by the Director General. At the time of the Consultant's review, the FAO indicated that the procedures were expected to be in place by December 2009. The Guidelines are now being revised to "be harmonized with the new set of Uniform Guidelines for International Investigators issued in June 2009." FAO has revised its timeline for the issuance of these guidelines to July 2010. The Secretariat recommends that the Council accept this delay, but request FAO to commit to the revised deadline and report back on progress made

International Fund for Agricultural Development (IFAD)

16. In the Consultant's review, IFAD had eight outstanding items in relation to the GEF's fiduciary standards. IFAD has now achieved six of these items. For instance, under *Financial Management and Control Frameworks*, IFAD has published an Enterprise Risk Management Framework that formalizes risk assessment, internal control activities, monitoring and procedures for information sharing. The implementation guidelines have been issued. Under the *Hotline and Whistleblower Protection* core area, IFAD's internal procedures were amended for compliance purposes.

Requests for Extension of Timeline:

17. Under the *Financial Disclosure* core area, IFAD had an original timeline for a revision of their relevant policy scheduled for finalization by December 2009. IFAD has requested an extension of the timeline for finalization to December 2010. The recommended Council decision requests IFAD to commit to this revised timeline and report back on progress made.

United Nations Development Programme (UNDP)

18. As with other UN agencies, the Consultant's review found that the current United Nations accounting standards only partially fulfill the *External Financial Audit* core area of the fiduciary standards. The UNDP reports that it is on target to meet the goal of full implementation through adoption of IPSAS by January 2012.

United Nations Environment Programme (UNEP)

19. As with the other UN agencies, the Consultant's review found that the current accounting standards only partially fulfill the *External Financial Audit* core area of the fiduciary standards. In its original action plan, UNEP reported that it would transition to IPSAS by 2012 in accordance with the timeline of the UN system. UNEP is now indicating that it will not be possible to meet its original timeline and is requesting an extension for implementation from 2012 to 2014. UNEP explains: "The expected date has been postponed pending implementation of a new ERP platform by the United Nations, planned for 2013, which can provide the necessary data required to account and report in accordance with IPSAS."

20. The Secretariat does not fully understand why UNEP cannot comply with its original timeline of implementing IPSAS by 2012. General Assembly resolution 60/283, which includes the decision to implement IPSAS, was adopted in 2006 and UN agencies have been preparing for this change since that time. All other GEF UN agencies are on target to meet a 2012 timeline. Moreover, UNEP's original action plan stated that it would comply with adoption by 2012 and the agency did not give any indication prior to this report that it would have difficulty meeting this important reform. Without further explanation as to why other agencies are able to comply with a 2012 deadline and UNEP cannot, the Secretariat recommends that Council request UNEP to adhere to the timeline of other UN agencies and commit to implementing IPSAS by 2012.

United Nations Industrial Development Organization (UNIDO)

21. The Consultant's review found that UNIDO had 23 outstanding items in five core areas. UNIDO submitted a revised action plan to the Secretariat in October 2009 to address the concern expressed by Council members that UNIDO's action plan was insufficiently detailed in terms of implementation. Since the revision was approved by Council, UNIDO has made significant progress in complying with the GEF's fiduciary standards. Based on UNIDO's report, it appears to have achieved seven of the 23 outstanding items, including with regard to external financial audit, codes of ethics and hotline and whistleblower protection. In its 2009 action plan, UNIDO had written that it would meet the other standards by the end-2009. It now reports that it expects implementation of the remaining items by 2010. A summary of status on implementing key items is contained below:


- *External Financial Audit*. UNIDO has already begun recording its financial transactions in accordance with IPSAS requirements.
- *Financial Management and Control Frameworks*. To come into compliance with the *Financial Management and Control Frameworks* standards, UNIDO has completed an Internal Control Framework based on the Guidelines for Internal

Control Standard for the Public Sector, International Organization of Supreme Audit Institutions (INTOSAI), the document has been approved by UNIDO's Executive Board. It is expected to have been finalized in May 2010.

- *Financial Disclosure.* UNIDO has adopted financial disclosure and declaration of interest statements based on the United Nations Common System policy. *Code of Ethics.* UNIDO has prepared a code of ethics that was adopted by the Director-General on March 1, 2010. UNIDO has also appointed an independent focal point on ethics and accountability, who is in place as of March 1, 2010.
- *Project Appraisal.* UNIDO set-up an Inter-Branch Working Group on Quality Assurance to review the current UNIDO programme and project cycle. The Group was tasked to specifically give recommendations on how to come into compliance with the GEF standards on *Project Appraisal*. A detailed set of recommendations aimed at ensuring compliance with the GEF standards has been completed and approved by UNIDO's Executive Board in February 2010. Interim measures have already been adopted and are being implemented.

