

GEF Council Meeting  
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## **AGENCY PROGRESS ON MEETING THE GEF FIDUCIARY STANDARDS**

## TABLE OF CONTENTS

Background .....	1
Agency Progress on Meeting the GEF Fiduciary Standards .....	2
Food and Agriculture Organization.....	2
External Financial Audit .....	2
Financial Management & Control Framework .....	3
Financial Disclosure.....	3
United Nations Environment Programme .....	3
United Nations Industrial Development Organization.....	4
Financial Management & Control Framework .....	4
Project Appraisal.....	4
Monitoring and Project-at-Risk Systems .....	5
Attachments.....	6
Annex I: FAO Implementation Tracker – GEF Fiduciary Standards .....	7
Annex II: UNEP Implementation Tracker – GEF Fiduciary Standards .....	12
Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards .....	13

## BACKGROUND

1. In June 2007, the GEF Council approved a set of minimum fiduciary standards recommended by the Trustee, as presented in Council document GEF/C.31/6, *Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies*.<sup>1</sup> Following initial self-assessment reports by the Agencies, the Council requested the Secretariat in April 2008 to contract a Consultant (“the Consultant”) to draft a comparative analysis and assess whether the Agencies met the minimum fiduciary standards. Those Agencies not meeting the standards were obligated to develop time-bound action plans to come into compliance with them.
2. Based on the Consultant’s analysis and recommendations, in June 2009 the Council requested each GEF Agency that had not fully met the minimum fiduciary standards to implement its agreed action plan to meet the standards. The Council also asked these Agencies to provide information annually on the progress made in implementing their plans. (See Council document GEF/C35/5, *Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards*<sup>2</sup>).
3. As of end-2010, the Secretariat had assessed six agencies as having come into full compliance with the GEF Minimum Fiduciary Standards. These Agencies were: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the International Fund for Agricultural Development (IFAD), and the World Bank. As reported in May 2012, in Council document GEF/C.42/Inf.11, *Agency Progress on Meeting GEF Fiduciary Standards*, based on evidence presented, the Secretariat assessed the United Nations Development Programme (UNDP) as having completed its action plan. The Secretariat also updated the Council on the progress made by the three remaining Agencies - the Food and Agriculture Organization of the United Nations (FAO), the United Nations Environment Programme (UNEP), and the United Nations Industrial Development Programme (UNIDO).
4. The present document reports to the Council on the further progress that these three Agencies have made since May 2012 in implementing their action plans. Based on the information and supporting documents submitted, the GEF Secretariat has determined that (i) UNIDO has come into compliance with the three fiduciary standards that were previously outstanding; (ii) FAO has come into compliance with one out of the three previously outstanding standards; and (iii) UNEP had met the intent of the intent of the one outstanding standard with regard to UNEP’s GEF operations as of end-2012. FAO and UNEP are on track to complete their action plans and come into full compliance, agency-wide, at end-2013.
5. The present document reports to the Council on the further progress that these three Agencies have made since May 2012. Based on the information and the supporting documents (Annexes) submitted by the Agencies, the GEF Secretariat has determined that (i) UNIDO has successfully completed all the action plans to meet the three fiduciary standards that were previously outstanding and has come into full compliance with the GEF Fiduciary Standards; (ii) UNEP is on track to complete its action plan to meet the one outstanding fiduciary standard by

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

<sup>2</sup> See: <http://www.thegef.org/gef/sites/thegef.org/files/documents/C.35.5%20Fiduciary%20Standards.pdf>

end 2013; and (iii) FAO has come into compliance with one out of the three previously outstanding fiduciary standards and is on track to complete the remaining action plans to come into full compliance at end 2013. This is further explained in the following sections and in the attached annexes.

6. In June 2009, at its 35th Meeting, the Council requested the “Secretariat to manage a third-party process to review the minimum fiduciary standards in 2013 and every four years thereafter.”<sup>3</sup> The Council made this request prior to its decision 2011 to launch a pilot on the accreditation of new GEF Project Agencies, under which applicants for accreditation are assessed against these standards. Taking into account that the accreditation process has not yet concluded, and that some GEF Agencies will only conclude their action plans at the end of 2013, the GEF Secretariat decided that it would not make sense to begin a review process. The Secretariat proposes that, in collaboration with the Trustee, it start the search for a third-party to undertake the review after the conclusion of the pilot on the accreditation of new GEF Project Agencies.

## **AGENCY PROGRESS ON MEETING THE GEF FIDUCIARY STANDARDS**

### **Food and Agriculture Organization**

7. FAO has made steady progress towards meeting the three remaining fiduciary standards with which it had not come into full compliance as of the last report to the Council in May 2012 – External Financial Audit, Financial Management & Control Framework, and Financial Disclosure. FAO reports that it came into compliance with the standard on Financial Disclosure in October 2012. A summary of implementation measures taken to date is provided below. Please see Annex 1 for more detail.

