REVIEW OF THE MANAGEMENT OF IMPLEMENTING PARTNERS IN UNITED NATIONS SYSTEM ORGANIZATIONS

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Geneva 2013

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EXECUTIVE SUMMARY

Review of the management of implementing partners in United Nations system organizations
JIU/REP/2013/4

Partnerships with public and non-public entities have become essential for most United Nations system organizations in pursuing their mandates. In many such partnerships the organizations assign the implementation of programme activities to implementing partners (IPs), to which they allocate resources (funds and materials) to enable programme delivery. Overall, the volume of United Nations resources entrusted to IPs is significant. Some organizations expend over half their annual budgets via IPs.

In transferring funds to third parties, United Nations system organizations are expected to establish governance structures and other measures of accountability to ensure that funds have been used efficiently, for intended purposes, and with minimum risk of fraud, corruption and mismanagement. Against this standard, the United Nations internal and external auditors have repeatedly raised concerns over IP performance and oversight. Today Member States, reflecting these concerns, are demanding greater accountability on resources allocated to IPs.

For United Nations organizations engaged in development and humanitarian assistance in diverse political, economic and social settings, the sound management of IPs presents a complex challenge. IPs vary widely and include host government entities, national and international NGOs, civil society groups, and academic and research institutions.

Over time, organizations have developed IP relationships in accord with their own mandates, business models and management systems. Plainly, no one-size-fits-all approach can be prescribed for diverse United Nations system organizations in managing the multiplicity of IPs.

This report reviews the methods currently used by these organizations to select and manage IPs, attempts to find common elements and challenges, identifies good practices, and makes recommendations. The report contains 12 formal recommendations (two to the legislative organs, and ten to executive heads of organizations). The report also includes observations and suggestions addressed to executive management.

Main observations and findings

A number of United Nations system organizations lack a strategic approach to partnering and have _ad hoc_ and incoherent methods in engaging with IPs. There are, however, on-going efforts in some organizations to improve or develop institutional frameworks – policies, procedures and guidelines - for managing IPs.

➤ _There is no clear definition for partnerships in general or implementing partners in particular._ United Nations system organizations use various terms and definitions depending on their business models and type of intervention. In addition to engaging IPs to deliver programmes, organizations enter into other, non-IP partnerships that do not involve transfer of funds. Organizations also establish arrangements with third parties, such as common services agreements or commercial service contracts, which may be perceived as partnerships.

Regulations governing these various 'partnerships' differ widely. To differentiate partnership modalities from one another and to achieve clarity on what rules and regulations apply to implementation arrangements, organizations need to establish a clear definition for their IPs as distinct from other partnership arrangements. This will facilitate accountability and transparency, and prevent deviation from procurement and other applicable regulations. (See **Recommendation 1**)

➢ *Many organizations lack readily available key information on IPs.* Readily available information should include the types and names of partners, the funds allocated to them, the projects in which they are or have been engaged, and an evaluation of their performance. Instead, such information is typically dispersed among many offices, and additional manual intervention is required to make it available in an aggregated manner. Senior management and legislative bodies are deprived of having readily available information on significant resources expended by IPs and this may hinder accountability and informed decision-making. (See **Recommendation 2**)

➢ *IP management at each organization should employ a strategic approach.* Exploring and maximizing the contribution of IPs requires a decision framework that uses an organization's corporate strategic objectives as the basis for determining partnership requirements. Such an approach would establish and promulgate a common vision and help ensure that individual field offices do not undertake partnerships that diverge from corporate goals and priorities. An IP strategic approach, in each organization, would also help to identify and realize advantages in dealing with partnerships which may not be fully recognized otherwise.

A United Nations organization's strategic framework for IPs should specify several key elements, including: (a) why enter into partnership (*i.e.*, strategic direction, benefits/risks, national capacity building); (b) what the partnership should achieve (*i.e.*, goals/objectives); (c) with whom to partner (modalities, comparative advantages); and (d) how to engage with, manage and disengage from partnerships (agreements, management processes, monitoring, evaluation, lessons learned). (See **Recommendation 3**)

For several United Nations system organizations, host government entities are major Implementing Partners. In response to the Paris Declaration on Aid Effectiveness and the Rome Declaration on Harmonization and relevant General Assembly resolutions, some organizations have adopted National Execution (NEX) and National Implementation (NIM) as their standard implementation modality. Other organizations have adopted similar modalities as part of the effort to support national ownership and capacity building.

➢ The challenges of programme implementation through NEX/NIM or similar modalities, and the associated risks and costs, are the subject of on-going discussion within the United Nations community. Among United Nations system management and staff a prevalent view is the need to share risk among donors, Member States, United Nations organizations and recipient governments when delivering programmes through national entities. Although NEX/NIM may appear as somewhat riskier programme delivery in the short term, several relevant United Nations resolutions have emphasized the longer term benefit in national ownership and capacity-building.

Recent years have seen sporadic efforts to determine what has been achieved on a United Nations-wide basis, in national ownership and capacity building in line with the QCPR. A few United Nations system organizations have addressed this topic within their own operations. But the question of how United Nations interventions across the system have impacted national ownership and capacity-

building merits a systematic exploration. This should be the subject of collective reflection among United Nations entities and the topic of a system-wide comprehensive study. (See **Recommendation 5**)

The selection and management of IPs should be based on in-depth assessments of their capacities, sound legal agreements to safeguard United Nations interests, risk-based monitoring and reporting, robust auditing and evaluation, and improved fraud awareness and prevention. Across the full range of United Nations system organizations and widely varying IPs, these are essential elements that constitute the foundation for effective IP selection and management.

