

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

AGENCY STATEMENTS ON FIDUCIARY STANDARDS
(AGENDA ITEM 16)

1. At the 38th GEF Council Meeting, the following GEF Agencies read statements concerning their progress in meeting the GEF's fiduciary standards: the Asian Development Bank (ADB), the Food and Agricultural Organization (FAO) of the United Nations, the International Fund for Agricultural Development (IFAD), the United Nations Environment Programme (UNEP), and the United Nations Industrial Development Organization (UNIDO).

2. Several Council Members requested that the GEF Secretariat collect and circulate these statements and that they be posted on the GEF's website for information. They are reproduced below.

**Statement by the Asian Development Bank on Compliance
with GEF Minimum Fiduciary Standards
30 June 2010**

The Asian Development Bank (ADB) is pleased to inform the GEF Council that in May 2010 ADB's management approved new procedures requiring an annual certification, signed by staff, indicating that their actions are in compliance with, among others, ADB's Staff Regulations, ADB's Code of Conduct and ADB's Anticorruption Policy and Integrity Principles and Guidelines. The annual declaration of compliance will come into force on 1 July 2010 for completion by all staff within the month of July. The annual declaration will thereafter be required to be completed in February of each calendar year. Staff will need to declare whether or not they or their immediate family members have any assets or interests that might reflect unfavorably on ADB or that might be in actual or apparent conflict with their duties as staff. The implementation of the new system on financial disclosure brings ADB into full compliance with the GEF's Minimum Fiduciary Standards. ADB will be pleased to provide further information on the new procedures to the Council upon request.

Additional information:

Q1. What is the Annual Declaration of Compliance?

A1. It is the on-line procedure in ADB Self-Service by which staff formally:

a. Certify that they have read and understood the following:

- ADB's Staff Regulations;
- ADB's code of conduct in Section 4 of AO 2.02 on Personnel Policy Statement and Duties, Rights and Responsibilities of Staff Members;
- Section 2 of AO 2.04 on Disciplinary Measures and Procedures;
- AO 2.10 on Whistleblower and Witness Protection;
- AO 2.11 on Prevention of Harassment; and
- ADB's anticorruption policy and Integrity Principles and Guidelines.

b. Certify that they are in compliance with ADB's code of conduct in Section 4 of AO 2.02, and ADB's anticorruption policy and Integrity Principles and Guidelines.

c. Declare whether or not they or their immediate family members have any assets or interests that might reflect unfavorably on ADB or that might be in actual or apparent conflict with their duties as staff.

Q2. What are the objectives of the Annual Declaration of Compliance?

A2. The objectives of the Annual Declaration of Compliance ("Declaration") are the following:

- a. To demonstrate ADB's commitment to good corporate governance;
- b. To help staff members comply with their duty to disclose interests which might reflect unfavorably on ADB, or which might be in conflict with their duties;
- c. To effectively minimize the possibility of conflicts of interest; and
- d. To ensure that if an actual or reasonably perceived conflict exists, the conflict of interest will be managed in an appropriate manner.

**Statement by the Food and Agriculture Organization
on Compliance with GEF Minimum Fiduciary Standards
30 June 2010**

Progress has been made in a number of areas since the update was prepared, and I would like to take a few minutes to further update you on implementation steps towards meeting the standards for internal control framework, code of ethics, hotline and whistleblower protection, and procurement.

With respect to an **internal control framework**, the Organization has begun to implement an internally-led organization-wide approach to enterprise risk management embedded in its new results-based management framework. This process is included in the Immediate Plan of Action for FAO Renewal approved by the FAO Conference. The plan includes the design of an ERM model, a pilot in selected units, and the development of a comprehensive plan and then full implementation of ERM. Further information as well as a timeline will be provided for the next Council session. FAO trusts that the implementation of the ERM, together with the comprehensive system of internal controls already present in the Organization, in accordance with FAO Basic Texts, will go a long way to satisfy the requirement for a comprehensive internal control framework (standards A.2.b and A.2.d).

Standards C.1c (**investigative function**) and C.2d (**confidentiality of whistleblowers**) As indicated to Price Waterhouse Coopers, FAO has adopted the Uniform Guidelines for International Investigators and this has been applied by the Office of the Inspector General in its work. In addition, FAO is on track for approving its own Guidelines in July 2010, which will supplement the Uniform Guidelines with FAO-specific guidelines (and this is in fact recommended in the Uniform Guidelines). FAO guidelines have been agreed by the Inspector General and sent to the FAO Audit Committee for comments. Audit Committee comments are expected by 2 July; amendments, if any, will be made to the revised guidelines and the final version should be endorsed by the Director-General.