#### *External Financial Audit*

8. FAO has prioritized implementation and deployment of the new systems and processes required to implement International Public Sector Accounting Standards (IPSAS) agency wide. As part of its program for doing so, FAO has been upgrading systems and processes at its decentralized offices in parallel with an upgrade of the Organization’s Oracle based Enterprise Resource Planning system (ERP). FAO implemented the updated Oracle Release 12 system in HQ and the Regional Offices in November 2012. It is currently in the process of replacing the legacy accounting system at all decentralized offices with a new IPSAS compliant system. These efforts have required a significant number of transitional solutions and workarounds.

9. FAO will have fully IPSAS compliant systems and processes operating in all FAO locations before the previously reported end date of December 2013. FAO is scheduled to issue its first IPSAS compliant financial statements for calendar year 2014. As required by FAO’s Financial Procedures Agreement with the GEF Trustee, audits of the FAO-GEF fund statement have been annual since calendar year 2012.

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<sup>3</sup> See *Joint Summary of the Chairs, GEF Council Meeting, June 22-24, 2009*, paragraph 12 (d).

### *Financial Management & Control Framework*

10. FAO's plan to introduce an internally-led organization-wide approach to enterprise risk management remains on course for completion by the end of 2013. The generic ERM risk assessment process has been established and is about to be applied to support the revised Medium Term Plan 2014-17 and the Programme of Work and Budget 2014-15. COSO principles have been applied in the risk catalogue. This will allow corporate risk reporting to identify processes which are under stress or not performing as expected, thereby providing a motor for continual improvement in internal control.

### *Financial Disclosure*

11. On October 26, 2012, FAO management issued Administrative Circular 2011/20 to introduce a "Declaration of Interest and Financial Disclosure Programme in FAO. As stipulated in the Circular, this programme became effective on 1 March 2013. FAO is now fully compliant with this fiduciary standard.

12. The purpose of the Financial Disclosure Programme is to facilitate the implementation of the Organization's duty to prevent and address actual or potential conflicts of interest situations in order to preserve an individual's and the Organization's integrity, as enshrined in Staff Regulation 301.1.10 and the "Standards of Conduct of the International Civil Service".

13. Staff members at the following grades/functions who have managerial responsibilities have an obligation to file a financial disclosure statement upon recruitment, and annually thereafter: Staff members at the D-1 and D-2 levels: FAO Representatives; Assistant FAO Representatives (Programme and Administration); Heads of Offices (Liaison, Regional and Sub-regional Offices); Assistant Director-Generals; Deputy Director-Generals; the Director-General.

14. In addition, staff members whose particular functions carry a risk factor, determined with reference to a set of established risk criteria, are obliged to file financial disclosure statements upon recruitment and annually thereafter, as follows:

- (a) Involvement in the procurement of goods and services for FAO;
- (b) Involvement in the management of assets and accounts for which FAO has a fiduciary or custodial responsibility; and
- (c) Involvement in the management of ethical matters, audit and investigation, evaluation.

15. The Director-General may designate additional categories of staff as having an obligation to file financial disclosure statements. Staff are required to provide information for themselves, their spouses and dependent children.

### **United Nations Environment Programme**

16. As of May 2012, UNEP had met all GEF fiduciary standards except the one part of the standard on External Financial Audit that requires GEF Agencies to prepare financial statements

in accordance with “internationally recognized account standards... that are accepted in major capital markets,” such as International Public Sector Accounting Standards (IPSAS).

17. In 2012, UNEP implemented a plan to meet the intent of IPSAS accounting standards in 2012 for UNEP/GEF operations and other UNDP trust funds. A financial simulation exercise was undertaken and IPSAS compliant financial statements as at 31 December 2011 were produced. These statements incorporate all of UNEP’s trust funds, including those established to manage GEF finances. The statements were assessed to be accurate and meeting IPSAS requirements. By doing so, UNEP met the intent of IPSAS as expected by December 2012, as determined in the Council document GEF/C.38/10.

18. In terms of UNEP agency-wide implementation of IPSAS, an inter-agency task team was established in 2011 between UNON, UNEP and UN-Habitat and has been working closely with the UN HQ IPSAS Implementation Team towards full IPSAS compliance by the UN Secretariat, of which UNEP is a department. Based on this work, the UN General Assembly has decided the UN Secretariat will adopt IPSAS beginning calendar year 2014. Accordingly, UNEP will implement IPSAS accounting standards for its entire operations as of January 1, 2014. UNEP reports that all the preparatory work for this transition will be completed by end 2013 in time for IPSAS adoption on 1st January 2014.

### **United Nations Industrial Development Organization**

19. Since its last report to Council, UNIDO reports that it has come into compliance with the three fiduciary standards for which compliance had been outstanding: Financial Management & Control Frameworks, Project Appraisal, and Monitoring and Project-at-Risk Systems. A summary of the implementation measures taken to come into compliance is provided below. Please see Annex 3 for additional detail.