➢ *In-depth IP assessments during the selection process are essential for effective and efficient programme implementation.* Such assessments, made against rigorous selection criteria, will help to identify risks and capacity gaps and will point to risk-mitigation measures. At present, there are significant variations in how United Nations system organizations conduct and document their IP assessments. Some organizations use the Harmonized Approach to Cash Transfers (HACT) modality while others employ their own methodologies. In numerous instances, these assessments are inadequate in their content and analysis and in verifying information provided by the IPs. In the worst cases, IPs are not assessed at all. (See **Recommendation 4**)

➢ *Agreements such as memorandums of understanding (MOUs) and letters of agreement (LOAs) are important to the legal foundation for effective IP operations. Such documents should contain certain essential provisions to safeguard United Nations organizations' interests and rights.* At present, such agreements sometimes lack the elements necessary to cover all phases of project implementation. Some agreements, for example, fail to include adequate provision for the auditing of IPs and their subcontractors. Some have shortcomings with regard to provisions on codes of conduct, anti-terrorism and anti-corruption, restitution, procurement, property rights, and legal liability. (See **Recommendation 6**)

➢ *Effective monitoring and reporting of IP work is essential in assuring that funds are being spent as intended and that results are achieved.* Despite noticeable improvements in recent years more needs to be done to ensure robust and effective monitoring of IPs. At present, monitoring relies too heavily on reports provided by the IPs themselves, often with no systematic verification by United Nations staff. A major constraint to effective monitoring is the lack of capacity on the part of the organizations, both in terms of resources (staff and other) and of technical expertise. For some country offices, field visits to project sites are the exception rather than the rule. Some organizations not only lack monitoring mechanisms but often have no direct access to the beneficiaries, and rely entirely on IP self-reporting. Organizations with numerous IP projects and limited staff would benefit greatly from a robust risk-based monitoring framework which would facilitate allocation of scarce monitoring resources to projects having the highest risk exposure. (See **Recommendation 7**)

➢ *In line with Results Based Management principles, key performance indicators and other performance measurements are needed to determine individual performance of IPs and assessing results achieved by programmes/projects implemented by IPs.* Performance evaluations of IPs and their work are not systematically done in most organizations. Clear pre-set performance criteria and indicators should be included in the IP agreements and related documents to form the basis against which to measure IP performance and programme/project outputs, outcomes, results and impacts.

➢ *For the United Nations system, the magnitude of IP-related fraud remains relatively unknown. The*

United Nations Board of Auditors (BoA) and internal audit offices have highlighted that the level of reported fraud in the United Nations system is unusually low. Similar observations were made by the Independent Audit advisory Committee (IAAC). This ostensibly rosy picture of low fraud levels should be a matter of concern to management and legislative bodies alike. For United Nations system organizations to achieve and sustain a zero-tolerance culture to fraud, United Nations staff needs better training and guidance to support a systemic anti-fraud effort. Especially at the country level, fraud awareness training should cover not only occupational fraud but also such areas as misconduct and fraud when engaging with third parties. Organizations also need to revise oversight function charters to ensure they have the right to investigate third parties involved in implementing United Nations-funded activities. (See **Recommendations 8 and 9**)

➢ *Effective United Nations action through IPs requires better training of both IP and United Nations staff in such areas as financial management, accounting, procurement and human resources management*. On the IP side, the training deficiency is exacerbated by the need for IP staff to engage with multiple United Nations agencies whose management and operating systems may differ widely. Of even greater importance, however, is the need for United Nations staff to receive specialized training in all aspects of IP selection and management. Costs associated with such training should be identified up front as part of the budget and programming process.

➢ *Existing automation systems are not adequately supporting the IP management process*. As stated the complexity of having important data on IPs in an aggregated and user-friendly manner is a challenge facing most United Nation system organizations. There is need to make use of automation techniques and especially the capabilities of existing automation systems, such as ERPs and other database tracking systems, with the aim to ensure that these systems also support the management of IPs. More serious is the case of organizations that lack centralized or even decentralized IP databases or partner portals or lack fully employed ERP systems. There exists a significant gap of sufficient IP automation tools that may impede the effective and efficient management of IPs. (See **Recommendation 10**)

Within the United Nations system, interagency cooperation and information-sharing on IP issues is deficient both at the country level and also among agencies at the headquarters level.

➢ The process of consulting and sharing information on IPs at the operational management group of the United Nations Country Team occurs on an *ad hoc* basis. In most cases, the Resident Coordinator Offices do not have a basic list of IPs that various agencies have worked with. Little consultation among organizations precedes the signing of new agreements with IPs, and in many cases no information is shared even on IPs with questionable performance records that should normally invite scrutiny. (See **Recommendation 11**)

➢ Similarly, no forum exists among agencies at the headquarters level for discussing all-encompassing issues related to IPs in particular and partnerships in general. One exception involves HACT-related issues that receive attention at the United Nations System Chief Executives Board for Coordination (CEB)/ United Nations Development Operations Coordination Office (UNDOCO) level in efforts to harmonize cash-transfer processes. Thus, as a general rule, the majority of United Nations system organizations are engaging with IPs in the absence of shared knowledge on issues such as policy directions, modalities, capacity-building, pre-assessments/due diligence, legal agreements, and the entire realm of monitoring, reporting and auditing. Accordingly, organizations are missing fundamental opportunities to draw from the valuable experiences arising from work done by others.

Such sharing would be particularly valuable to organizations now engaged in updating their IP policies and procedures. (See **Recommendation 12**)

Recommendations

Recommendation 1
The executive heads of United Nations system organizations should act to ensure that their respective partnership arrangements involving the transfer of United Nations resources to third parties (notably Implementing Partners) are clearly defined as being distinct from other types of partnerships not receiving United Nations funding, as well as from commercial contracts, in order to make sure that appropriate rules and regulations apply in the different cases.

Recommendation 2
The executive heads of United Nations system organizations should ensure that key information on Implementing Partners such as expenditures by purpose (programme, project, activity etc.), modality (e.g. national government entity, NGO/CSO etc.), and evaluation of their performance are readily available in their organizations. Such key information should be reported regularly to legislative bodies, within the existing reporting mechanisms.

Recommendation 3
The legislative bodies of the United Nations system should direct the executive heads of their respective organizations to prepare and submit to them an organization-specific comprehensive strategic framework for partnerships, inclusive of Implementing Partners, aligned to their overall corporate strategic objectives. Such framework should include an analysis of resources required to operationalize it.

Recommendation 4
The executive heads of United Nations system organizations should establish rigorous Implementing Partner assessment and selection processes designed to determine the capacity and potential weaknesses and risks of an Implementing Partner, and ensure its capability to fulfil programme delivery requirements.