With regards to **financial disclosure** (A.3a, A.3e, A3f), an Ethics Officer was appointed in December 2009, and a proposal for a system of Financial Disclosure was developed to give effect to the already adopted Staff Regulation 301.1.11 dealing with financial interests and conflicts of interest of staff. Consultations with Ernst and Young are ongoing regarding implementation aspects of the proposal. In addition, FAO has developed with WHO a Disclosure Statement for Panel of Experts (currently used in the meetings of the Codex Alimentarius), which will be used by other divisions that also have panel of experts discussing various policies in the Organization. FAO intends to also implement a Disclosure of Interest form to be used by consultants working in an advisory role and for staff who sit on Tender Evaluation panels.

The establishment of an **Ethics Committee** was approved by the FAO Conference as part of the Immediate Plan of Action for FAO Renewal. The terms of reference for the Ethics Committee have been reviewed by the FAO Council and amended in light of member country observations. The revised terms of reference are expected to be approved by the FAO Council at their next

meeting in November 2010. This ethics framework will enjoy the autonomy required by the standard.

Standard A.4b, **Code of Ethics** has been satisfied. FAO is working with the Standard of Conduct for the International Civil Service, Manual Section 304 as its Ethics Code. Furthermore, the UN through the Chief Executives Board (CEB) has developed a Code of Ethics for United Nations Personnel, which has been accepted by the Director-General of FAO on 24 May 2009. The implementation of the Code will take place after it is submitted to the UN General Assembly in the upcoming session.

With respect to publicly **disclosing procurement** (B.2e), FAO will disclose procurement awards for GEF projects and will work with the GEF Secretariat to reach agreement on the contents and methods of publication. A system could be initiated within two or three months after agreement is reached.

We will be pleased to provide this information in writing in the form of an updated monitorable action plan either for the November 2010 GEF Council meeting, or sooner if you would prefer.

**Statement by the International Fund for Agricultural Development
on Compliance with GEF Minimum Fiduciary Standards
30 June 2010**

IFAD has found the minimum fiduciary standards exercise to be a useful process. We have now completed 6 out of the 8 outstanding items recommended from the consultant. Work is underway to revise our financial disclosure policies to meet the remaining two items by December 2010, hence IFAD can reaffirm its commitment to meeting this deadline.

**Statement by the United Nations Environment Programme
on Compliance with GEF Minimum Fiduciary Standards
30 June 2010**

UNEP is grateful for feedback received from several council members on the additional information it circulated last week on this topic, and would like to thank the Co-Chair for giving us the opportunity to provide additional information.

UNEP notes that it has met one of the remaining standards two years ahead of schedule – this is the Accountability Framework. In regards to the other three remaining standards, the Secretary General of the UN has committed the UN system to move towards IPSAS, and the General Assembly has agreed to a revised deadline for meeting this standard by the United Nations Secretariat to 2014. UNEP is one of the 26 organizational units of the United Nations, and does not have the authority to make a unilateral change to this target as it does not have its own independent governing body. Other UN Organizations have the ability to establish their own deadlines, and many are targeting 2012, but the United Nations and UNCTAD/WTO are those that are targeting 2014.

UNEP fully understands the importance and urgency of IPSAS compliance, particularly because of its role as Implementing Agency of the GEF. UNEP has requested to be chosen as one of the first organizational units in the UN to roll-out the ERP and IPSAS. In addition, UNEP has nominated Experts to the UN-wide team that oversees the IPSAS roll-out process, drawing from its Division of GEF Coordination and the UNEP core financial department; we believe this is important to ensure that GEF fiduciary standards and business model are taken into account in the final roll-out of ERP and IPSAS standards across all of UNEP.

Furthermore, UNEP's Division of GEF Coordination, which is the dedicated unit that handles all GEF operations, meets the remainder of the fiduciary standards of the GEF. Financial reporting for the portfolio of more than 620 active projects continues to be fully compliant with the requirements of the GEF Trustee. The Division provides to the GEF annual audit opinions given by the External Auditor of UN. In the last three years the External Financial Audit was conducted by the Court Auditors of France, and commencing in FY 2011 it will be the National Audit Office of the United Kingdom. Furthermore, the Division has introduced additional tools and mechanisms, such as project-at-risk system and enterprise risk management, staff time recording, and financial modelling, that strengthen financial management and ensure that UNEP can meet all its current and future financial obligations.

The Division of GEF continues to be on target to meet the original timeline of 2012 to report to the GEF in a manner that allows it to meet the intent of the IPSAS standards and all other fiduciary standards of the GEF.