#### *Financial Management & Control Framework*

20. UNIDO has introduced a formalized institutional-level risk assessment process to identify, assess, analyze, and provide a basis for proactive risk responses in key financial management areas. UNIDO’s Executive Board issued the institution’s Enterprise Risk Management (ERM) Policy in April 2013, which is underpinned by procedures for implementing risk management across the Organization and is based on the core principles and existing organizational policies. UNIDO also amended its Internal Control Framework, which describes risk management processes at UNIDO, as well as relevant roles and responsibilities and best practices related to the implementation of ERM principles. The framework follows the internationally recognized guidelines of the COSO. The relevant risk-related tools are supported by the UNIDO Enterprise Resource Planning (ERP) system, ensuring that risks are captured and monitored in each of the financial management areas

#### *Project Appraisal*

19. As described in further detail in Annex 3, UNIDO has further strengthened its System for the Screening, Appraisal and Approval of Technical Cooperation Programmes and Projects, including through the issuance in April 2013 of revised document UNIDO/DGB/(P).120/Rev.1. Among other things, UNIDO’s project appraisal system includes or ensures the following:

- (a) It includes criteria and checklists that satisfy the GEF requirements and procedures for project design and are specific to the individual decision-making and review bodies, anchored in separate divisions and with cross-organizational membership - Screening and Technical Review Committee (STC), Appraisal Group (AG), and Approval and Monitoring Committee (AMC) (UNIDO/DGB/(P).120/Rev.1 and UNIDO Organigram).
- (b) Screening of concepts (PIFs) and subsequent review of fully-fledged proposals (CEO Endorsement/Approval Requests) by the above mentioned bodies against a set of defined quality criteria.
- (c) Special technical review committees are consulted to address sector- and/or donor-specific issues at any stage of the process.
- (d) Risk-assessment procedures in place, with specific criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted.
- (e) Appropriate oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.

#### *Monitoring and Project-at-Risk Systems*

21. UNIDO reports that it has come into full compliance with the five outstanding elements of this minimum standard in view of the relevant policies and systems it has put into place, as summarized below.

- (a) UNIDO's monitoring functions, policies, and procedures are defined through its Evaluation Policy and Annex V of document UNIDO/DGB/(P).120/Rev.1. These have been revised to be consistent with the requirements of the GEF Monitoring and Evaluation Policy.
- (b) Document UNIDO/DGB/(P).120/Rev.1 (Annexes III and V) clearly articulate the roles and responsibilities of the monitoring function are clearly articulated at both the project/activity and entity/portfolio levels.
- (c) Project/activity and entity/portfolio level monitoring reports are provided to respective line managers and appropriately higher level of managerial oversight within UNIDO so that mid-course corrections can be made, if necessary. Broader portfolio trends are identified, and corresponding policy changes can be considered.
- (d) UNIDO has a project-at-risk system 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.
- (e) Fiduciary oversight procedures are in place to guide project the risk assessment process and to ensure its quality and monitoring of follow-up action during implementation. This process is subject to independent oversight.

## **Attachments**

- Annex I:      FAO Implementation Tracker – GEF Fiduciary Standards
- Annex II:     UNEP Implementation Tracker – GEF Fiduciary Standards
- Annex III:    UNIDO Implementation Tracker – GEF Fiduciary Standards



## ANNEX I: FAO IMPLEMENTATION TRACKER – GEF FIDUCIARY STANDARDS

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)					
Core Area	#	Standard	Formerly Outstanding Items <sup>4</sup>	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
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.	As reported in 2008 by the GEF Secretariat consultants, FAO 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, had decided to transition to the IPSAS.	<p>As part of its programme to implement International Public Sector Accounting Standards (IPSAS), FAO has been upgrading systems and processes at its decentralized offices in parallel with an upgrade of the Organization's Oracle based Enterprise Resource Planning system (ERP). FAO implemented the updated Oracle Release 12 system in HQ and the Regional Offices in November 2012. It is currently in the process of replacing the legacy accounting system at all decentralized offices with a new IPSAS compliant system. These efforts have required a significant number of transitional solutions and workarounds.</p> <p>FAO will have fully IPSAS compliant systems and processes operating in all FAO locations before the previously reported end date of December 2013. FAO is scheduled to issue its first IPSAS compliant financial statements for calendar year 2014.</p> <p><b>As required by FAO's Financial Procedures Agreement with the GEF Trustee, audits of the FAO-GEF fund statement have been annual since calendar year 2012.</b></p>	Dec-13
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	<p>See update under A.1.c above. The strengthening of internal control systems and improved fiduciary accountability connected to the implementation of IPSAS will be achieved as planned in 2013.</p> <p><b>As required by FAO's FPA, audits of the FAO-GEF fund statement have been annual since calendar year</b></p>	Dec-13

<sup>4</sup> The below sections summarize the findings of GEF Secretariat consultants in 2009, which were reflected in GEF Council document GEF/C.35.5, *Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards*.