Recommendation 5
The General Assembly, in the context of the QCPR and in line with the on-going effort to develop a common United Nations framework for measuring progress in national capacity development, should commission a system-wide study to take stock of the effectiveness and impact of Implementing Partner related approaches, initiatives and systems on strengthening national capacities and promoting national ownership in the delivery of programmes and activities for sustainable development.

Recommendation 6
The executive heads of United Nations system organizations should act to strengthen Implementing Partner agreements and other legal instruments in line with good practices so as to ensure the inclusion of all provisions needed to safeguard the interests and rights of their organizations.

Recommendation 7
The executive heads of United Nations system organizations should establish risk-based monitoring

frameworks to guide their respective organizations in systematically monitoring programmes and projects delivered by Implementing Partners. The frameworks shall be adapted by country offices to best fit the types of interventions in the country specific environments.

Recommendation 8
The executive heads of United Nations system organizations should institute training in fraud awareness and prevention, with emphasis on fraud related to third parties, for staff engaged with Implementing Partners (and especially staff in country offices).

Recommendation 9
The executive heads of United Nations system organizations should revise existing oversight function charters to ensure that they have the right to investigate third parties involved in implementing United Nations funded activities. The revised charters should be submitted to legislative bodies for approval.

Recommendation 10
The executive heads of United Nations system organizations should review the capabilities of their existing automation systems, such as ERPs and other database tracking systems, with the aim of supporting the management of Implementing Partners and consolidating related data in these systems. This action should be based on a cost/benefit analysis, taking into account the level of need for such data.

Recommendation 11
The executive heads of United Nations system organizations should instruct country offices to act at the country level to establish, in cooperation with other United Nations organizations, procedures for sharing Implementing Partner information. Channels for such cooperation should include operations management groups of the UNCT and clusters and working groups established under UNDAF, UNPAF and UNDAP.

Recommendation 12
The United Nations Secretary-General, in his capacity as Chairman of the CEB, should act to ensure that Implementing Partner policy and management issues become a regular agenda item of the three CEB pillars. Consideration of these issues can occur in a special Implementing Partner-focused working group or as a standing item in existing functional networks. Issues considered should include, inter alia, strategic frameworks, assessments, selection, agreements, accounting and financial management, monitoring and performance evaluation.

CONTENTS

ATTACHMENT

ANNEXES

Annexes I-XI are published only on the JIU website (www.unjiu.org) together with the report

ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budget Questions
ACFE	Association of Certified Fraud Examiners
AfDB	African Development Bank
AWP	Annual Work Plan
BoA	United Nations Board of Auditors
CARDS	Comprehensive Audit Recommendations Database
CDR	Combined Delivery Report
CEB	United Nations System Chief Executives Board for Coordination
CHF	Common Humanitarian Fund
CPAP	Country Programme Action Plan
CSO	Civil Society Organization
DaO	Delivering as One
DESA	Department of Economic and Social Affairs
DIM	Direct Implementation
DM	Department of Management
EOSG/SPU	Executive Office of the Secretary-General/Strategic Planning Unit
ERF	Emergency Response Fund
ERP	Enterprise Resource Planning
EU-ECHO	European Commission Humanitarian Office
FACE	Funding Authorization and Certificate of Expenditure
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility Trust Fund
HACT	Harmonized Approach to Cash Transfers
HC	Humanitarian Coordinator
HLCM	High-Level Committee on Management
IASC	Inter-Agency Standing Committee
ICAO	International Civil Aviation Organization
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
IP	Implementing Partner
IPIMS	Implementing Partner Information Management System
IPSAS	International Public Sector Accounting Standards
JIU	Joint Inspection Unit of the United Nations system
LOA	Letters of Agreement
LOU	Letters of Understanding
LTA	Long-term agreement
M/E	Monitoring and evaluation
MDTFs	Multi-Donor Trust Funds
MOU	Memorandum of Understanding
MSRP	Management Systems Renewal Project
NEX	National Execution
NEXAMS	National Execution Audit Management System
NGOs	Non-Governmental Organizations
NIM	National Implementation
OCHA	Office for the Coordination of Humanitarian Affairs
OIOS	Office of Internal Oversight Services
OPPBA	Office of Programme Planning, Budget and Accounts
PAHO	Pan American Health Organization

PBSO	Peacebuilding Support Office
QCPR	Quadrennial Comprehensive Policy Review
RBM	Results-based management
RC	Resident Coordinator
RMU	Risk Management Unit
SAI	Supreme Audit Institution
SOPs	Standard Operating Procedures
TCPR	Triennial Comprehensive Policy Review
TOR	Terms of reference
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDAP	United Nations Development Assistance Plan
UNDEF	United Nations Democracy Fund
UNDG	United Nations Development Group
UNDOCO	United Nations Development Operations Coordination Office
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNHQ	United Nations Headquarters
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNPAF	United Nations Partnership Framework
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1.   As part of its programme of work for 2013, the Joint Inspection Unit (JIU) conducted a system-wide review of the management of implementing partners (IPs) in United Nations system organizations. In recent years the General Assembly and the Advisory Committee on Administrative and Budget Questions (ACABQ) have expressed concern about the lack of adequate managerial control over programmes and projects carried out by third parties on behalf of the United Nations. Concerns have also been raised by United Nations oversight bodies (internal and external audit offices) about accountability issues regarding the transfer of funds by the United Nations to IPs, and the lack of robust mechanisms to provide assurance that partners are spending funds as intended, and projects are executed efficiently and effectively. Last but not least, owing to the current world-wide economic climate, Member States are demanding more accountability and due diligence on United Nations funding spent by partners who may not be subject to the stringent procedures applied to direct United Nations expenditures.

2.   United Nations system organizations have been entering into partnerships with a variety of actors, ranging from national governments to civil society at the grass roots level, to deliver programmes in line with their mandates. In many such partnerships United Nations organizations assign the implementation of programmes/ projects to the partners and provide financial resources required for the work. In other instances the United Nations organizations engage partners that do not receive United Nations funding but work in tandem with the United Nations to achieve common goals and objectives, and in many instances are the main contributors of funds towards implementation of programmes and activities.

