

ANNEX B

Update on progress made in implementing the GEF audit recommendations and related management commitments: follow up/responses to the recommendations in the independent review of the S&L project by Amitav Rath as of October 2021

RECOMMENDATION IN THE INDEPENDENT REVIEW	RESPONSE
<p>101. The UNDP must act with speed to comprehensively address the many different issues that are raised in the review. Some of them deal with individuals who may be now be working at UNDP. This requires speedy follow up investigations, keeping a humane approach to the individuals concerned, while being fair, and this requires narrowly focused investigations by an outside resource to ensure independence. This review cannot determine if some individuals were only negligent or worse, or the most appropriate courses of action.</p>	<p>Immediately after the independent review was published, the Administrator set up the Management Accountability Review Panel (MARP) comprising internal senior staff and external experts. The MARP was established to advise and recommend a course of action in response to the independent review's findings related to individual accountabilities for management and oversight issues, as well as broader institutional issues.</p> <p>On individual accountabilities, following the MARP and further independent verifications, UNDP managed to establish roles, responsibilities, and functions of key individuals throughout the ten years of the lifespan of this project. It was on this basis that further action has been taken by management that resulted in a series of precautionary measures for some staff pending decisions on further verifications and/or investigations as appropriate.</p> <p>On broader institutional issues and in response to the recommendations of the MARP, UNDP undertook further corporate reviews including on the decentralized evaluation function, as well as a UN wide comparison of our whistleblower policy, and our fraud policy (<i>see further details provided in the main progress report</i>). These corporate reviews and their actions and recommendations, as well as the full range of management actions in response to the 2020 OAI Audit on the GEF portfolio, also</p>

	<p>respond to many of the issues raised in the 10 recommendations detailed here and indeed, go further in their plans and recommendations.</p>
<p>102. For the two whistleblowers the situation requires each to be handled differently, with a common approach to each case. The fact that the policies and procedures regarding whistleblowing and protections were applied as per the rules and procedures of the Ethics Office, and that there is no evidence that UNDP undertook any retaliatory actions, does not result in complete satisfaction. Management may consider mechanisms, outside of the “Protection against Retaliation” policy, that could be made available for all whistleblowers to pursue claims of unfair treatment (e.g. request for management evaluation, abuse of authority charges, and possibly others) and promote their availability. The review suggests further courses of action that would be most appropriate, now and subsequently, and also to report on any of their charges that may require further response and/or investigation (as suggested in earlier).</p>	<p>UNDP recognizes the sensitivity and importance of whistleblower actions. The two cases related to ‘whistleblowing’ issues considered by the independent review have been, and continue to be, handled through the normal channels of Ethics, Audit and Legal in accordance with the rules and regulations of the Organization.</p> <p>UNDP acknowledges the actions of those that have raised concerns in relation to the S&L project. Nonetheless, we recognize that perspectives of what might constitute a satisfactory outcome may differ. The independent review concludes that “there is no evidence that UNDP undertook any retaliatory actions”.</p> <p>The remedies offered by the internal justice system – including a request for management evaluation and the right to appeal determinations, are and remain available to all staff.</p> <p>The MARP also recommended a review of the Protection against Retaliation policy to ensure full due diligence of best practice. This review is now complete with four of the six recommendations already being implemented in the current policy and the two remaining recommendations under further analysis and review for implementation in early 2022 (<i>see also further details in the main progress report</i>).</p>
<p>103. Given the conclusion of this review that the project was not managed either efficiently or effectively; that this pattern should have been apparent and should normally have resulted in remedial actions; and the fact that the problems continued and raised major alerts that were not escalated and appropriately managed; suggests that the UNDP should make a restitution to GEF of its entire management fee for the S&L project.</p>	<p>UNDP agrees with and accepts the outcome of this recommendation and is taking active steps to implement the return of funds to GEF. We are awaiting the conclusion of relevant work to determine the best way to implement the appropriate reimbursement of management fees charged by UNDP during implementation of the S&L project from 2010-2017.</p> <p>As soon as we have been provided with further details that are pertinent to close this matter (such as the amount of project resources where shortcomings in oversight can</p>