22. The Agencies will continue to report, on an annual basis, progress made towards fulfilling their action plan.

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|------------------------------------|-------|---|--|---|--|----------|
| ADB | Financial Disclosure | A.3e. | Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency. | The Code of Conduct appears to require disclosure of restricted financial interests as well as indication of preferred method of disclosure. However, the Code of Conduct does not appear to indicate that required parties must disclose personal financial interests annually and does not provide an administrative function within the agency for monitoring of disclosure. | With respect to the issue of financial disclosure and consequent monitoring of financial disclosure of defined parties, we acknowledge the partial compliance. We will discuss the overall report and the issues identified internally. At this stage however, as discussed in earlier communication with the Evaluation Team, ADB is confident that our overall control framework, administrative procedures and processes, are sufficient and appropriately designed given the nature of our operations | On the issue of financial disclosure, steps will be taken in 2010 to obtain ADB Management's approval on the introduction of an annual certification to be signed by staff indicating that their actions are in compliance with ADB's code of conduct and ADB's Anticorruption Policy. If adopted, the certificate is expected to include a declaration covering any financial and other interests that might conflict with the staff member's duties. The format of the certificate is being worked out, with a tentative target date for Management decision in the 3rd quarter of 2010. | Sep-10 |
| ADB | Financial Disclosure | A.3f. | The policy establishes 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 ADB does not have a function in place to monitor financial disclosure compliance on a periodic basis. However, the ADB does maintain a function which will investigate situations brought to their attention in which employees failed to disclose prohibited financial interests. | With respect to the issue of financial disclosure and consequent monitoring of financial disclosure of defined parties, we acknowledge the partial compliance. We will discuss the overall report and the issues identified internally. At this stage however, as discussed in earlier communication with the Evaluation Team, ADB is confident that our overall control framework, administrative procedures and processes, are sufficient and appropriately designed given the nature of our operations | On the issue of financial disclosure, steps will be taken in 2010 to obtain ADB Management's approval on the introduction of an annual certification to be signed by staff indicating that their actions are in compliance with ADB's code of conduct and ADB's Anticorruption Policy. If adopted, the certificate is expected to include a declaration covering any financial and other interests that might conflict with the staff member's duties. The format of the certificate is being worked out, with a tentative target date for Management decision in the 3rd quarter of 2010. | Sep-10 |
| AfDB | Hotline & Whistleblower Protection | C.2b. | An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function. | It appears that the AfDB has an intake function which coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. However, it appears that the Anti-Corruption and Fraud Investigations Division of the Auditor General's Office receives claims and conducts investigations, which is not in accordance with the prescribed standard (i.e. the Intake function maintains an appropriate level of autonomy from the investigations function). There is no indication that intake and investigation duties are segregated within the Anti-Corruption and Fraud Investigations Division of the Auditor General's Office. As such, it appears that AfDB is partially compliant with standard b. | Currently the intake function at the Bank is included within the investigations function. This mechanism was established after a comprehensive consultation process with sister institutions and according to existing best practices in the industry. The Bank has clear procedures in place for periodic analysis of cases reported through the hotline as well as the implementation of the whistleblower policy and other reported information to determine whether the process to protect parties is in place. | The AfDB Board of Directors has recently approved a new organization structure that allows the intake function to maintain an appropriate autonomy from the investigation functions which allow the Bank to fully meet the GEF Fiduciary Standards. Please find below an extract from the attached board document regarding this issue. As mentioned in the document the TORs of the newly created departments are in Annexes 5 and 7.  8F3E50AD.pdf | Achieved |
| FAO | External Financial Audit | A.1c. | Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies. | The Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. In an effort to adopt recognized accounting standards, the United Nations which includes FAO will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. Therefore, it appears that the agency has a monitorable action plan in place to become fully compliant with the standard. | With respect to the requirement for annual, audited financial statements prepared in accordance with internationally recognised accounting standards, as noted in the analysis, FAO is planning for full implementation of IPSAS by January 2012. This will fully satisfy these two standards. | On track for implementation of IPSAS by January 2012. | Jan-2012 |
| FAO | External Financial Audit | A.1d. | The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate. | FAO's Basic Texts and Self Assessment indicate that the Director General is responsible for maintaining internal financial controls and current standard processes. As such, it appears that internal controls over financial reporting are in place and cover GEF funds. However, management assertions over financial controls are not conducted. | A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls. The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies. | No new updates and management response comments confirmed. | N/A |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|---|-------|---|--|--|--|----------|
| FAO | External Financial Audit | A.1e. | An annual audit opinion on the financial statements is issued by the external auditor and made public. | <p>It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public.</p> <p>However, the audit opinion is done on an biennium basis rather than on an annual basis as prescribed in the standard. Based on information provided, it does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.</p> | With respect to the requirement for annual, audited financial statements prepared in accordance with internationally recognised accounting standards, as noted in the analysis, FAO is planning for full implementation of IPSAS by January 2012. This will fully satisfy these two standards. | On track for implementation of IPSAS by January 2012. | Jan-2012 |
| FAO | Financial Management & Control Frameworks | A.2b. | The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. | <p>It appears that the Agency has procedures in place indicating that a control environment and monitoring procedures exist. Additionally, policies and systems exist which facilitate information sharing and other discreet internal control activities. Further, a process is in place for strengthening their risk assessment approach.</p> <p>However, the Self Assessment notes that the Agency does not currently have a consolidated control framework which addresses all required elements.</p> | <p>A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls.</p> <p>The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies.</p> | No new updates and management response comments confirmed. | N/A |
| FAO | Financial Management & Control Frameworks | A.2d. | At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent. | While ad hoc processes exist, it appears that the Agency does not have a formal risk assessment process. However, the Agency is in the process of developing and conducting a risk assessment with the assistance of a third party. It appears that the Agency is currently not in compliance with the standard but has an action plan in place to achieve compliance. | <p>A.1.d, A.2.b and A.2.c. The review has concluded that FAO is partially compliant with the standards related to an all-encompassing formal internal control framework, such as COSO, including annual risk assessment and management assertion on adequacy of internal controls.</p> <p>The assessment notes that while FAO has procedures in place which indicate the existence of a control environment, internal control activities and monitoring procedures, and has processes in place for risk assessment, there is no consolidated internal control framework. In this regard, it should be noted that the implementation of a formal internal control framework such as COSO is a costly exercise, which would require additional funding and approval from the Governing Bodies.</p> | Management response comments confirmed. | N/A |
| FAO | Financial Disclosure | A.3a. | A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts. | The FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the approved updates to the Staff Regulations do not contain specific definitions of conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts as outlined within the standard. | The assessment flags the absence of specific definitions of conflicts of interest. FAO notes that the implementation of Staff Regulations 301.1.10 and 11 will be among the primary tasks of the Ethics Officer who is expected to be appointed by July 2009. This would include the refinement of definitions that may be required for the full implementation of the staff regulations in reference, as well as measures and requirements to resolve conflicts of interests that have been established. In addition, the Ethics Officer may consider applying existing definitions contained in the Standards of Conduct for the International Civil Service (paras 21 and 22). | The Ethics Officer was appointed on 1 December 2009. The terms of reference of the Ethics Officer include the administration and monitoring of the Organization's declaration of interest and financial disclosure programme. Currently, FAO is analyzing the possibility of carrying this function on line to include the field staff (D-1 and above), Those that may not have access to the system would provide the information through a CD-ROM. The goal is to implement this system during 2010. | Dec-2010 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|----------------------|-------|---|--|--|--|----------|
| FAO | Financial Disclosure | A.3b. | The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities: • Contracting or procurement; • Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and • Evaluating or auditing any project, program or entity. | The FAO Council approved an amendment to the FAO Staff Rules regarding the disclosure of financial interests. However, the approved updates to the Staff Regulations do not contain specific information concerning consultants or independent experts at a management decision making level with the responsibilities listed in the standard. Additionally, it appears that disclosure of financial interest is not extended to all employees. | As noted, disclosure requirements are not limited to staff members of D-1 and above. Staff Regulation 301.1.11 is specific in stating that: "The Director-General may require other staff to file financial disclosure statements as he deems necessary in the interest of the Organization." Indeed, it is fully intended that the financial disclosure requirement be applied to any staff member or consultant who operate in sensitive positions, including procurement and the investment of assets of the Organization. It is true that not all staff members will be required to disclose financial interest; this is what the FAO Council referred to as "a pragmatic approach", and is, in fact, not necessary as not all staff members are in a position to unduly influence decisions of the Organization. FAO further notes that the disclosure requirement can be applied at any time to consultants if deemed necessary and in accordance with applicable policies. This may include a disclosure requirement for consultants in potentially sensitive positions. | There are no updates and the management response comments are confirmed. | TBD |
| FAO | Financial Disclosure | A.3e. | Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency. | The FAO Council approved an amendment to the FAO Staff Rules regarding the disclosure of financial interests. The amendment indicates that staff members above D-1 may be required to file financial disclosure statements on appointment and at intervals thereafter. However, the Staff Regulations do not indicate the methods by which employees will be able to file financial disclosure statements. | Please see under A.3 a; the methods to disclose financial interests will be addressed on a priority basis in the context of the implementation of the relevant Staff Regulations by the Ethics Officer. The Ethics Officer is expected to commence duties in July 2009. | The Ethics Officer was appointed on 1 December 2009. The terms of reference of the Ethics Officer include the administration and monitoring of the Organization's declaration of interest and financial disclosure programme. Currently, FAO is analyzing the possibility of setting up an on line system which could be implemented by the end of 2010. The Ethics Officer was appointed on 1 December 2009. The terms of reference of the Ethics Officer include the administration and monitoring of the Organization's declaration of interest and financial disclosure programme. Currently, FAO is analyzing the possibility of carrying this function on line to include the field staff (D-1 and above), those that do not have access to the system would provide the information through a CD-ROM. The goal is to implement this system during | Dec-2010 |
| FAO | Financial Disclosure | A.3f. | The policy establishes 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 FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the Staff Regulations do not 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 as outlined in the standard. | The administration and review of financial disclosures, as well as the resolution of established conflicts of interests will be addressed in the context of the implementation of the relevant Staff Regulations by the Ethics Officer. In addition to the appointment of an Ethics Officer, the Immediate Plan of Action for FAO Renewal (IPA) approved by the 35th (special) Session of the FAO Conference in November of 2008 foresees the establishment of an Ethics Committee during 2009, which will report directly to the Director-General and the Governing Bodies from 2010 onwards. As such, the ethics framework of the Organization enjoys the autonomy that is required by the standard. | The Ethics Officer was appointed on 1 December 2009. FAO management is analyzing whether the Financial Disclosure will be reviewed by third parties or internally to identify potential conflicts of interest. The establishment of the Ethics Committee is still under review by the Governing Bodies, and the timeframe for the actual creation of the Committee is therefore difficult to establish at this time. The Terms of Reference and establishment of the Ethics Committee will be discussed at the next Finance Committee meeting which will take place in mid April 2010. | TBD |
| FAO | Code of Ethics | A.4b. | An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations. | The Agency's Self Assessment notes that "Currently, FAO does not have a specific Code of Ethics framework nor has the Organization dedicated Ethics Officer post or institutional entity to which staff could turn for advice on ethical standards. This situation will be partly rectified by the appointment of an Ethics Officer, and by the appointment and start-up of an Ethics Committee, scheduled in 2009 pursuant to the Immediate Plan of Action (IPA) which resulted from the IEE and from the ensuing process." | The Ethics Officer is expected to commence duties in July 2009, and the Ethics Committee should be in place by December 2009. | The Ethics Officer was appointed on 1 December 2009. The establishment of the Ethics Committee is still under review by the Governing Bodies and will be discussed at the next meeting of the Ethics Committee in mid April 2010. The timeframe for the actual creation of the Committee is therefore difficult to establish at this time. FAO will use the Standard of Conduct for the International Civil Service as its basis for the Ethics Code. It will be disseminated by ethics training, workshops and seminars provided by the Ethics Officer. Workshops and presentations have already been initiated. | Dec-2010 |



Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|------------------------------------|--------|--|--|---|---|----------|
| FAO | Procurement Processes | B.2e. | Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed. | The Agency's Self Assessment notes that procurement policies and awards are not publicly disclosed, as the standard prescribes, because procurement of specialized and regulated goods, works and services (i.e. vaccines, seeds, pesticides, fishing equipment which is greater than 75% of FAO procurement) is done using the restricted tendering method with pre-selection of registered and pre-qualified vendors. | FAO uses a restricted tendering method with pre-selection of registered and pre-qualified vendors and is partially compliant with this standard. While FAO does not publicly disclose awards, FAO would be willing to disclose procurement awards for GEF projects if it were deemed necessary by the GEF Council. If this approach is acceptable, publication could be initiated in the short term, as soon as agreement is reached on content and methods of publication. | Comments in the management response remain valid. Once agreement is reached on the contents and methods of publication, it might take only a few months to start getting the awards (related to GEF projects) published on the website. | TBD |
| FAO | Investigations Function | C.1.c. | The investigations 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. | <p>The Agency's Self Assessment notes that "the investigations function has not yet 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."</p> <p>The Agency noted that "The Investigations Guidelines can't be shared as they still have not been endorsed by the Director General and as such are not an official document."</p> <p>The Agency indicated that the Investigations Guidelines are expected to be endorsed by the Director General as of August, 2009. It appears that the Agency is currently not in compliance with the standard but has a monitorable action plan in place to achieve compliance.</p> | C.1.c. The issuance of the Investigations Guidelines are pending final endorsement by the Director-General and are expected to be issued by August 2009. | The Investigation Guidelines are being revised in order to be harmonized with the new set of Uniform Guidelines for International Investigators issued in June 2009. The Investigation Guidelines are expected to be issued by July 2010. | Jul-2010 |
| FAO | Hotline & Whistleblower Protection | C.2d. | Policies are in place to ensure confidentiality and/or anonymity, as requested, of whistleblowers or others making reports (such as by using appropriate hotline technology, and preserving anonymity in reporting processes). | <p>It appears that the Agency is committed to ensuring the confidentiality of whistleblowers. However, the Agency does not have published guidelines with regards to standard policies and procedures for handling hotline complaints, etc.</p> <p>The Agency does have draft Investigations Guidelines, which will satisfy the standard. Those guidelines are expected to be finalized by August, 2009 (as they are currently in review by the Director General). The Agency is not in compliance with the standard but has a monitorable action plan in place to achieve compliance.</p> | <p>Procedures in place expected by December 2009. FAO is committed to ensure confidentiality to those who disclose information about something they have reasons to believe is in breach of its regulations and rules, including its policies. This is clearly set out in the Organization's Policy on Fraud and Policy on Prevention of Harassment. Any person who would contravene the principle of confidentiality would be considered liable and subject to an administrative action, including a disciplinary measure. The Office of the Inspector General accepts anonymous allegations, and anonymity of those who disclose instances of misconduct can be maintained during the investigative process. However, it cannot be guaranteed throughout the disciplinary proceedings. It should be noted that the Organization applies the general legal principle that anonymity can be preserved, however, only to the extent that the allegations made can be fully substantiated by other independent evidence. This is particularly relevant at the moment the "accused" is given the opportunity to test the evidence and when charges are made against the "accused".</p> <p>The foregoing approach to anonymity is also reflected in the abundant jurisprudence of the ILO Administrative Tribunal which FAO must follow when dealing with these very sensitive principles of due process.</p> | The Investigation Guidelines are being revised in order to be harmonized with the new set of Uniform Guidelines for International Investigators issued in June 2009. The Investigation Guidelines are expected to be issued by July 2010. FAO is committed to ensuring confidentiality of whistleblowers and current rules and jurisprudence of the ILOAT allows the Organization to adhere to this commitment. | Jul-2010 |



Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|------------------------------------|-------|--|--|---|---|----------|
| FAO | Hotline & Whistleblower Protection | C.2e. | Procedures are in place for the periodic review of handling of hotline, whistleblower and other reported information to determine whether the process to protect parties is in place and is effective. | <p>The Agency's Self Assessment notes that "procedures are not yet in place for the periodic review of the handling of hotline, whistleblower and other reporting information to determine whether the process to protect these parties is in place and is effective.</p> <p>AUD (Office of the Inspector General) plans to develop a system in the course of 2009, in consultation with the Legal Office, the Human Resources Management Division and the External Auditors, as necessary."</p> <p>The Agency's response to the Exit Conference noted "The Inspector General receives a monthly report on the reception and status of all allegations. In addition, the Office reports to each session of the Audit Committee, which meets at least three times a year, on the status of investigations and allegations received. The report contains sections on investigation reports issued, summary of cases under investigation as well as statistics about disposition of complaints, sources of complaints etc."</p> | The issuance of the Investigations Guidelines are pending final endorsement by the Director General and are expected to be issued by August 2009. Pending the issuance of these Guidelines, the Uniform Guidelines are being implemented in practice. | The Investigation Guidelines are being revised in order to be harmonized with the new set of Uniform Guidelines for International Investigators issued in June 2009. The Investigation Guidelines are expected to be issued by July 2010. | Jul-2010 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|---|-------|--|--|--|---|----------------------|
| IFAD | External Financial Audit | A.1d. | The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate. | The agency has internal controls over financial reporting that cover the use of GEF funds and the Board of Auditors (External Auditor) tests internal controls considered necessary to form an opinion on the financial statements. However, it appears that the Agency's management does not assert to the agency's governing body that these internal controls are adequate (as prescribed in the standard). Therefore, it appears that the agency has partially met the standard. | IFAD's Financial Services Division started in 2008 a pilot roll-out of a financial reporting internal control framework. The forward programme includes a management assertion letter to be produced in connection with the audit of the annual financial statements starting with the financial year ending December 2009 | IFAD's management shall provide an assertion on the adequacy of internal controls over financial reporting to IFAD's Audit Committee. The Audit Committee comprises by representatives of IFAD's member states and reports to the Executive Board and the Governing Council; IFAD's highest governing bodies | 12/1/2009 - Achieved |
| IFAD | Financial Management & Control Frameworks | A.2b. | The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. | It appears that has not yet formalized an overall internal control framework which would cover the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. However, it appears a monitorable action plan is in place to achieve the requirements prescribed by the standard. | Whilst the draft internal control framework will be finalised in 2009, IFAD has a policy on Enterprise Risk Management (ERM), reviewed by the Executive Board of IFAD in 2008, that is underpinned by procedures for implementing risk management across the organisation. These elements contribute significantly to setting the tone at the top with respect to risk management - including risk assessment, and internal controls related to risks identified at divisional, departmental or institutional levels | IFAD's Enterprise Risk Management Framework was published in 2009. The document formalizes risk assessment, internal control activities, monitoring and procedures for information sharing. The document ERM Framework is attached below as are the guidelines for the ERM implementation.   | 12/1/2009 - Achieved |
| IFAD | Financial Management & Control Frameworks | A.2c. | The control framework has defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees. | At this time, it does not appear that the draft "IFAD's Internal Control Standards for Effective Management" defines roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees. However, the Self Assessment indicates that required elements will be included upon finalization. As such, it appears that the agency is not currently in compliance with the standard but a monitorable action plan is in place to achieve the requirements prescribed by the standard. | The final "Internal Control Standards for Effective Management" shall define roles and responsibilities of fiscal agents and fiduciary trustees. | The Enterprise Risk Management Framework, published in 2009 defines good practices for roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees. | 12/1/2009 - Achieved |
| IFAD | Financial Management & Control Frameworks | A.2g. | Duties are segregated where incompatible. Related duties 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. | It appears that the process for regular review by management of related duties is being developed through the New Quality Assurance Function. As such, it appears that the agency is currently not in compliance with the standard but an action plan is in place to achieve compliance. | The final "Internal Control Standards for Effective Management" shall include a process for regular review of segregation of duties by management. | The Enterprise Risk Management Framework, published in 2009, states the requirement for the inclusion of appropriate segregation of duties in the implementation of processes and procedures. | 12/1/2009 - Achieved |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|------------------------------------|-------|--|--|--|--|--|
| IFAD | Financial Disclosure | A.3e. | Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency. | The agency notes within its policy that protected parties should voluntarily disclose to their supervisor or the President in advance or as soon as they become aware of a possible conflict of interests that arise in the course of carrying out their duties. However, it does not appear that the policy addresses the concept of annual disclosure (ie a mechanism to disclose prohibited financial interests on an annual basis). The Self-Assessment indicates that the procedures will be updated by December, 2009. As such, it appears that the agency is currently not in compliance with the standard, but a monitorable action plan is in place to achieve compliance. | The ERM Committee workplan includes the establishment of a Financial Disclosure Policy. Work on developing the policy started at the end of 2008. The policy will require those staff with key roles in finance, investments, procurement and external resource management to provide, every year, a signed, confidential statement reporting their significant outside activities and interests. The publication of a Financial Disclosure Policy is planned for year 2009. | A financial disclosure policy is currently under discussion. Its finalization is expected by the end of 2010. | Initial timeline Dec-2009, updated to Dec-2010 |
| IFAD | Financial Disclosure | A.3f. | The policy establishes 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. | It does not appear that the policy establishes 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. However, it appears a monitorable action plan is in place to achieve the requirements prescribed in the standard. | The Financial Disclosure Policy shall include a mechanism for the administration and review of financial disclosures | A financial disclosure policy is currently under discussion. Its finalization is expected by the end of 2010. | Initial timeline Dec-2009, updated to Dec-2010 |
| IFAD | Hotline & Whistleblower Protection | C.2b. | An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function. | It appears that the Agency has an intake function which coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. However, it appears that this intake function does not maintain an appropriate level of autonomy from investigations as both functions are performed by the Office of Audit and Oversight. As such, it appears that IFAD is partially compliant with the standard. | At present, there is no independent section handling the intake of allegations as there is not sufficient volume to justify such a division of labour (30 new allegations received in 2008). However, all complaints are acknowledged and logged, including the date of receipt. Additionally, to avoid conflicts of interest, where staff or others wish to make allegations about investigative staff, they have the right under President's Bulletin 2007/02 to go directly to the President, after which there will be an independent investigation | IFAD internal procedures were amended for compliance purposes. Details embedded in the link below.  GEF Fiduciary Standards - complaint | Achieved |