3.   This report focuses only on partnerships involving transfer of resources from the United Nations system to its partners. The most commonly understood term for such partners is that of 'implementing partners'. Therefore:

Implementing partners (IPs), in the context of this review, are "National government entities (including agencies or institutions); non-governmental organizations/civil society organizations (NGOs/CSOs); United Nations system agencies/organizations acting as IPs; non-United Nations multilateral and inter-governmental entities; and other entities (academia, etc.) with which United Nations system organizations enter into agreements and allocate United Nations resources to execute or implement programmes, projects and activities for the organization's beneficiaries."

4.   This report builds on previous JIU reports that addressed issues regarding the execution/ implementation of United Nations programmes through IPs, including a 1994 report titled "National execution of projects" (JIU/REP/94/9), the 1997 report "Execution of humanitarian assistance programmes through implementing partners" (JIU/REP/97/3), and the 2008 report "National execution of technical cooperation projects" (JIU/REP/2008/4) which focused on modalities related specifically to implementation of technical cooperation projects through national governments.

OBJECTIVES AND SCOPE

5.   This report aims to provide a review of methods and practices used by United Nations organizations across the system to select and manage IPs for programme/project delivery, with a view to identifying strengths and weaknesses in current practice and exploring areas for further improvement for an effective and efficient management of IPs.

6.   The report focuses on issues regarding the United Nations organizations' governance structures and selection processes for engaging IPs, the modalities of organizations to monitor and evaluate IP programme delivery, and the audit and investigation arrangements related to IPs. United Nations organizations engage in development and humanitarian assistance in diverse political, economic and social settings, and operate in disperse worldwide locations. Their management systems and working modalities have been designed to accommodate their own particular mandates, business models and operations. Similarly, IPs vary widely and operate under different organizational structures and settings. They include host government entities that are

different from one country to another, national and international NGOs, civil society groups, and academic and research institutions.

7.   Consequently, there is no one-size-fits-all approach in the way United Nations system organizations engage and manage the different types of IPs. This report attempts to provide information on common elements of the various approaches taken by organizations, identify challenges, and make recommendations as appropriate. Such recommendations may not apply equally to all organizations that participated in this review.

METHODOLOGY

8.   The review was undertaken from February 2013 to October 2013 on a system wide basis and focused on IP modalities used by the United Nations, its funds and programmes, and specialized agencies, to execute/implement projects at a national, regional or global level.

9.   A methodology of desk reviews, detailed questionnaires, system-wide interviews, and in-depth analysis has been followed for this report. The methodology combined qualitative and quantitative approaches. The project began with a review of relevant documents and reports and an analysis of the issues identified therein relating to IPs. The data-collection phase included information received in meetings conducted at headquarters offices[1] of participating organizations and in field visits to selected country offices (Kenya, Thailand and the United Republic of Tanzania). Other parties visited were the World Bank, the International Fund for Agricultural Development (IFAD), the European Commission (EC), and the Global Fund. In total 366 persons participated in the interviews. In addition detailed questionnaires were sent to 24 participating organizations and responses were received from 19 organizations.[2] Of particular help were the issues and challenges reported by these organizations in response to the questionnaires and during interviews (see Annex XI). Teleconferences were conducted when on-site visits were not possible. A number of IPs were also contacted (national government ministries and international NGOs), however exposure to a wider perspective of IP views on the subject matter was not possible in this review. There is scope in this area for future consideration.

10. Limited resources for the conduct of the review did not allow for more extensive testing on adequacy of controls and compliance issues on a system-wide basis. The review took into account findings of IP-related audits and evaluations of United Nations organizations conducted by the Office of Internal Oversight Services (OIOS), the United Nations Board of Auditors (BoA) and other internal and external oversight bodies of United Nations system organizations. By and large, the Inspectors found the information on these IP related reports invaluable and appreciate the cooperation and information provided by United Nations system auditors and evaluators towards this report. Given the wide scope and challenging nature of this topic, and the diversified nature and plethora of IP modalities, no synthesis can capture fully the in-depth findings of these audit and evaluation reports. In the course of the review the Inspectors noted that the detailed recommendations of these reports have already contributed to noticeable improvements in the management of IPs throughout the United Nations system.

11. Implementation modalities in the context of multi-donor and other pooled funds, such as the Global Environment Facility Trust Fund (GEF), Multi-Donor Trust Funds (MDTFs), the Common Humanitarian Fund (CHF) and the Emergency Response Fund (ERF), have not been looked at in depth, given the limits of this review.

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[1] WMO, UNHCR, ILO, WHO, FAO, WFP, United Nations Secretariat (DESA, PBSO, UNDEF, OPPBA, OCHA, DM, OIOS, EOSG/SPU), UNDP, UNICEF, UNFPA, UN-Women, UNEP, UN-Habitat, UNODC, UNIDO, UNESCO; meetings also took place with officials of PAHO, IFAD, World Bank, IDB, Global Fund, EuropeAid and EU-ECHO. Meetings also took place with the CEB secretariat, UNDOCO, and BoA.
[2] FAO, ICAO, ILO, IMO, UNDP, UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNHQ, UNICEF, UNIDO, UNODC, UNOPS, UN-Women, WFP, WHO, WMO.

12. An internal peer review procedure was used to solicit comments from all JIU Inspectors (Collective Wisdom) before the report was finalized. The draft report was also circulated to United Nations organizations and other stakeholders for correction of factual errors and to make comments on the findings, conclusions and recommendations. To facilitate the handling of the report, the implementation of its recommendations and monitoring thereof, Attachment I contains a table indicating whether the report is submitted for action or for information to the governing bodies and executive heads of the organizations reviewed.

13. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report and in particular to those who participated in the interviews and questionnaires and so willingly shared their knowledge and expertise.

BACKGROUND - The emergence of partnerships.

14. Partnerships with public and non-public entities have been featured on the agenda of the United Nations development assistance arena for a number of years. They have become essential for most of the United Nations system organizations for achieving internationally agreed development goals. In 2000, the United Nations Millennium Summit adopted Goal 8 advocating the development of a global partnership for development. The contribution of partnerships to aid effectiveness was highlighted in the 2002 Monterey Consensus on Financing for Development, the 2003 Rome Declaration on Harmonisation, the 2005 World Summit Outcome and the 2005 Paris Declaration on Aid Effectiveness. In 2011 the Fourth High-Level Forum on Aid Effectiveness in Busan, Republic of Korea, resulted in the Global Partnership for Effective Development Cooperation. Busan was a continuation of the Accra Agenda for Action (2008).