<p>To align incentives and penalties, the management fees that are returned should be taken from the budgets of RBEC and BPPS in equal proportion.</p>	<p>be clearly attributed to), our finance colleagues will work with the Trustee to return the associated fees for management oversight for this project.</p>
<p>104. UNDP must continue the processes that have begun with the parallel reviews of the RBEC and GEF portfolio, which have been undertaken prior to, and continue independent of, this review. The review commends the process being used by RBEC; this could be a model to be extended to other regions. The review commends the statistical nature of the BPPS review undertaken so far, and supports the systemic changes being examined. Both provide elements of actions which encourage cultural changes whereby cooperation across units is encouraged and utilized to break down silos.</p>	<p>In addition to the 31 management actions in response to the OAI Audit of UNDP's management of GEF resources, EY and BDO/UK independently reviewed 20 GEF projects and 18 GCF projects across some 30 countries. Further, an in-depth assessment was undertaken for a sample subset of projects for internal review. In addition, an external review is also planned before Q1/2022 for a subset of GEF projects in RBEC (<i>see also links to the EY and BDO/UK reports in the main progress report</i>)</p>
<p>105. The Administrator and the Executive Board of UNDP must form a review process that can examine the functioning of the offices that are independent of the Administrator. The OAI, IEO and other units should provide more statistical analyses of problems and effectiveness to show trends by specific problem areas, by country, region and portfolio.</p>	<p>As indicated in this Recommendation, the independent offices (OAI and IEO) are accountable and answerable to the Executive Board.</p> <p>The Corporate Performance Unit (CPU) based in the Executive Office of the Administrator is a dedicated interface for UNDP's independent oversight offices and will work with IEO and OAI to help further the analytical insights across regions, trends and portfolio to inform executive decision-making. This will draw on ongoing efforts to advance the analytical insights from the offices.</p> <p>IEO reports to the Executive Board with analysis on organizational performance, identifying systemic issues from corporate, thematic and programmatic evaluations conducted, with the aim to strengthen the evaluation culture across the organization and enhance the implementation of independent recommendations. The Annual</p>

	<p>Report on Evaluation (ARE) submitted to the Executive Board includes a statistical analysis of the quality and coverage of decentralized evaluations disaggregated by regions and countries. In addition IEO's "Reflections" series synthesizes evaluative information into useful lessons that UNDP personnel and other actors can learn from and take forward in their development support activities, including when facing urgent policy decisions.</p> <p>OAI has also initiated a program of Risk Advisories to help UNDP to improve its organization. In addition, OAI conducts independent assurance and investigations and services, in line with the OAI Charter, to help UNDP improve risk management, add value, and improve the organization's operations.</p>
<p>106. Perhaps the UNDP guidance on reporting needs to be simpler and clearer, with penalties for non-compliance. A small and well understood list of events could be elevated in the procedures, where the failure to report certain facts to an immediate supervisor, or to the investigators, could be made grounds for disciplinary action.</p>	<p>UNDP personnel have a duty to report misconduct and are required to cooperate with authorized investigations. Paragraph 20 of the Standards of Conduct in the International Civil Service, replicated in Staff Rule 1.2(c), provides that staff members <i>"have the duty to report any breach of the organization's regulations and rules to the official or entity within their organizations whose responsibility it is to take appropriate action, and to cooperate with duly authorized audits and investigations."</i> Misconduct is defined in Staff Rule 10.1 as <i>"failure by a staff member to comply with his or her obligations under the Charter of the United Nations, the Staff Regulations and Staff Rules or other relevant administrative issuances, or to observe the standards of conduct expected of an international civil servant"</i> and paragraph 25(q) of the UN Legal Framework provides: <i>"Misconduct may include...Abetting, concealing or conspiring in any [misconduct], including any act or omission bringing the organization into disrepute."</i></p> <p>A failure to report misconduct may be in breach of these provisions and may, therefore, be grounds for disciplinary action. We would nonetheless be cautious about taking this approach as it may inadvertently affect the working environment negatively, it may be difficult to prove non-action, and it could potentially be misused – i.e. used in retaliation. Currently therefore we do not believe any additional provisions are required.</p> <p>In addition, UNDP's Internal Control Framework (ICF) Policy and associated</p>

	<p>Operational Guide are being updated and enhanced. They articulate the internal control implementation approach, which organizes what we do and who does it in the context of UNDP's business, including clustered and non-clustered environments; and how UNDP assesses and reports on the effectiveness of internal control. They articulate key day-to-day internal control roles and their associated authorities, accountabilities, and responsibilities. Training will be developed to support UNDP personnel in taking forward the updated approach.</p>
<p>107. The UNDP should seek to enhance the positive and important roles played by independent external consultants, by increasing safeguards for external review and evaluation processes and persons engaged by UNDP on contracts and by examining the following. First, while promoting and continuing with the decentralized evaluation process, in order to reduce the conflict between the manager whose performance may be in question, who is also tasked to approve and make payments, a parallel copy could be sent to the IEO, where the IEO could step in to resolve issues of the nature raised in the S&L case. Second, parallel reporting can more easily allow for early initiations of investigations where warranted. Third, all consultants could be provided with a simple statement (reflecting compliance requirements) in the same way that evaluators are required to declare any conflicts of interest.</p>	<p>The MARP considered the issue of decentralized evaluations to be of primary importance. A review undertaken jointly with IEO has come up with a series of recommendations to improve the quality, transparency and safeguards for decentralized evaluations. UNDP's Organisational Performance Group (OPG) has endorsed the final recommendations of this review and recommendations on decentralized evaluations which are now being implemented with regular reporting back to the OPG on progress scheduled for 2022.</p>
<p>108. UNDP must take immediate, and medium and longer term, measures to reduce its vulnerability to risks. Risk management, we</p>	<p>In UNDP's new Strategic Plan 2022-2025, risk management is one of the priorities. Specifically, "the new UNDP enterprise risk management policy incentivizes innovation for development, while strengthening oversight and accountability. By</p>

