



**UNDP MANAGEMENT RESPONSE TO THE PERFORMANCE AUDIT OF UNDP GLOBAL  
ENVIRONMENT FACILITY (GEF) MANAGEMENT  
(REPORT NO. 2210)**

UNDP welcomes the Office of Audit and Investigations (OAI)'s independent audit report on the effectiveness of UNDP's management of its Global Environment Facility (GEF) portfolio.

As one of the leading UN agencies for the GEF, UNDP is determined to be fit for purpose to deliver on our responsibilities and commitments. This means ensuring that the organizational foundations that underpin this important portfolio of work are robust, including our fiduciary duties, legal commitments, policy standards and oversight responsibilities.

UNDP senior management commissioned this audit in 2019 in order to examine in detail where and how we could strengthen our systems and processes in line with GEF requirements and maximize the quality and effectiveness of this critical work to address the planetary crises threatening all of us today. We also commissioned an independent review of one particular GEF project which we agreed required further detailed examination. This independent review is nearing completion and will be shared shortly.

Separately, OAI has confirmed that in the five years since 2015 they have opened investigations into 28 allegations linked to GEF financed projects. Of these, four allegations have been substantiated and have led to sanctions or are under consideration of sanctions – but with no loss of funding. Ten allegations were unsubstantiated and have been closed leaving 14 allegations pending further investigation. Of these remaining allegations, one case may result in a financial loss although the investigation is ongoing, and actions will be taken to recover the funds as appropriate.

While these allegations represent less than 2% of the active portfolio of more than 700 projects financed by the GEF, we take every case seriously - recognising the risk to UNDP's reputation and to the confidence of our partners in our work. UNDP has a strong system in place to receive internal and external allegations of financial mismanagement and other irregularities and works continuously to improve our oversight to prevent instances of misconduct from occurring in the first place. When allegations are deemed eligible for an independent investigation and when these are substantiated, UNDP takes fast action to recover the funds and take disciplinary sanctions against staff members including dismissal where appropriate.

OAI's overall assessment in this audit of the effectiveness of UNDP's management of its GEF portfolio is *'partially satisfactory with major improvements needed'*. This means that while our governance arrangements including risk management practices and controls are in place and functioning, they need major improvements. We accept this assessment and welcome the recommendations provided.

The report acknowledges the scale and complexity of the work we are doing through the GEF - supporting more than 700 projects in 137 countries with 3.9 billion of financing, and leveraging a further \$21 billion in co-finance; benefitting 73 million people; delivering 433 million tonnes of CO2 emission reductions, and impacting 586 million hectares across land and sea.

The audit reviewed 22 projects in eight country offices and two Regional Hubs. This detailed assessment provides us with the information we need to immediately put in place the changes required to strengthen critical aspects in the management of the GEF portfolio.

The report acknowledges that UNDP is doing well in keeping all UNDP Country Offices informed of the new GEF compliance requirements and policies and that the UNDP GEF Advisors (Principal and Regional Technical Advisors) were greatly valued by most Country Offices.

The issues of concern highlighted in this audit that relate specifically to our GEF portfolio of projects can be grouped into four main categories:

- The first concerns the need to improve our **management and oversight systems for our GEF projects** at the global, regional and country office level where issues such as overloaded staff, and unclear roles and responsibilities need to be addressed. In addition, country office capacities for GEF projects need to be better assessed and then strengthened and guidelines need to be updated. These measures will lead to improvements in reporting, risk management, and better tracking of progress, results and impacts for our GEF portfolio of work.
- A second set of issues concerns the need to **improve controls in relation to UNDP's Implementing Partners (IPs) on our GEF projects**. Weak capacities and poor financial resources management in some of our Implementing Partners has resulted in a number of audit related issues which need to be more closely monitored. We also need enhanced systems to assess the capacities of our IPs and take these issues into account in the design and implementation phase of the GEF projects. We also need stronger guidance to prevent conflicts of interest within Project Boards in GEF nationally implemented projects and refine our due diligence requirements for engaging with private sector partners.
- A third set of issues concern strengthening UNDP's **internal control framework across the GEF portfolio** where we need to see a much stronger application of our existing control framework and financial oversight, including by ensuring through regional oversight that appropriate segregation of duties is maintained and that Delegations of Authority in Country Offices remain updated.
- Finally, UNDP must prioritise its ongoing efforts to strengthen its **procurement oversight systems in relation to GEF projects**. Clarifying procurement management practices, updating tools for assessing the procurement capacities of implementing partners for GEF projects and assessing performance more regularly are all high priorities.

## **United Nations Development Programme**

We take these findings extremely seriously and have already started work. The action plan attached provides details of the measures already underway in response to the priority issues highlighted above. 33% of the management actions will be in place before the end of January 2021, 37% by end June 2021, and 30% by December 2021. 62% of the most critical actions – related to the 5 ‘high priority’ recommendations in the audit report - have been fast tracked. These include strengthening our monitoring and oversight frameworks of GEF projects – in particular for high risk projects and in high risk countries – and escalating risks to UNDP’s senior level Risk Committee for further action as needed.

We are confident that these measures will have a significant and immediate impact on the issues identified, but to be certain, we have already requested a follow-up independent OAI audit next year.

Looking ahead to an increasingly complex and demanding operating environment, particularly given the impact of COVID-19, UNDP has intensified its efforts to continuously improve in order to provide the level of risk management and quality oversight expected by our partners. This will help to ensure that our GEF portfolio of work will generate the impact and results that will benefit the countries and people who rely on UNDP as a longstanding and trusted partner. We remain committed to doing this and to keeping you fully informed.