15. More recently the General Assembly adopted the Quadrennial Comprehensive Policy Review (QCPR) of United Nations operational activities for development (resolution 67/226 of 12 December 2012), whose legislative mandates, among others, focus on partnerships, *i.e.* enhancing system-wide capacity to engage in results-oriented innovative national, regional, and global partnerships with diverse stakeholders, and strengthening operational partnerships with other multilateral organizations and stakeholders.

16. Partnerships have been an essential element of the United Nations Development Assistance Framework (UNDAF) and Delivering as One (DaO) initiatives. UNDAF was designed to set out the collective United Nations response to a country's needs in development and humanitarian interventions. DaO pilot countries were established following the High-level Panel on United Nations System-wide Coherence report to the Secretary-General in 2006, to increase the impact of the United Nations through improvements in efficiency, coherence and effectiveness.

17. The range of areas involving partners goes beyond development and humanitarian affairs and includes, *inter alia*, peacekeeping, disarmament, human rights and good governance. United Nations organizations enter into partnerships for a variety of reasons including: delivering their mandates more effectively, providing better and improved access to beneficiaries; engaging in national capacity-building, strengthening their own capacities through additional expertise partnerships can provide; improving efficiency through economies of scale; leveraging influence through partners that share the same values and goals; addressing operational constraints related to safety and security; and leveraging additional resources.

18. Partnerships are manifold, from informal arrangements to formal agreements, addressing the execution or implementation by partners of an array of activities including programmes and projects at a country, regional or global level. **While this review focuses on IPs to which United Nations resources have been allocated to implement such activities, it should be noted that in many cases partners are the full-funding contributors of United Nations activities, and in such cases relationships and working modalities differ from those involving IPs. As stated, non-IP modalities are not within the scope of this review.**

II.   A PLETHORA OF DEFINITIONS

19. General Assembly resolution 60/215 defines partnerships as "voluntary and collaborative relationships between various parties, both public and non-public, in which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits". **However, this review revealed that most United Nations system organizations do not have a clear definition for partnerships in general or IPs in particular. Depending on their business model, type of intervention, and partnership arrangements, organizations use different terms and definitions**.

20. Annex I presents the terminology and definitions used for IPs by United Nations organizations that participated in this review. The term "implementing partner" or IP - as defined in the Introduction Chapter - is most commonly used by such organizations as UNHCR, UNDP, UNFPA and UN-Habitat. However, for a number of partners the term "implementing partner" is not desirable as it implies a degree of ranking of the partner and may not reflect the notion of real partnership on an equal footing, as was envisioned in the above-mentioned General Assembly resolution. Government entities for example, or other intergovernmental organizations that are recipients of United Nations funding, do not see themselves simply as implementing entities but rather as mutual partners. Accordingly, some United Nations organizations have opted for a different terminology for IPs, such as "cooperating partner" by WFP, "implementing agent" by ILO or "partner organization" by UNIDO. Still in these cases the underlying principle remains the same: the relationship involves the transfer of United Nations resources to the partner.

21. As mentioned above, in addition to engaging IPs that involve the transfer of resources, United Nations organizations enter into other types of partnerships that do not involve the transfer of funds, and as such, they arrange collaborative agreements with donor countries, conduct joint programming exercises, promote dialogue and advocacy, etc. The terminology used for such partnerships varies and includes "collaborative partners" by UNICEF, "complementary partners and/or coordinating partners" by WFP, or "investment partner" by UNEP. It should also be noted that other types of arrangements, such as executing common services agreements with third parties, signing arrangements with commercial service providers or hiring consultants, which are more of a contractual nature, may also be perceived as partnerships.

22. The regulatory framework for implementing activities and delivering products under the above categories of 'partnerships' differs widely. As such, there is a need for clear definitions for IPs distinct from other arrangements, in order to differentiate implementation modalities from one another and, more importantly, have clarity on what sets of rules and regulations apply to the respective implementation arrangements in a given situation. The Inspectors observed that in some cases IP agreements were used instead of procurement contracts, as United Nations staff found it easier and faster to sign agreements under the IP rules instead of the more rigorous procurement regulations. Similar findings were highlighted in internal audit reports at various country offices. This practice, albeit not frequent, exposes the organizations to certain risks due to the absence of detailed internal controls that may need to be in place in particular circumstances.

23. The implementation of the following recommendation is expected to assist in ascertaining accountability and transparency, and prevent deviation from procurement or other applicable regulations.

Recommendation 1

The executive heads of United Nations system organizations should act to ensure that their respective partnership arrangements involving the transfer of United Nations resources to third parties (notably Implementing Partners) are clearly defined as being distinct from other types of partnerships not receiving United Nations funding, as well as from commercial contracts, in order to make sure that appropriate rules and regulations apply in the different cases.

III. FRAGMENTED INFORMATION ON IMPLEMENTING PARTNERS

24. While the benefits of engaging in partnerships have been well recognized amongst the United Nations community, and partners have become indispensable players in achieving objectives, United Nations system organizations increasingly realize that partnerships do not only come with benefits but also with risks and associated costs. This in particular applies to IPs which are acknowledged as high risk by management and oversight bodies alike. On the one hand IPs are a critical, and indeed indispensable, part of the programme delivery model of most United Nations organizations. On the other, they are entities outside the established United Nations governance structures, to which resources are transferred for the delivery of activities, outputs and results, often in adverse field environments. As such accountability considerations when engaging with IPs become paramount.

25. The volume of resources allocated to IPs demonstrates the extent of risk exposure to United Nations organizations. It is significantly high especially for United Nations funds and programmes. For instance, UNDP allocated about 59 per cent of its expenditures in the 2010-2011 biennium to implementing partners, UNHCR about 35 per cent, UNFPA about 29 per cent, and UNICEF about 28 per cent.[3] Annex II presents a summary of expenditures attributable to IPs in United Nations system organizations for 2008-2009 and 2010-2011.