| IFAD | Hotline & Whistleblower Protection | C.2c. | A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken place absent the protected disclosure). | It appears that IFAD has a policy that identifies protected disclosures and defines the standard of protection from retaliation as the prescribed requirement of the standard. However, it appears that this policy does not contain defined protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). | While the anticorruption policy refers only to protection of whistleblowers in relation to fraud and corruption, President's Bulletin 2007/02 (which specifies the procedures for investigations and sanctions) makes it clear that whistleblower protection is much broader than this. It stipulates that corrective or disciplinary measures shall be imposed on a staff member if it is determined that he/she has retaliated against anyone who submitted suggestions or reports to IFAD or otherwise cooperated with an investigation. Further, it goes on to state that no action shall be taken against anyone who reports, in good faith, information on perceived irregular practices that subsequently proves to be unfounded. The term "irregular practices" extends beyond fraud and corruption to include staff misconduct, under which would fall violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety. | IFAD internal procedures were amended for compliance purposes. Details embedded in the link below.  GEF Fiduciary Standards - whistleblk | Achieved |
| UNEP | External Financial Audit | A.1c. | Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies. | The Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. In an effort to adopt recognized accounting standards, the United Nations, which includes UNEP, will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. It appears that the agency has a monitorable action plan in place to become fully compliant with the standard. | As noted by the consultants, UNEP's financial statements are presently prepared in accordance with United Nations System Accounting Standards. The United Nations, including UNEP, is in the process of adopting International Public Sector Accounting Standards (IPSAS) with compliance expected by 2012 according to the UN Secretariat timetable | As noted by the consultants, UNEP's financial statements are presently prepared in accordance with United Nations System Accounting Standards. The United Nations, including UNEP, is in the process of adopting International Public Sector Accounting Standards (IPSAS) with compliance now expected by 2014 according to the latest UN Secretariat timetable. The expected date has been postponed pending implementation of a new ERP platform by the United Nations, planned for 2013, which can provide the necessary data required to account and report in accordance with IPSAS | Initial timeline 1/1/2012, updated to 2014 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|---|-------|---|---|---|---|--|
| UNEP | External Financial Audit | A.1d. | The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate. | The agency has internal controls over financial reporting that cover the use of GEF funds and the Board of Auditors (External Auditor) tests internal controls considered necessary to form an opinion on the financial statements. However, the standard requires that the Agency assert to the governing body that their controls are accurate. It is noted that the Agency provides audit recommendations, response to recommendations, and status of implementation to their governing body. However, it appears that the Agency's management does not assert to the agency's governing body that these internal controls are adequate (as prescribed by the standard). Therefore, it appears that the agency has partially met the standard. | UNEP believes that it meets the intent of this standard. Although the UN's audited financial statements are prepared on a biennial basis, UNEP is subject to an annual external audit by the UN Board of Auditors including a specific annual audit of UNEP/GEF. The annual audits, inter alia, cover internal controls over financial reporting. The auditors are required to report annually on any material issues to the UN's Advisory Committee on Administrative and Budgetary Questions (ACABQ) which is a subsidiary organ of the UN General Assembly. The annual management report incorporates UNEP management's response to the auditor's observations and recommendations as well as addressing the status regarding issues raised in previous years. | UNEP still believes that it meets the intent of this standard. Although the UN's audited financial statements are prepared on a biennial basis, UNEP is subject to an annual external audit by the UN Board of Auditors including a specific annual audit of UNEP/GEF. The annual audits, inter alia, cover internal controls over financial reporting. The auditors are required to report annually on any material issues to the UN's Advisory Committee on Administrative and Budgetary Questions (ACABQ) which is a subsidiary organ of the UN General Assembly. The annual management report incorporates UNEP management's response to the auditor's observations and recommendations as well as addressing the status regarding issues raised in previous years. | N/A |
| UNEP | External Financial Audit | A.1e. | An annual audit opinion on the financial statements is issued by the external auditor and made public. | It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public. However, the audit opinion is done on a biennium basis rather than on an annual basis as prescribed by the standard. It does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the Agency has a monitorable action plan in place to meet the standard. | It is expected that with the introduction of IPSAS, the UN will move to preparing financial statements on an annual rather than biennial basis and that UNEP's external auditors will issue an annual audit opinion on the financial statements which will be made public. For the financial statements of the trust funds that UNEP operate to manage GEF funds, an annual external audit opinion is already issued by the UN Board of Auditors and a copy is sent to the GEF. | It is expected that with the introduction of IPSAS, the UN will move to preparing financial statements on an annual rather than biennial basis and that UNEP's external auditors will issue an annual audit opinion on the financial statements which will be made public. For the financial statements of the trust funds that UNEP operate to manage GEF funds, an annual external audit opinion is already issued by the UN Board of Auditors and a copy is sent to the GEF. | Initial timeline 1/1/2012, updated to 2014 |
| UNEP | Financial Management & Control Frameworks | A.2d. | At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent. | It appears that the Agency is still in the process of adopting and implementing an enterprise risk management framework as depicted in United Nations General Assembly Reports of the Secretary General (February 19th, 2008 and September 29th, 2008). Therefore, it appears that the agency has a monitorable action plan in place to meet the standard. | A new United Nations 'Accountability Framework, Enterprise Risk Management and Internal Control Framework, and Results-based Management Framework' has been prepared for presentation to the General Assembly in 2009. | The new United Nations 'Accountability Framework, Enterprise Risk Management and Internal Control Framework, and Results-based Management Framework' is under review and a further report entitled 'Towards an Accountability System in the United Nations Secretariat' will be presented to the General Assembly in March 2010. The report will address the accountability systems and structures presently in place within the UN, any weaknesses in systems and structures, and propose measures for improvement. In addition, additional management reforms have been introduced in the area of financial management and control frameworks, most notably:- • the establishment of the Independent Audit Advisory Committee of the United Nations, as an independent body of the General Assembly, to advise on: the scope, results and effectiveness of audit and other oversight functions; measures to ensure management's compliance with audit and other oversight recommendations; and on various risk management, internal control, operational and accounting and disclosure issues. The committee is chaired by David Walker, former Comptroller General of the United States and head of the United States Government Accountability Office (GAO) (http://www.un.org/ga/iaac/) • The UN Office of Internal Oversight Services (OIOS) Risk Management Framework which contributes to the various other mechanisms in place in the UN system to mitigate and prevent risk (http://www.un.org/Depts/oios/pages/risk_management.html) The paper 'Reform at the United Nations, Reforming Management and Operations Practices' (http://un.org/reform/mgmt_reform.shtml) provides references to many of the reform activities that are currently taking place. In addition, development of a UNEP DGEF specific Enterprise | Initial timeline 1/1/2012, updated to March 2010 |
| UNIDO | External Financial Audit | A.1c. | Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies. | It appears that the Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. However, in an effort to adopt recognized accounting standards accepted in major capital markets, the United Nations, which includes UNIDO, will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard. | These standards will be brought into compliance in line with the IPSAS implementation beginning 01 January 2010, and as determined by UNIDO's Governing Bodies | As part of the UN system-wide adoption of International Public Sector Accounting Standards (IPSAS), as of 1 January 2010 UNIDO is recording its financial transactions in accordance with the requirements of IPSAS compliance. Decision GC.13/Dec.12 on Financial Regulations of the 13th session of the UNIDO General Conference refers. Details embedded in document GC.13/INF.4 (attached). | Achieved January 2010 |

