



INDEPENDENT REVIEW OF GEF FINANCED PROJECT ON STANDARDS AND LABELS FOR PROMOTION ENERGY EFFICIENCY IN RUSSIA

UNDP MANAGEMENT RESPONSE

UNDP welcomes the independent review and recommendations by Mr Amitav Rath of the GEF financed project on *Standards and Labels for Promoting Energy Efficiency in Russia* which ran from 2010 – 2017.

This review was undertaken in response to allegations about the management and implementation of the project, including allegations of misappropriation of funds in the 2017 Terminal Review. These allegations generated a full investigation by UNDP's Office of Audit and Investigation in 2017-2018, which identified weaknesses in the implementation of the project, but did not substantiate allegations of fraud. However, Member States continued to raise questions about the project.

UNDP takes these allegations and the concerns raised by Member States extremely seriously. From June 2018, UNDP provided a series of briefings to Member States and to the GEF Council on the project, including with Members of the Executive Board - in an effort to fully and transparently provide answers to the questions raised. However, recognizing that Member States continued to have concerns, it was agreed in March this year to undertake an independent review. Mr Rath was selected following a competitive process and in close consultation and agreement with Member States including on the Terms of Reference.

Mr Rath undertook this review independently of UNDP and was provided with full and transparent access to UNDP staff and all documentation requested. The decision to do an independent review was agreed by Member States following UNDP's proposal for a number of alternative approaches, including using OIOS or another UN oversight mechanism.

The review makes clear that UNDP did not oversee this nationally implemented project effectively. UNDP accepts this assessment.

The review revealed that a series of warning signs were repeatedly raised throughout the life of this project, both through UNDP's own governance and oversight systems, and, in parallel, through staff working on the project. Mr Rath acknowledged the "value" of UNDP's governance and oversight systems in place, which included the UNDP Regional Technical Adviser; technical consultants on the project; two independent evaluations; annual reports and six financial audits of the implementing partner undertaken by independent audit firms.



However, the failure – and this was our failure as UNDP - was management’s inability or unwillingness to respond effectively to these warning signs and immediately execute the necessary management actions the moment they were alerted, including escalating the issues to senior levels. Mr Rath reflected that if these rules and procedures had been followed, the issues could have been resolved, and much earlier.

Some of the issues raised include:

- The report found that alerts raised by parts of UNDP’s oversight system were not acted upon by other parts of the system, reflecting poor communication between key actors and a siloed approach to working. This issue was also reflected in the recent OAI audit of UNDP’s systems for managing GEF resources. In response, UNDP has already taken proactive steps to clarify roles and responsibilities, delineate lines of accountability and prepare standard operating procedures for handling this situation in the future. These actions, taken as part of our management responses to the recent audit, will be closely monitored over the coming months, including through an additional OAI audit in 2021.
- In response to the review’s observation that management did not take action even when it was evident that there were ‘red flags’, UNDP has put in place updated protocols which allow the GEF Executive Coordinator, in consultation with Senior Management of the relevant Regional Bureau, to suspend projects at risk of non-compliance with GEF policies in order to protect GEF resources and prevent harm to local communities.
- The review’s observation on conflict of interest in the project board was also highlighted as an issue of concern in the recently concluded OAI audit of UNDP’s system for managing GEF resources. UNDP will be taking action to develop additional guidance on the roles and responsibilities of project boards. This guidance will make relevant distinctions between the different implementation modalities. The guidance will be incorporated into UNDP’s project document templates.

UNDP fully accepts that its oversight of this project fell short of expectations, and that we should have acted sooner. Since the project closed in 2017, we have taken a number of corrective actions that already respond to most of the review’s recommendations, for example:

- Rolling out standard operating procedures with staff responsible for oversight of GEF funded projects outlining clear roles and responsibilities when allegations or suspicions are raised. Staff can now escalate any allegation to the GEF Executive Coordinator through an online risk dashboard and are encouraged to report directly to OAI through their hotline. The Executive Coordinator (EC) immediately raises these issues to senior management including to OAI. Staff understand that this reporting and escalation is a critical oversight function and are strongly encouraged to use it.



- In parallel to OAI's independent actions, UNDP management provides additional technical and operational oversight to GEF projects that have allegations to unpack the risks and then implement solutions through an agreed and timebound compact between the UNDP GEF Executive Coordinator, the relevant Deputy Director of the Regional Bureau and our Resident Representatives in all our Country Offices. This cross-Bureau collaboration is helping to break down the silos referred to in the independent review

Many of the issues raised in this review are also reflected in the OAI audit of UNDP's management of GEF resources (shared last week) and will be handled as part of that Action Plan for Response.

The independent review also referred to cases of possible fraud and corruption in this project. Following the OAI investigation and this independent review, these claims of fraud and corruption have not been substantiated.

We note also the independent review's recommendation to pursue further investigations to determine individual responsibilities and accountability. This recommendation is being reviewed separately by the Administrator.

All comments and recommendations relating to OAI, as well as UNDP's whistleblowing policies will be responded to by OAI and the Ethics Office respectively.

UNDP fully acknowledges that this project was not effectively overseen. Important and serious lessons have been learnt through this process. We will continue to be open and transparent with all our partners and remain committed to delivering effectively on this critical portfolio of work financed by the Global Environment Facility in order to maintain the trust and credibility of our partners and fully support the needs of programme countries.