26. The number of IPs with which United Nations organizations are engaged also provides an indication of the magnitude of the challenges confronting organizations in identifying, selecting, managing and monitoring the work of IPs. As of December 2012 the number ranges from a low of 56 IPs at UNESCO to a high of 17,152 IPs at UNICEF. United Nations funds and programmes have the highest number of IPs, with organizations, such as UNFPA (2,050) and UNHCR (1,119), among the highest.[4]

27. Many organizations were unable to provide to the Inspectors key information on partners and IPs, such as the resources allocated to them, the types and names of partners, the number of IPs, for which projects and programmes IPs are currently engaged and have been engaged in the past, in what regions, their current and past performance etc. It was explained during interviews at headquarters and field offices, that this information is available at different departments and offices *e.g.* programme offices, finance, field offices, procurement sections, internal audit and evaluation offices etc. As such, it was noted that it would require additional manual interventions to extract and make the data available in a consolidated and aggregated way for the organization as a whole. This, despite the fact that most organizations have Enterprise Resource Planning (ERP) systems in place that may have the capability to provide such information if designed appropriately (see also chapter XII, section B).

28. This situation deprives senior management of having readily available financial and management information on a considerable amount of organizational resources expended through third parties. It is the Inspectors' view that such key data should be part of management's arsenal for informed decision making. This information would also provide the legislative bodies with greater access to information regarding IPs, and enhance transparency on the approaches taken by organizations to deliver programmes and projects through third parties. Reporting on IP-related key data could be part of the regular programme performance reporting, as appropriate. Some organizations have suggested that reporting formats, such as the International Aid Transparency Initiative (IATI) or the Integrated Financial Accountability Framework (IFAF), may be used for facilitating data comparability and United Nations system coherence.

29. The implementation of the following recommendation is expected to enhance accountability and transparency.

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[3] Based on table 5, para. 57, of the "Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the biennium 2010-2011"(A/67/173). See also annex II of this JIU report.
[4] Information from responses to JIU questionnaire.

Recommendation 2

The executive heads of United Nations system organizations should ensure that key information on Implementing Partners such as expenditures by purpose (programme, project, activity etc.), modality (e.g. national government entity, NGO/CSO etc.), and evaluation of their performance are readily available in their organizations. Such key information should be reported regularly to legislative bodies, within the existing reporting mechanisms.

IV.   NEED FOR A STRATEGIC PERSPECTIVE

30. The increase in awareness of the importance and value of partnerships and the attention paid to IPs by the audit community and Member States alike has resulted in a number of United Nations organizations establishing new operational policies, procedures and guidelines addressing the management of partnerships in general and IPs in particular (see annex III). Organizations such as UNICEF, FAO and IFAD, have gone further by adopting corporate partnership strategies, and have made engagement with partnerships an integral part of their corporate goals in their organization's medium and long-term strategic plans. WFP is currently developing its first corporate partnership strategy which will be presented to its Executive Board in 2014. FAO and IFAD have instituted the good practice of establishing partnership offices or directorates to assist in implementing the strategy and provide support. Furthermore, some organizations (*i.e.* FAO, UNEP, and UN-Habitat) have established partnership advisory committees at headquarters that provide guidance, and/or review selection of major partners.

31. Notwithstanding the above, the Inspectors observed that a number of organizations across the United Nations system have a fragmented, often *ad hoc* and incoherent approach to engaging with partnerships in general and in managing IPs in particular. This is more so in organizations with a decentralized structure and delegation of authority to country offices where, in most cases, selection and management is taking place. Furthermore, it was noted that in organizations which are taking steps to address partnerships in a more systematic and strategic manner, the associated strategies and policies had been introduced in the past three to four years and most organizations reported their status as "work in progress" and "too early" for assessing their implementation and success.

32. The importance of having a strategic approach to partnering was acknowledged by managers and staff at HQs and field offices alike. On the one hand, because such an approach would help share a common vision and minimize the risk that individual field offices may pursue partnerships not in line with corporate goals and priorities, and on the other, because advantages and opportunities in dealing with partnerships may not be fully realized in a fragmented and piece-meal approach. Adopting a partnership strategic framework, which uses corporate strategic objectives as the basis for deciding partnership requirements (inclusive of IP requirements), is a most prudent way to maximize effective participation of partners in programme delivery and explore the full potential in working with them.

33. The Inspectors' review of existing partnership governance frameworks of various United Nations and other organizations indicate that **a good partnership strategic framework would spell out key elements for entering into partnerships and include in particular: why to enter into partnerships (*i.e.* strategic direction, benefits/risks, national capacity building); what the partnership should achieve (*i.e.* goals/ objectives); with whom to partner (modalities, comparative advantages), and how to engage with, manage, and disengage from partnerships (*i.e.* agreements, management processes, monitoring, evaluation, lessons learned).**

34. The implementation of the following recommendation is expected to enhance effective delivery of programmes through a strategic approach to partnerships.

Recommendation 3

The legislative bodies of the United Nations system should direct the executive heads of their respective organizations to prepare and submit to them an organization-specific comprehensive strategic framework for partnerships, inclusive of Implementing Partners, aligned to their overall corporate strategic objectives. Such framework should include an analysis of resources required to operationalize it.

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35. The partnership strategic framework should also contain a set of guiding principles to help the organization navigate through the engagement with partners. Annex IV presents a synopsis of guiding

principles for partnerships, used by various United Nations agencies and other organizations. Although these principles refer to the broader definition of partnership, for the most part they are equally applicable to IPs. The Inspectors suggest that at a minimum the following mutually inclusive principles, extrapolated from the ones provided by participating organizations, should be at the core of an IP strategic framework especially for organizations managing a large number of IPs:

> *Engage partners from national governments and national entities to promote national ownership and build national capacity*
> *Engage partners from NGOs/CSOs and other United Nations agencies and intergovernmental organizations to expand coverage and enhance practices for greater development results and impact*
> *Ensure that programme/project implementation by partners is based on effective management systems, adequate monitoring, reporting, auditing, and systematic evaluation, guided by clear policies and procedures.*
> *Promote learning and sharing of knowledge with all stake holders through dissemination of best practices and lessons learned*

36. The strategic framework and guiding principles should be operationalized with practical processes necessary to implement the framework. The diagram below depicts the related processes in managing IPs. The following chapters address observations, findings and recommendations as related to the processes followed by United Nations system organizations in managing their IP specific frameworks: chapter V covers the IP selection process, chapter VI addresses NEX/NIM issues, chapter VII reviews legal instruments/agreements, chapter VIII addresses IP monitoring and evaluation, chapter IX covers IP audit arrangements, chapter X reviews HACT challenges, chapter XI addresses fraud prevention and detection issues, chapter XII visits operational management issues, chapter XIII looks at fast-track procedures, and chapter XIV addresses matters of IP inter-agency cooperation and information-sharing.