**Annex I: FAO Implementation Tracker – GEF Fiduciary Standards**

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)					
Core Area	#	Standard	Formerly Outstanding Items <sup>4</sup>	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
			cover GEF funds. However, GEF Secretariat consultants had concluded that management assertions over financial controls were not conducted.	<b>2012</b>	
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.	The GEF Secretariat consultants had reported that the Agency did not have a consolidated control framework in place that addressed all required elements.	FAO’s plan to introduce an internally-led organization-wide approach to enterprise risk management remains on course for completion by the end of 2013. The generic ERM risk assessment process has been established and is about to be applied to support the revised Medium Term Plan 2014-17 and the Programme of Work and Budget 2014-15. COSO principles have been applied in the risk catalogue. This will allow corporate risk reporting to identify processes which are under stress or not performing as expected, thereby providing a motor for continual improvement in internal control.	Dec-13
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.	The GEF Secretariat consultants had reported that the Agency did not appear to have a formal risk assessment process while ad hoc processes existed. However, the Agency was in the process of developing and conducting a risk assessment.	See update under A.2.b	Dec-13
Financial Disclosure	A.3a.	A documented financial disclosure policy covering identified parties defines conflicts of interest arising	As reported in 2008 by the GEF Secretariat consultants, the FAO Council approved an amendment to the FAO Staff Regulations regarding	Administrative Circular 2011/20 issued on 26 October 2012 introduced a "Declaration of Interest and Financial Disclosure Programme in FAO. The programme became effective on 1 March 2013 as stipulated in the	Completed

Annex I: FAO Implementation Tracker – GEF Fiduciary Standards

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)					
Core Area	#	Standard	Formerly Outstanding Items <sup>4</sup>	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
		from personal financial interests that require disclosure, including actual, perceived and potential conflicts.	the disclosure of financial interests. However, the amendment did 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.	<p>Administrative Circular. <b>FAO is now fully compliant with this financial disclosure fiduciary standard.</b></p> <p>The purpose of the Financial Disclosure Programme to facilitate the implementation of the Organization's duty to prevent and address actual or potential conflicts of interest situations in order to preserve an individual's and the Organization's integrity, as enshrined in Staff Regulation 301.1.10 and the "Standards of Conduct of the International Civil Service".</p> <p>Staff members at the following grades/functions who have managerial responsibilities have an obligation to file a financial disclosure statement upon recruitment, and annually thereafter:</p> <p>Staff members at the D-1 and D-2 levels FAO Representatives; Assistant FAO Representatives (Programme and Administration); Heads of Offices (Liaison, Regional and Sub-regional Offices); Assistant Director-Generals; Deputy Director-Generals; the Director-General.</p> <p>In addition, staff members whose particular functions carry a risk factor, determined with reference to a set of established risk criteria, are obliged to file financial disclosure statements upon recruitment and annually thereafter, as follows:</p> <ol style="list-style-type: none"> <li>1. Involvement in the procurement of goods and services for FAO</li> <li>2. Involvement in the management of assets and accounts for which FAO has a fiduciary or custodial responsibility</li> </ol>	

**Annex I: FAO Implementation Tracker – GEF Fiduciary Standards**

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)					
Core Area	#	Standard	Formerly Outstanding Items <sup>4</sup>	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>3. Involvement in the management of ethical matters, audit and investigation, evaluation</p> <p>The Director-General may designate additional categories of staff as having an obligation to file financial disclosure statements</p> <p>Staff are required to provide information for themselves, their spouses and dependent children.</p>	
Financial Disclosure	A.3b.	<p>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:</p> <ul style="list-style-type: none"> <li>• Contracting or procurement;</li> <li>• Developing, administering, managing, or monitoring loans, grants, programs, projects, subsidies, or other financial or operational benefits provided by the bank; and</li> <li>• Evaluating or auditing any project, program or entity.</li> </ul>	<p>As reported in 2008 by the GEF Secretariat consultants, the FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the amendment did not contain specific information concerning consultants or independent experts at a management decision making level with the responsibilities listed in the standard. Additionally, it appeared that disclosure of financial interest was not extended to all employees.</p>	See update under A.3.a	Completed
Financial Disclosure	A.3e.	Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative	As reported in 2008 by the GEF Secretariat consultants, the FAO Council approved an amendment to the FAO Staff Regulations regarding	See update under A.3.a	Completed