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| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|---|-------|---|---|--|--|-----------------------|
| UNIDO | External Financial Audit | A.1e. | An annual audit opinion on the financial statements is issued by the external auditor and made public. | <p>It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public.</p> <p>However, the audit opinion is completed on an biennium basis rather than on an annual basis as prescribed in the standard. It does appear that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010 and fully implemented by January 2012 that the Agency's external auditor would issue an annual audit opinion. Therefore, it appears that the agency has a monitorable action plan in place to meet the standard.</p> | These standards will be brought into compliance in line with the IPSAS implementation beginning 01 January 2010, and as determined by UNIDO's Governing Bodies | With the introduction of IPSAS as of 1 January 2010 UNIDO is in a position to prepare annual financial statements and thereby to carry out annual audits. UNIDO's Governing Bodies have already approved annual audits for 2010 - 2011. Decision IDB.36/Dec.9 of the 36th session of the Industrial Development Board refers. Details embedded in documents IDB.36/11-PBC.25/11 and GC.13/4 (both documents attached). In accordance with IPSAS requirements, annual audits will remain a regular feature. | Achieved January 2010 |
| UNIDO | Financial Management & Control Frameworks | A.2b. | The control framework covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. | <p>It appears that UNIDO has incorporated within its various regulations, rules, procedures and instructions elements of the control framework (control environment, internal control activities, monitoring, risk assessment and procedures for information sharing).</p> <p>However, UNIDO has not adopted a control framework that covers the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing. While the Agency is currently not in compliance with the standard, a monitorable action plan in place to achieve compliance.</p> | These standards requiring process changes are currently being reviewed and discussed under the initiative of Change Management. The UNIDO Director-General is leading this exercise and the progress will be dependent on available resources in the coming biennium for which the Governing Body (Programme and Budget Committee) has been approached | A document on Internal Control Framework has been completed based on the Guidelines for Internal Control Standards for the Public Sector, International Organization of Supreme Audit Institutions (INTOSAI). This document has been approved by the UNIDO Executive Board and is being currently finalized to reflect last-minute changes in the Organizational Structure. It is expected to be issued as a Director-General's Bulletin in May 2010. | May-10 |
| UNIDO | Financial Management & Control Frameworks | A.2d. | At the institutional level, risk-assessment processes are in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent. | It appears that UNIDO does not currently have a formalized institutional level risk assessment process in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas. However, a monitorable action plan has been established to achieve compliance. | These standards requiring process changes are currently being reviewed and discussed under the initiative of Change Management. The UNIDO Director-General is leading this exercise and the progress will be dependent on available resources in the coming biennium for which the Governing Body (Programme and Budget Committee) has been approached | Following the work done in 2009, a report has been prepared by a reputable consultancy company on the implementation of an organization-wide Risk and Opportunity Management System at UNIDO (copy of the report attached). The implementation of the report is part of the ongoing comprehensive and organization-wide change management initiative. A detailed feasibility study that considers the impact of the change management initiative was presented at the 13th session of the General Conference in December 2009 (copy of the relevant document GC.13/8/Add.1 attached). The General Conference, having taken note of the Director-General's report that contained the aforementioned feasibility study, approved up to EURO 9.1 million to be utilized for financing the change management initiative augmented by any budgetary savings that might become available during the implementation period (decision GC.13/Dec.15 in document GC.13/INF.4 refers: copy of the document attached). | May-10 |
| UNIDO | Financial Disclosure | A.3a. | A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts. | It appears that UNIDO's Staff Rules identify prohibited financial interests. However, it appears that the Rules prohibit said interests, rather than requiring disclosure. Per review of the documentation, international civil servants may be required to disclose certain financial interests. However, that is noted in a separate "Standards of Conduct for the International Civil Service" and does not appear to be applicable to all personnel but only to staff members, namely personnel holding regular appointments and who are therefore considered officials of UNIDO for the purposes of the Convention on Privileges and Immunities of the United Nations and Convention on Privileges and Immunities of the Specialised Agencies. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |

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| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|----------------------|-------|--|--|--|--|----------|
| UNIDO | Financial Disclosure | A.3b. | The policy specifies who is required to adhere to the standards, including employees, employee family members, consultants, or independent experts at a management decision making level with the following responsibilities: • Contracting or procurement; • Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and • Evaluating or auditing any project, program, or entity. | The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | Refer to A.3.a. The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |
| UNIDO | Financial Disclosure | A.3c. | The policy specifies prohibited personal financial interests. | The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | Refer to A.3.a. The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |
| UNIDO | Financial Disclosure | A.3d. | The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified. The policy contains references to other related internal policies, such as outside employment policies. | The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | Refer to A.3.a. The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |
| UNIDO | Financial Disclosure | A.3e. | Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency. | The Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | Refer to A.3.a. The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |
| UNIDO | Financial Disclosure | A.3f. | The policy establishes 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 Agency's Self Assessment appears to indicate that the Agency does not have a financial disclosure policy. It appears that UNIDO is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization in 2009 as well as creating an ethics function to administer the annual financial disclosures. As such, it appears that UNIDO is partially compliant with the standard and has a monitorable action plan in place to achieve full compliance. | Compliance on these standards is foreseen to be achieved by the end of the year 2009 | Refer to A.3.a. The related document has been prepared and submitted to the Director-General for his consideration and approval. The document will be issued as a Director-General's Bulletin. | May-10 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|-------------------|-------|---|--|---|---|--|
| UNIDO | Code of Ethics | A.4a. | A documented code of ethics defines ethical standards to be upheld, including protecting agency and trust fund assets. The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments. | It appears that the Agency has a Standard of Conduct containing examples of guiding principles and professional standards to be upheld and examples of misconduct. However, the Self Assessment notes that "Consultants and independent experts are not yet covered by a code similar to that of staff" as required by the standard. Additionally, the Agency's Self Assessment notes that an updated code of ethics is undergoing staff management consultations which are in the final stages and to be completed in 2009. As such, it appears that the Agency does not have a documented Code of Ethics which includes all required elements of the standard, but has established an action plan for achieving compliance with standard a. | Compliance on these standards is foreseen to be achieved latest by the end of the year 2009 | A code of ethical conduct was prepared and issued as a Director-General's Bulletin, UNIDO/DGB/(M).115, dated 1 March 2010 (copy attached). | Achieved March 2010 |
| UNIDO | Code of Ethics | A.4b. | An ethics or related function provides administrative support for the code, including distributing the code, monitoring compliance, and authority to refer to the agency's investigation function for alleged violations. | The Agency's response to documentation request indicates that while some of the standards of conduct from the ICSC Standards of Conduct for the International Civil Service have been incorporated into the Agency's Staff Regulations and Staff Rules (e.g. regulations 1.1 to 1.9 under Article I of the Agency's Staff Regulations), the Agency does not appear to have a separate stand alone policy document called Code of Ethics applicable to all personnel, including consultants and experts. The Agency is however in the process of defining such a policy document. The Human Resources department is in place to provide administrative support for the Rules and Regulations, including those related to the standards of conduct. At the same time, the Agency is in the process of considering options for establishing a separate function to provide support to both Code of Ethics and Financial Disclosure programme." | Compliance on these standards is foreseen to be achieved latest by the end of the year 2009 | An independent focal point on ethics and accountability is in place as of 1 March 2010 (refer to A.4.a). | Achieved March 2010 |
| UNIDO | Project Appraisal | B.1a. | An independent project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes. The process ensures an appropriate degree of institutional checks and balances at the stage of project design. | It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGA/ No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | The Inter-Branch Working Group on TC Quality Assurance continues its work on bringing the current UNIDO programme & project cycle into line with the requirements of the Standards B.1 and B.3. A detailed set of recommendations aimed at ensuring compliance with the Standards has been completed and approved by the Executive Board. Interim measures have already been adopted and are being implemented. Such measures include the creation of a Bureau for Programme Design and Knowledge Management, the establishment of a Project Review Body called PTC Directors Technical Cooperation Seminar ensuring proper consideration of socio-economic aspects in UNIDO's projects and the formation of GEF Peer Review Body looking at the quality of GEF funded projects based on GEF review criteria. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | Achieved Feb-10 May 2010 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|-------------------|-------|--|--|---|---|----------|
| UNIDO | Project Appraisal | B.1b. | Project and/or activity development objectives and outcomes are clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design. | It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Project Appraisal | B.1c. | Risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted. | It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Project Appraisal | B.1d. | Appropriate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation. | It appears that the Agency does not currently have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment). However, it appears that the Agency has a monitorable RBM Implementation plan to achieve compliance with the standard. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|--|--------|--|---|---|---|----------|
| UNIDO | Monitoring and Project-At-Risk-Systems | B.3.a. | Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established. | It appears that UNIDO has a planned implementation in 2009 for Rules Based management which should address the requirements of the GED monitoring and evaluation policy. However, currently policies and procedures addressing the requirement the projects include SMART indicators, a requirement of the GEF monitoring and evaluation policy, or that they be fully budgeted at the time of work program entry, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Monitoring and Project-At-Risk-Systems | B.3.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/or activity origination and supervision functions. | It appears that UNIDO has a planned implementation in 2009 for Rules Based management which should address the requirements of the GED monitoring and evaluation policy. However, currently policies and procedures addressing the roles and responsibilities of the monitoring function at both the project/activity and entity/portfolio levels, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Monitoring and Project-At-Risk-Systems | B.3.c | Monitoring reports at the project/activity level are provided to project/activity manager as well as to 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 to an appropriately higher level of oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered. | While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing the reporting of the monitoring function at both the project/activity and entity/portfolio levels, are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|--|-------|--|---|---|---|------------------------|
| UNIDO | Monitoring and Project-At-Risk-Systems | B.3.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 problems. | While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing flagging and remedy of projects at risk are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Monitoring and Project-At-Risk-Systems | B.3.e | Adequate fiduciary oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-up actions during implementation. This process or system is subject to independent oversight. | While UNIDO has a planned implementation in 2009 for RBM, currently policies and procedures addressing adequate fiduciary oversight for risk assessment are not available. As such, it appears that UNIDO is not currently in compliance with the standard but has a monitorable action plan in place to achieve compliance. | As indicated in the self-assessment and as documented in its Technical Cooperation Guidelines (DGAI No. 17/Rev. 1 of 26 Aug 2006), UNIDO has a fairly comprehensive Appraisal and Monitoring System in place, aligned on UN and international practice, which meets the basic GEF requirements but falls short of complying with certain specific aspects mandated by GEF. This is also due to the fact that the nature, scope and size of the projects and activities implemented by UNIDO are not always comparable to the projects funded by GEF (e.g. almost 38% of UNIDO projects have a budget of less than US\$ 100,000) and therefore may not require the same level of detailed appraisal and monitoring. The Inter-Branch Working Group on TC Quality Assurance has completed its review of the current UNIDO programme & project cycle and has specifically examined these areas. A detailed set of recommendations aimed at ensuring compliance with Standards B.1 and B.3 is being finalized and will be finalized by June 2009 for endorsement. It is expected that a streamlined TC programme and project cycle, including measures to ensure compliance with GEF Standards, will be introduced by the end of the year. | Refer to B.1.a. Further fine-tuning of the operation of the Bureau and the two bodies as well as their interaction with the other in-house relevant bodies are subject to the progress of the ongoing change management initiative. | May-10 |
| UNIDO | Hotline & Whistleblower Protection | C.2b. | An intake function coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function. | It appears that the UNIDO has an intake function which coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources. However, the IOS receives claims and conducts investigations, which is not in accordance with the prescribed standard (i.e. the Intake function maintains an appropriate level of autonomy from the investigations function). As such, it appears that UNIDO is partially compliant with standard b. | It may be noted that there is segregation between the investigative function and the disciplinary machinery. Compliance on these standards is foreseen to be achieved by the end of the year | The division of labour within IOS has been changed re complaint intake and investigation: those in charge of investigation are not involved in complaint intake (unless coming to them in person) nor in assigning case numbers - following in this practices of sister organizations. Intake of complaints of retaliation against whistleblowers will be taken by the Ethics function, which, in addition to IOS and HRM, will also receive reports of misconduct. | Achieved |
| UNIDO | Hotline & Whistleblower Protection | C.2c. | A whistleblower protection policy covering who is protected and defining protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety). The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that the involved official would have taken place absent the protected disclosure). | It appears that a formal whistleblowing policy defining covered persons, protected disclosures, etc. is not currently in place. However, the UNIDO "Policy on Fraud and Awareness and Prevention" partially satisfies the standard, as the policy indicates that retaliatory action taken against whistleblowers will not be permitted. Both the definition of protected disclosures (ie circumstances) and the standard of protection from retaliation should be defined in the draft policy prior to finalization. As such, it appears that UNIDO is partially compliant with the standard. | It may be noted that there is segregation between the investigative function and the disciplinary machinery. Compliance on these standards is foreseen to be achieved by the end of the year | A policy on the protection against retaliation for reporting misconduct or cooperating with audits or investigations was issued as a Director-General's Bulletin, UNIDO/DGB(M).116, dated 1 March 2010 (copy attached). | Achieved March 2010 |