IP Management Processes
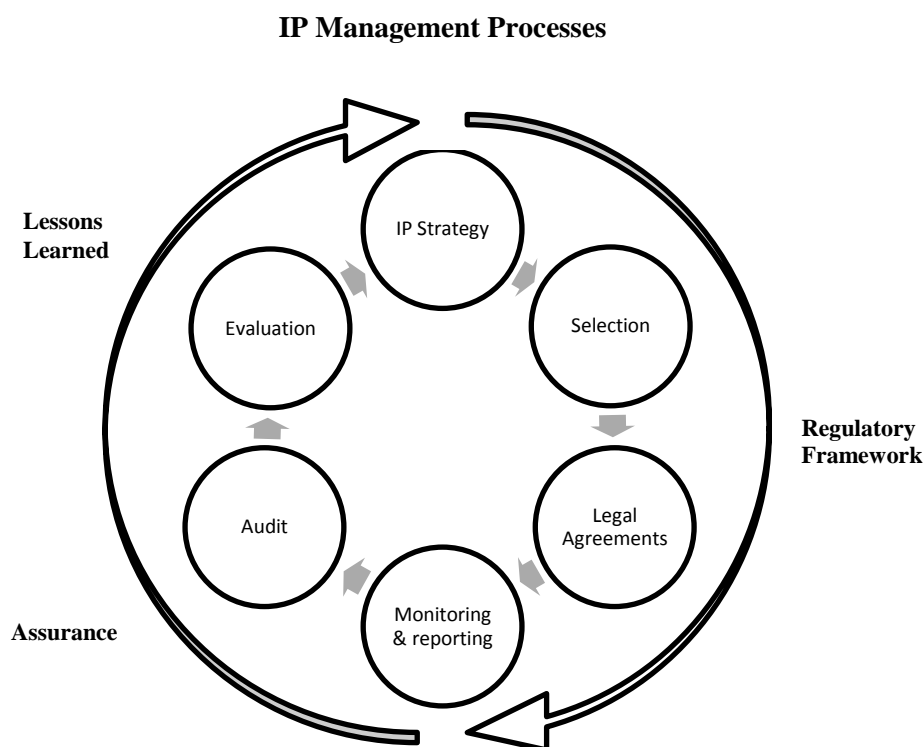
V.   SELECTION OF IMPLEMENTING PARTNERS

A. An overview of modalities and selection processes

37. Selection decisions for IPs are taken at different levels and stages of the programme or project implementation process. At the outset, the organization decides on the implementation modality which ideally should be guided by a corporate partnership strategy and/or applicable policies and procedures. As mentioned earlier, most organizations decide on the following modalities of IPs: national government entities; national/international NGOs/CSOs; other United Nations system specialized agencies; and other intergovernmental organizations. Entities, such as academia, foundations and research institutions may also be selected to fulfil specialized needs.

38. **National government entities** are the main partners for most United Nations funds and programmes and a number of specialized agencies. The Rome and Paris Declarations, the Accra Agenda for Action and subsequent General Assembly resolutions recognized the importance of national governments as more than just aid recipients, but as sovereign parties deciding the course of action of the intervention involved in their countries. These declarations sought to establish a new *modus operandi* where organizations not only work with but work through governments, thus recognizing their sovereignty and the extent to which they represent the best interests of their people. Selection of these government partners is taking into account assessments of the government's financial and management systems as a due diligence step to ensure capacity for programme delivery, as well as capacity-building needs. Chapter VI addresses additional issues related to government partners.

39. **Non-government entities (NGOs/CSOs)** are equally important IPs for most United Nations organizations. They can be national or international and act as service providers on specific projects, complement the programme delivery of the United Nations organizations, or become strategic partners who will take over the programme after the United Nations intervention has been completed. When the chosen IP modality is an NGO/CSO, a selection decision from a pool of potential IPs is taken based on a predetermined list of criteria. This list varies depending on the type of intervention and the business model of the organization. For instance, in UNHCR to be considered as an IP, an entity should: be legally registered; be financially reliable; have successfully implemented a similar programme in the past; demonstrate its capacity to respond to an emergency at short notice; and have local experience, share common humanitarian goals, and not be on the United Nations Security Council sanctions lists. UNESCO criteria include a requirement for at least two years of previous experience, and WHO requires a scientific and technical good standing at the national and international levels. In UNIDO partner organizations are required to provide evidence of their technical competency in sustainable industrial development areas.

40. When **other United Nations agencies or intergovernmental organizations** are chosen as IPs, the selection is based on their specialized expertise, competitive advantage and level of complementarity for the particular intervention.

41. In many cases a combination of the above modalities is also considered. Also, a government partner may in turn engage an NGO for implementing parts of a programme with which it was entrusted by a United Nations organization. Similarly, United Nations agencies acting as IPs may sub-engage international NGOs who in turn sub-contact activities to local NGOs or CSOs.

42. In most organizations reviewed, the selection decisions are taken by staff at the country level in line with the respective delegation of authority. In some cases approval is required by the organization's headquarters, in others the selections are subject to review by IP committees (similar to contract, grant or project committees) at the country and/or headquarters level depending on the size and monetary value of the IP project.

43. In many country offices the selection of IPs begins during the formulation of the Common Country Assessment/United Nations Development Assistance Framework (CCA/UNDAF) – UNDAPs in DaO countries – or UNPAF in middle income countries - and the preparation of the Country Programme Action Plans (CPAPs) and Annual Work Plans (AWPs). However, in short-term humanitarian interventions and other emergencies, as well as for organizations with mainly normative mandates, the process is based on the circumstances of the specific intervention. Also, some specialized agencies address programming requirements and define priority areas of work outside the UNDAF and thus identification of IPs takes place in a complimentary if not separate context. Furthermore, a number of programmes or projects are undertaken by United Nations agencies not only at a country but also at a regional, interregional or global level, and as such the selection varies and sometimes is restricted by the lack of IPs able to operate at such levels.