**Annex I: FAO Implementation Tracker – GEF Fiduciary Standards**

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO)					
Core Area	#	Standard	Formerly Outstanding Items <sup>4</sup>	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
		function within the agency.	the disclosure of financial interests. The amendment indicated that staff members above D-1 may be required to file financial disclosure statements on appointment and at intervals thereafter. However, the Staff Regulations did not indicate the methods by which employees would be able to file financial disclosure statements.		
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.	As reported in 2008 by the GEF Secretariat consultants, the FAO Council approved an amendment to the FAO Staff Regulations regarding the disclosure of financial interests. However, the amendment did 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.	See update under A.3.a	Completed

**ANNEX II: UNEP IMPLEMENTATION TRACKER – GEF FIDUCIARY STANDARDS**

UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
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.	As reported in 2008 by the GEF Secretariat consultants, UNEP 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, had decided to transition to the IPSAS.	<p>An inter-agency task team established in 2011 between UNON, UNEP and UN-Habitat has been working closely with the UN HQ IPSAS Implementation Team towards full IPSAS compliance by the UN Secretariat, of which UNEP is a department, commencing with the financial statements for the year ending 31 December 2014, in accordance with the decision taken by the UN General Assembly. Until 2014, the audited financial statements of the UN Secretariat entities are required to be prepared in accordance with United Nations System Accounting Standards (UNSAS).</p> <p>In 2012, however, a Financial Simulation exercise was undertaken and IPSAS compliant financial statements as at 31 December 2011 were produced. These statements incorporate all of UNEP's trust funds, including those established to manage GEF finances. The statements were assessed to be accurate and meeting IPSAS requirements. By doing so, UNEP met the intent of IPSAS as expected by December 2012, as determined in the Council document GEF/C.38/10.</p> <p>In addition, in accordance with UN General Assembly decision, the UN Secretariat, of which UNEP is a department, will adopt IPSAS with effect from 1<sup>st</sup> January 2014. All preparatory work for the transition of UNEP to IPSAS is on track and will be completed by December 2013 in time for this adoption. UNEP is expected to produce IPSAS compliant Financial Statements for the year ending December 2014.</p>	<p>Dec-12 for GEF Operations</p> <p>Dec-13 for UNEP-wide</p>

**ANNEX III: UNIDO IMPLEMENTATION TRACKER – GEF FIDUCIARY STANDARDS**

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
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.	As determined by GEF Secretariat consultants in 2009, UNIDO did not appear to 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.	<p><b>Enterprise Risk Management (ERM) is an essential element of good organizational governance and accountability. It is a systematic and holistic approach to risk management. UNIDO has 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:</b></p> <p>UNIDO's Enterprise Risk Management (ERM) Policy was approved by the UNIDO Executive Board in April 2013 and subsequently issued on 06 June 2013. The Policy is underpinned by procedures for implementing risk management across the Organization and is based on the core principles and existing organizational policies. The policy contributes to setting the “tone at the top” with respect to risk management and embeds a systematic and consistent approach to identifying, assessing, and managing risks faced by UNIDO at institutional and functional levels (UNIDO Enterprise Risk Management Policy).</p> <p>UNIDO's amended Internal Control Framework describes risk management processes at UNIDO, as well as relevant roles and responsibilities and best practices related to the implementation of ERM principles. The framework follows the internationally recognized guidelines of the COSO. The relevant risk-related tools are supported by the UNIDO Enterprise Resource Planning (ERP) system, ensuring that risks are captured and monitored in each of the financial management areas.</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).126, UNIDO Enterprise Risk</li> </ul>	Completed June 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				Management Policy, 06 June 2013 Revised Chapter III of the UNIDO Internal Control Framework - amendment to UNIDO/DGB/(M)/119, April 2013 (official document number to be issued)	
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.	As of 2009, UNIDO did not appear to have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment).	<p><b>Further fine-tuning has been done to UNIDO's Revised System for the Screening, Appraisal and Approval of Technical Cooperation Programmes and Projects, which are reflected in the attached UNIDO/DGB/(P).120/Rev.1. The UNIDO project Appraisal System is mandatory for all UNIDO technical cooperation activities:</b></p> <ol style="list-style-type: none"> <li>1. The criteria and checklists satisfy the GEF requirements and procedures for project design and are specific to the individual decision-making and review bodies, anchored in separate divisions and with cross-organizational membership - Screening and Technical Review Committee (STC), Appraisal Group (AG), and Approval and Monitoring Committee (AMC) (UNIDO/DGB/(P).120/Rev.1 and UNIDO Organigram).</li> <li>2. The System provides for (a) screening of concepts (PIFs) and (b) subsequent review of fully-fledged proposals (CEO Endorsement/Approval Requests) by the above mentioned bodies (STC, AG and AMC) against a set of defined quality criteria. (UNIDO/DGB/(P).120/Rev.1, p.1-3; Annexes I-III, VI-VII).</li> <li>3. Additionally, special technical review committees are consulted to address sector- and/or donor-specific issues at any stage of the process. A UNIDO GEF Peer Review Body is mandated to review all GEF project proposals against specific criteria (UNIDO IOM, PTC/OMD, 13 July 2010).</li> </ol>	Completed April 2013



Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, p.1-3; Annexes I-III, VI-VII</li> <li>• UNIDO Organigram, April 2013</li> <li>• UNIDO IOM, PTC/OMD, 13 July 2010</li> </ul>	
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.	As of 2009, UNIDO did not appear to have an appraisal process adhering to GEF mandated criteria (per the Agency's Self Assessment).	<p><b>All UNIDO programme/projects need to follow the RBM principles and clearly describe objective, expected outcomes, outputs, activities, intervention logic, objectively verifiable key performance indicators (KPIs), potential sources of verification, as well as all the relevant assumptions in a specified logical frame structure (UNIDO Technical Cooperation Programme and Project Cycle Guidelines and the UNIDO/DGB/(P).120/Rev.1).</b></p> <p>The UNIDO Enterprise Resource Planning (ERP) project management tools incorporate programme/project development objectives, outcomes, and the KPIs (with baseline and targets captured) at the design stage (see UNIDO RBM Service Summary Sheet sample).</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO Technical Cooperation Programme and Project Cycle Guidelines, August 2006, p.12, para 4 (c); p. 15, para 5; Annex 6</li> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, p. 3, para 11; Annex VI</li> </ul> <p>Supporting documents:</p> <ul style="list-style-type: none"> <li>• UNIDO RBM Service Summary Sheet (project sample)</li> </ul>	Completed April 2013
Project Appraisal	B.1c.	Risk-assessment procedures are in place specifying the criteria and circumstances	In 2009, the Agency did not appear to have an appraisal process adhering to GEF mandated criteria	<b>UNIDO has risk-assessment procedures in place, with specific criteria and circumstances under which environmental, social, institutional and/or fiduciary</b>	Completed April 2013

**Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards**

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
		under which environmental, social, institutional and/or fiduciary assessments must be conducted.	(per the Agency's Self Assessment).	<p><b>assessments must be conducted (UNIDO/DGB/(P).120/Rev.1, Annexes I-III, VI-VII):</b></p> <p>At project identification and design (PIF) stage the various decision-making bodies with cross-organizational / divisional membership (Screening and Technical Review Committee - STC, Appraisal Group - AG, Approval and Monitoring Committee - AMC) conduct a risk assessment based on a set of quality review checklists:</p> <ol style="list-style-type: none"> <li>1. At the programme/project concept level (PIF) the STC screens all concepts in line with established quality criteria, assesses the potential for any adverse environmental, social, institutional and fiduciary impacts, and, if needed, recommends environmental, social, institutional and fiduciary assessments need to be conducted during the project preparatory phase.</li> <li>2. The full programme/project document (CEO Endorsement/Approval Request) gets submitted to the AG, which appraises, whenever appropriate, economic, financial, social, institutional and gender aspects of programmes/projects and ensures that assessments recommended by the STC had been conducted and their findings are reflected in the programme/project design.</li> <li>3. The AMC endorses the programme/projects documents for subsequent implementation.</li> </ol> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annexes I-III, VI-VII</li> </ul>	
Project Appraisal	B.1d.	Appropriate oversight procedures are in place to	As of 2009, the Agency did not appear to have an appraisal process	<b>Appropriate oversight procedures are in place at UNIDO to guide the appraisal process and ensure its</b>	Completed