Implementation Tracker - GEF Fiduciary Standards

| Agency | Core Area | # | Standard | Outstanding Items | Management Response - 2008 Comments | Implementation steps undertaken as 31 December 2009 | Timeline |
|--------|--------------------------|-------|---|---|--|--|----------|
| UNDP | External Financial Audit | A.1c. | Financial statements are prepared in accordance with recognized accounting standards such as International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies. | The Agency has adopted the United Nations System Accounting Standards which are partially based on International Accounting Standards (IAS), however, these accounting standards are not accepted in major capital markets for listed companies. In an effort to adopt recognized accounting standards, the United Nations, which includes UNDP, will transition to the IPSAS effective 1 January 2010 and will fully implement the IPSAS accounting standards by January 2012. It appears that the agency has a monitorable action plan in place to become fully compliant with the standard. | UNDP is not a listed company that seeks capital in the major capital markets, and in this regard the accounting standards developed for such Organizations are not totally relevant for UNDP's purpose. UNDP, like the other UN system Organizations adopts the United Nations Accounting Standards (UNSAS). As clarified in the UNSAS document (a copy could be made available as required), primary objective of the standards [UNSAS] is to provide a framework for accounting and financial reporting in the United Nations system which reflects generally accepted accounting principles, while taking account of the specific characteristics and needs of the system." "The accounting standards agreed for application in organizations of the United Nations system are, to a large extent, based on relevant International Accounting Standards promulgated by the International Accounting Standards Committee, to which appreciation is expressed for its permission to draw upon its texts, as listed in appendix I. Where differences from the International Accounting Standards exist, it is mainly because of the essentially non-commercial nature of the organizations' activities. Further important factors are the primacy of the regulations, and the central place of approved budgets in the organizations' operations, which make it necessary to focus the accounting within the framework of these mechanisms." | UNDP working to existing goal of full implementation of IPSAS by January 2012. | Jan-2012 |
| UNDP | External Financial Audit | A.1e. | An annual audit opinion on the financial statements is issued by the external auditor and made public. | It appears that there is an audit opinion on the financial statements issued by the Board of Auditors (external auditor) and made public. Furthermore, per the Agency's response to the Exit Meeting, the Agency's management "reports annually to the Executive Board on the status of the audit implementation." However, the audit opinion is issued and made public on a biennium basis rather than on an annual basis as prescribed by the standard. Based on information provided, it appears that with the adoption of the International Public Sector Accounting Standards (IPSAS) effective 1 January 2010, and fully implemented by January 2012, the Agency's external auditor would issue an annual audit opinion. It appears that the agency has a monitorable action plan in place to meet the standard. | UNDP wishes to clarify that our external auditors (United Nations Board of Auditors) conducts annual audit of the GEF financial statements and issues audit opinion annually. The audit report and its audit opinion are available to the Council. As a practice, the results of the GEF audit are also included in the Biennium Audit Report issued by the UNBOA. A copy of the recent GEF audit opinion is attached for ease of reference At the UNDP level, the United Nations Board of Auditors issues its audit opinion of the financial statement on a biennia basis. Their report and audit opinions are General Assembly documents and are accessible by the public on the GA website. These documents including the management response are also available on the website of the UNDP Executive Board Secretariat. When International Public Sector Accounting Standards (IPSAS) is fully adopted by 2012, audit opinion is expected to be issued by the UN Board of Auditors on an annual basis together with the annual financial statements. | UNDP working to existing goal of full implementation of IPSAS by January 2012. | Jan-2012 |