UNEP hopes that this additional clarification can be reassuring to the Council and requests that paragraphs 19 and 20 of the Council paper, and the decision text, be revised, so as to take this information into account.

We are available for any further clarifications, and thank you.

**Statement by the United Nations Industrial Development Organization
on Compliance with GEF Minimum Fiduciary Standards
30 June 2010**

In line with the communication of the UNIDO Director-General to the GEF Assembly - when he addressed the Assembly in Uruguay, in May 2010 - **since** the revised Monitorable Action Plan was submitted to the GEF Secretariat under Mr. Yumkella's cover letter to your good offices dated **16 April 2010**, further efforts have been undertaken and further progress has been achieved by UNIDO in its efforts to fully conform with the fiduciary standards. Specifically, the following two documents were approved and put in place / issued:

- UNIDO Policy for Financial Disclosure and Declaration of Interests
- Internal Control Framework

The UNIDO Policy for Financial Disclosure and Declaration of Interests was issued as Director-General's Bulletin UNIDO/DGB/(M).118 on 4 May 2010. The purpose of the present Policy is to ensure that, in the best interests of the Organization, actual, perceived or potential conflicts of interest arising from staff members' or employees' official position and duties on behalf of UNIDO, on the one hand, and their personal financial or other related interests on the other, can be timely identified, reviewed, managed and resolved. The policy is not limited to activities funded by the GEF Trust Fund but it covers all types of technical cooperation activities, being considered this fact as a clear benefit of the Organization's partnership with GEF. The Ethics Office shall act as the Focal Point for the implementation of the subject policy. Training sessions will be planned and carried out in the second half of the year 2010 and its implementation start is planned for 2011.

(I) Parties required making financial disclosures (FD) are:

The Director-General; and

The following staff members and employees, except those employed under the 300-series of the Staff Rules, are obliged to file a FD statement:

- (a) All staff members at the P-5 or L-5 level and above;
- (b) Allotment holders and alternate allotment holders;
- (c) All staff members whose principal occupational duties are the procurement of goods and services, including the procurement of services of individual consultants and experts;
- (d) All staff members whose occupational duties relate to the investment of financial assets of UNIDO or management of any accounts for which UNIDO has fiduciary or custodial responsibility;
- (e) All employees whose duties include those described under (b) to (d) above;
- (f) Members of the Procurement Committee, their alternates and the secretariat thereof;
- (g) The Professional staff of the Ethics Office.

(II) Parties required making declarations of interest (DI) are:

- (a) All individuals who are required to file a FD statement;
- (b) Staff members employed under the 300-series of Staff Rules whose duties are described under paragraph (b) to (d) above.

The Internal Control Framework, issued as Director-General's Bulletin UNIDO/DGB/(M).119 on 28 May 2010, offers an overview of the extensive documentation relating to the different aspects of internal control. It is based on a set of core guiding principles and policies built into the Organization's structure and activities, which are fully integrated in the management processes of planning, execution and monitoring. As a comprehensive mechanism, the framework encompasses all the policies, procedures, monitoring activities and commitments, standards of behaviour and other aspects that govern UNIDO operations. It is aimed at ensuring the effective and efficient management of UNIDO, together with the effective, efficient and economic use of all resources administered by the Organization.

While the provisions presented in the Internal Control Framework are not new, the document offers a concise overview of all pertinent documents for easy reference. The Internal Control Framework will be regularly updated to reflect modifications to management processes and systems that prove necessary as the Organization addresses, in the context of the ongoing organization wide Programme for Change and Organizational Renewal, the challenges posed by the increasing demand for its services, as well as the need to observe the principles of results-based management and comply with donor requirements. It comprises the following parts: Introduction, Internal Environment, Risk Management, Control Activities, Information: Documentation Requirements and Communication, Monitoring and Glossary of Terms.

2. Furthermore, UNIDO, which as of 1 January 2010 is recording its financial transactions in accordance with the requirements of IPSAS compliance, issued also a new policy on **Revised System for the Screening, Appraisal and Approval of Technical Cooperation Programmes and Projects** as a Director-General's Bulletin UNIDO/DGB/(P).120, on 31 May 2010. The revised system that became effective 14 June 2010, aims at enhancing the design quality and development impact of UNIDO's technical cooperation programmes, projects and related services. It introduces a more rigorous and consistent review process and provides for a fine tuning of the assignments and responsibilities of the existing mechanisms. Further, it ensures a separation of the screening from the approval function and an enhancement of the monitoring function. The new system is based on two decision-making bodies each (i) with focused responsibilities and (ii) anchored in one division but with cross-organizational membership.