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
		guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation.	adhering to GEF mandated criteria (per the Agency's self assessment).	<p><b>quality and monitoring of follow-up actions during implementation.</b></p> <p>The programme/ project screening, appraisal, approval and monitoring process is managed at UNIDO by the Screening and Technical Review Committee (STC), the Appraisal Group (AG), and the Approval and Monitoring Committee (AMC). These committees have cross-organizational membership and are anchored in separate divisions; they have specific rules, procedures and review guidelines and checklists that they rely on (UNIDO/DGB/(P).120/Rev.1, p.1-2, Annexes I-III, VI-VII and UNIDO Organigram for the divisional separation of the two bodies):</p> <ol style="list-style-type: none"> <li>1. At the programme/project concept (PIF) level the STC screens all concepts in line with established quality criteria and on project-by-project level record specific recommendations and follow-up actions to be taken into consideration during project preparatory stage.</li> <li>2. At the full programme/project document (CEO Endorsement/Approval Request) level the AG assesses the overall quality of design of programme/project documents and ensures that the STC recommendations have been taken into account during project preparatory phase and recommends the programme/project documents for to the AMC appraisal and decision.</li> <li>3. Based on AG recommendations, the AMC considers the fully-fledged programme/project documents and approves them for subsequent implementation. If a need for follow-up actions is identified, the committee minutes reflect such requirements. The minutes are conveyed to project managers for follow-up and are</li> </ol>	April 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>uploaded in the UNIDO ERP knowledge management system. Subsequent monitoring of the follow-up actions during implementation is done by the AMC.</p> <p>4. The Executive Board (EB) is a body established and chaired by the Director-General and is a forum for the discussion and consideration of policy, programming and management issues, as well as decisions on related aspects of technical cooperation activities (see EB TOR). The EB is mandated, inter alia, to (i) approve UNIDO-wide policies and programming strategies and priorities, as well as the thematic strategies that form the basis for the decision-making process in the AMC and the STC; (ii) review key results of evaluations and related follow-up activities; and (iii) review the work of the STC, AG and AMC.</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, <b>p.1-2</b>, Annexes I-III, VI-VII</li> <li>• UNIDO Organigram, April 2013</li> <li>• Terms of Reference of the Executive Board, 19 March 2012</li> </ul>	
Monitoring and Project-At-Risk-Systems	B.3a.	Monitoring functions, policies and procedures consistent with the requirements of the GEF monitoring and evaluation policy have been established.	As of 2009, policies and procedures addressing the requirement that 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, were not available.	<p><b>The UNIDO Evaluation Policy defines the overall principles, functions and procedures, including the roles of various divisions and branches of UNIDO. In addition, Annex V of UNIDO/DGB/(P).120/Rev.1 spells out UNIDO monitoring functions, policies and procedures, which are consistent with the requirements of the GEF monitoring and evaluation policy.</b></p> <p>Implementation of the UNIDO evaluation policy and monitoring requirements is affected via tools, guidelines and methodologies that are updated as appropriate. UNIDO's evaluation function is in compliance with the</p>	Completed April 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>UN Norms &amp; Standards for Evaluation. (Peer Review of the Evaluation Function of UNIDO – March 2010, <a href="http://www.unido.org/fileadmin/user_media/About_UNIDO/Evaluation/UNIDO-web.PDF">http://www.unido.org/fileadmin/user_media/About_UNIDO/Evaluation/UNIDO-web.PDF</a>).</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annex V</li> <li>• UNIDO Evaluation Policy, UNIDO/DGB(M).98, 22 May 2006</li> </ul>	
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.	As of 2009, policies and procedures addressing the roles and responsibilities of the monitoring function at both the project/activity and entity/portfolio levels were under development.	<p><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/activity origination and supervision functions (UNIDO/DGB/(P).120/Rev.1, Annexes III and V).</b></p> <p><u>Project Level</u> – based on the feedback received from Executing Partners, Project Managers at UNIDO headquarters’ technical branches and field offices review projects/activities at least once a year. Technical branch Unit Chiefs/Directors conduct annual portfolio reviews of all projects at branch level - based on individual Project Implementation Reports (PIRs), mid-term reviews (MTRs), and terminal evaluations (TEs).</p> <p><u>Portfolio Level</u> - Findings and assessments are consolidated by the Bureau for Programme Results Monitoring (BRM) at the portfolio level; issues and updates are reported to the Managing Director of the Programme Development and Technical Cooperation Division (Official GEF Focal Point of UNIDO) and the Approval and Monitoring Committee (AMC).</p> <p><u>Entity Level</u> – The AMC provides oversight at portfolio-</p>	Completed April 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>level, reviews the portfolio-level reports, identifies broader portfolio trends, considers corresponding policy changes and provides programmatic advice to the UNIDO Executive Board.</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annexes III and V</li> </ul>	
Monitoring and Project-At-Risk-Systems	B.3.c	<p>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.</p> <p>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.</p>	<p>As of 2009, policies and procedures addressing the reporting of the monitoring function at both the project/activity and entity/portfolio levels were under development.</p>	<p><b>Project/activity and entity/portfolio level monitoring reports are provided to respective line managers and appropriately higher level of managerial oversight within UNIDO so that mid-course corrections can be made, if necessary. Broader portfolio trends are identified, and corresponding policy changes can be considered (UNIDO Technical Cooperation Programme and Project Cycle Guidelines p. 62, PR 06.04.01 and UNIDO/DGB/(P).120/Rev.1, Annex V).</b></p> <p><u>Project monitoring reports at the project/activity level are consolidated by the project/activity manager and submitted to managers with higher level of managerial oversight, so that mid-course corrections can be made, if necessary. UNIDO submits Project Implementation Reports (PIRs), Mid-Term Reviews (MTRs) and Terminal Reviews (TRs), which also serve as tools to flag any mid-course corrections that can be made.</u></p> <p>These reports are reviewed and approved by the line managers and submitted to Bureau for Programme Results Monitoring (BRM) <u>for portfolio level monitoring</u>. In this role BRM flags any emerging issues to (i) the Managing Director PTC (official GEF Focal Point of UNIDO), and (ii) Approval and Monitoring Committee (AMC) for respective mid-course corrections to be triggered and mandated back to the technical branches.</p>	Completed April 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>These portfolio level reports feed into the <u>broader entity level reports, such as the UNIDO Annual Report, Programme and Budget Document, MTPF</u> and related reviews, so that broader portfolio trends can be identified and corresponding policy and programmatic changes be considered.</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO Technical Cooperation Programme and Project Cycle Guidelines, August 2006, p. 62, PR 06.04.01</li> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annex V</li> </ul> <p>Supporting documents:</p> <ul style="list-style-type: none"> <li>• <i>UNIDO Annual Report 2012</i> (<a href="http://www.unido.org/annualreport.html">http://www.unido.org/annualreport.html</a>)</li> <li>• <i>UNIDO Medium-term programme framework 2010-2013 plus Addendum</i>, IDB.35/8-PBC.24/8, 9 July 2008 (<a href="http://www.unido.org/fileadmin/user_media/PMO/pbc.24_8_e.pdf">http://www.unido.org/fileadmin/user_media/PMO/pbc.24_8_e.pdf</a>)</li> <li>• (<a href="http://www.unido.org/fileadmin/user_media/PMO/idb.35_8add1e.pdf">http://www.unido.org/fileadmin/user_media/PMO/idb.35_8add1e.pdf</a>)</li> <li>• <i>UNIDO Programme and Budgets 2014-2015</i>, IDB.41/5-PBC.29/5, 19 March 2013 (<a href="http://www.unido.org/fileadmin/user_media/PMO/PBC/PBC29/pbc29_5e.pdf">http://www.unido.org/fileadmin/user_media/PMO/PBC/PBC29/pbc29_5e.pdf</a>)</li> </ul>	
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	As of 2009, policies and procedures addressing, flagging, and remedy of projects at risk were under development.	<p><b>A project-at-risk system is in place at UNIDO 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 (UNIDO/DGB/(P).120/Rev.1, Annex V).</b></p> <p>Project-at-risk tools are incorporated within the UNIDO</p>	Completed April 2013

Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
		redress the problems.		<p>Enterprise Resource Planning (ERP) portfolio and project management (PPM) system to flag project-level problems interfering with the achievement of the project's objectives. As risks can be categorized at different levels, this flagging system allows for the appropriate mitigation tools to then be triggered in order to rectify the problems accordingly.</p> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annex V</li> </ul> <p>Supporting documents:</p> <ul style="list-style-type: none"> <li>• UNIDO RBM Service Summary Sheet (project sample)</li> </ul>	
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.	Policies and procedures addressing adequate fiduciary oversight for risk assessment were under development as of 2008.	<p><b>UNIDO has adequate fiduciary oversight procedures in place to guide project risk assessment process and to ensure its quality and monitoring of follow-up action during implementation. This process is subject to independent oversight:</b></p> <p><u>Project level:</u> Technical Branch's Unit Chief and/or Director guide the risk assessment process conducted by the individual project managers at the project level (UNIDO/DGB/(P).120/Rev.1, Annex V).</p> <p><u>Portfolio level:</u> Bureau for Programme Results Monitoring (BRM) ensures the quality of the risk-assessment process and monitors follow-up actions during implementation at the Branch portfolio level (UNIDO/DGB/(P).120/Rev.1, Annex V).</p> <p><u>Entity Level:</u> The AMC provides oversight at portfolio-level, reviews the portfolio-level reports, identifies broader portfolio trends, considers corresponding policy changes and provides programmatic advice to the UNIDO</p>	Completed June 2013



Annex III: UNIDO Implementation Tracker – GEF Fiduciary Standards

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)					
Core Area	#	Standard	Formerly Outstanding Items	Implementation Steps Undertaken as of 15 Sept 2012	Timeline
				<p>Executive Board. The UNIDO Executive Board, under the leadership of the Director-General, <i>inter alia</i>, monitors the overall effectiveness of risk management practices within UNIDO (UNIDO/DGB/(P).120/Rev.1, Annexes III and V).</p> <p>In terms of <u>independent oversight functions</u>, in accordance with the amended Chapter III of the UNIDO Internal Control Framework, Annex I:</p> <ol style="list-style-type: none"> <li>1. UNIDO Office of Internal Oversight Services, <i>inter alia</i>, provides independent, objective assurance and advice to the Director-General, on whether risks and the related management processes are appropriately identifies and managed.</li> <li>2. External Auditor plays an important role in assessing the effectiveness of risk management as part of its risk-based audit approach.</li> </ol> <p>Rules and regulations:</p> <ul style="list-style-type: none"> <li>• UNIDO/DGB/(P).120/Rev.1, April 2013, Annexes III and V</li> <li>• UNIDO/DGB/(M).119/Rev.1, UNIDO Internal Control Framework, Rev.1, 06 June 2013, Annex I (official document number to be issued)</li> </ul>	