<p>believe, should be more aware about lessening the impact of what is not known and not easily anticipated. It is not only an attempt to develop more audits, more sophisticated controls and improved IT systems. They often perpetuate the illusions of predictive accuracy, and always need to be combined with the human beings In the systems, who are oriented to faster and better information about its many different environments and contexts in which UNDP works and integrating a more systemic view of its operations</p>	<p>2025, a more proactive, dynamic approach to risk management will be embedded in the UNDP <i>culture and business model.</i>" Specific risk management results and indicators are included in the Plan's Integrated Results and Resources Framework (IRRF) (Results 4.1, 4.2), as a further indication of management commitment. UNDP will drive this enhanced focus on risk management through investing in our policies, procedures and management arrangements: advancing the implementation of the enterprise risk management policy and related streams of work; continuously strengthening the workings of the Organizational Performance Group and the Risk Committee, supported by the Risk Committee Secretariat and ExO Corporate Performance Unit; establishing the Budget, Performance and Compliance Office in the Bureau for Management Services (BMS/BPC), for a more systemic view of UNDP's operations and financing systems, establishing various dashboards to inform decision-making, and implementing action plans to better understand and address the root causes of issues flagged through audit, evaluation and other assessments.</p>
<p>109. The Office of the Administrator may consider setting up a task force, led by the EXO and comprising the senior most officers in UNDP, with the task of building and establishing a strong network, across its units. This could provide a model where all nodes and subgroups begin working together, with coordinated engagement with partners, to deliver on its missions both globally and locally. This task force can continue the work begun in this review and ensure an ongoing examination of and improved understanding of who does what, who is accountable for what, how the many disparate pieces are held together, improved monitoring that ensures actions are taken at the right levels, and information communicated to the right</p>	<p>UNDP is led and managed by UNDP's Executive Group (chaired by the Administrator) of Directors, and Organizational Performance Group (chaired by the Associate Administrator) of Deputy Directors. A new Corporate Performance Unit (CPU) reporting directly to the Administrator was established in UNDP's Executive Office to enhance corporate oversight and ensure coordinated responses (<i>see also response to Recommendation 110 below</i>).</p> <p>An Inter-Bureau Task Force was operationalized with senior representation across all Bureaus to support implementation of the UNDP-GEF OAI audit Management Action Plan (MAP). With MAP implemented and recognizing that behavior change takes time, the Task Force will pivot its focus forward to 1) complete the timely implementation of the MAP and related assessments; 2) drive related behavior and cultural enhancements for sustained change, and 3) apply learning from the GEF OAI audit across the GEF portfolio and beyond for sustained, organization-wide impact. The Task Force is co-chaired by the UNDP Executive Office CPU and UNDP Executive Coordinator for Vertical Funds (GEF, GCF, Adaptation Fund).</p>

<p>people, with a review of different dashboards, supporting decisions at all levels and improving the flow of information and decisions to the senior most levels. The review may include current processes of individual performance appraisals.</p>	
<p>110. The Executive Board may consider with the Administrator options for a crisis (or systems) management team led by the EXO, with either core staff or a mode where staff are to be drawn into EXO, thereby keeping it flexible, open and with enhanced ability to address future cases, or potential “black swan” events, speedily and efficaciously.</p>	<p>A Corporate Performance Unit has been established in UNDP’s Executive Office, as part of UNDP leadership’s commitment to continuously improve corporate performance and institutional effectiveness. The CPU works with teams across the house to strengthen the controls and oversight of UNDP’s organizational performance, making connections between Bureau-focused efforts for a whole-of-UNDP perspective. The CPU will do three things:</p> <ol style="list-style-type: none"> 1. <i>Respond:</i> Support UNDP leadership in solving problems, including anticipating and responding to strategic corporate performance challenges and risks that may impact UNDP's performance, reputation, or accountability to partners. 2. <i>Anticipate:</i> Improve the quality and flow of actionable intelligence and risk analysis to UNDP’s executive leadership. 3. <i>Support:</i> Support effective and strategic corporate management arrangements – including UNDP’s Organizational Performance Group and Risk Committee – both chaired by the UNDP Associate Administrator -- to consistently improve the organization's performance. <p>The CPU is an internal executive management function. Analysis and insights from the CPU will inform existing reporting and accountability channels between UNDP, Member States, and other external partners. The CPU will contribute to UNDP’s corporate performance by triangulating between the different teams and processes in UNDP that are responsible and accountable for corporate performance, with the objective of advancing corporate clarity, coherence and consistency.</p>