44. **Annex V summarizes the set of criteria used by United Nations organizations for selection of the various IP modalities as well as the selection criteria used after the modality has been determined**. **The Inspectors observed that policies and guidelines in a number of organizations have been updated and revised in recent years to enhance the selection process of IPs. These revisions include more rigorous selection criteria for category and type of IP, consideration of alternative competitive processes, introduction of pre-assessment processes, and requirements for adequate documentation of the selection.** However challenges remain and the Inspectors wish to selectively highlight a number of them in the following section.

B.   Challenges remain

45. On-site interviews and a desk review of internal audit reports on IP selection processes, indicate a number of factors and constraints that may be influencing the selection of IPs. When projects are financed by extra-budgetary or voluntary contributions, there have been cases where donors have tied their contributions to the selection and engagement of specific IPs or to a limited group of IPs, *e.g.* NGOs/ CSOs from specific countries.

46. In some cases selection of NGO/CSOs was affected by preferences and/or decisions made by the host governments. For example in Kenya, an evaluation conducted by WFP highlighted cases where, either by convention or by active government choice, NGOs involved in humanitarian services had secured exclusive rights in certain regions or territories. In such circumstances, the ability to improve the quality of services by seeking better partners is limited.[5]

47. Competition among agencies for the same IPs is also a recurrent issue, especially in environments, such as emergencies, humanitarian relief operations or post-conflict situations, where the number and choice of IPs are usually limited or non-existent. Further, such environments are conducive to risks of favouritism and corruption in relation to the selection. Limited availability of IPs is also a challenge for organizations with highly technical or normative mandates, as there is usually only a small number of suitable IPs with the required technical expertise.

48. Regarding government partners there is no common approach in working with governments as they are different from one country to another. As such there are difficulties in standardizing procedures or transferring good practices from one country office to another.

49. In some cases international NGOs may have a good performance record in one country but not so in another, *e.g.* because of differences in staffing skills or relationships with the host government.

50. Despite the noticeable progress in upgrading IP related policies and procedures and improving selection processes, a recurring observation, mostly in smaller organizations, is the lack of adequate training and guidance in country offices on how IP selections are to be conducted, including detailed standard operating procedures (SOPs) and checklists for selection (see also chapter XII).

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[5] WFP evaluation 2012, "From food aid to food assistance- working in partnerships".-

51. As mentioned in chapter III, the lack of easily accessible data on IPs that have performed work in the past either for the organization conducting the selection or other United Nations organizations in the country or region, is an obstacle that impedes the use of existing information in the IP selection process. The situation is more acute in cases of emergencies and humanitarian interventions. The need for centralized databases on IPs at headquarters level as well as the county offices has been highlighted in the past in numerous reports of OIOS and other internal audit offices, as well as in the JIU report JIU/REP/97/3.

C.   The criticality of IP assessments

52. As part of the selection process a number of organizations conduct assessments of IPs either through implementation of HACT (macro and micro assessments) (see chapter X), or through their own assessment methodologies. However, the Inspectors observed significant variations in how assessments and due diligence of IPs are conducted and documented. In the worst case, assessments of IPs are not conducted at all. In other cases, they are not adequately done lacking appropriate in-depth analysis and verification of qualifying information provided by the IPs. The underlying reasons for that, as explained in interviews, are often lack of capacity, both in terms of resources and expertise, as well as lack of adequate guidelines and procedures.

53. **Up-front and in-depth IP assessment during the selection process is one of the most important and critical elements required to ensure the effective and efficient implementation of programmes and activities. Such assessments serve two purposes: first, vetting of the partners in terms of compliance with the selection criteria (such as reliability, capacity and technical expertise; adherence to the United Nations organization's standards and rules; adequacy of their internal control frameworks, financial management capacities, etc.); and secondly, allowing an in-depth risk assessment to identify gaps and risks and how they could be addressed through capacity-building and risk mitigation measures**.

54. Thus, in the case of government partners, as well as national NGOs, an in-depth and comprehensive pre-assessment would support efforts towards national capacity-building and knowledge transfer. It would identify possible capacity gaps and training needs and serve as a tool for deciding on how to address them. It would also help to determine what part of the programme may be implemented through other modalities or through commercial service providers. It is worth noting that in the spirit of good partnering some organizations, such as UNHCR, UNFPA and WFP, are increasingly conducting assessments and due diligence exercises in close consultation with the IPs concerned.

55. Frequently United Nations agencies are working with and provide resources to a number of IPs that simultaneously provide services to other United Nations agencies and/or to other entities such as the World Bank and the European Commission. There are reported cases by investigators of double contracting/ billing by some IPs to multiple donors for activities related to the same programmes (see chapter XI). This is an inherent risk the occurrence of which, albeit not common, needs to be addressed and mitigated. This could be done best early in the selection phase through an in-depth and thorough due diligence and pre-assessment process. Considering the frequent changes of IP staff these assessments could be valid for a limited period or be renewed for a respective IP depending on the circumstances.

56. The implementation of the following recommendation is expected to enhance the effectiveness of IP selection and compliance with existing IP policies and guidelines.

Recommendation 4

The executive heads of United Nations system organizations should establish rigorous Implementing Partner assessment and selection processes designed to determine the capacity and potential weaknesses and risks of an Implementing Partner, and ensure its capability to fulfil programme delivery requirements.

VI.   NATIONAL EXECUTION (NEX) AND NATIONAL IMPLEMENTATION (NIM)

A.   NEX/NIM modalities

57. As mentioned before, government entities are major partners for a number of United Nations system organizations in executing and implementing programmes and activities. In response to the Paris and Rome Declarations and subsequent General Assembly resolutions (*i.e.* 47/199, 62/208 and 67/226), Executive Committee organizations (UNDP, UNICEF, UNFPA, WFP) are operating mainly under the standard modality of National Execution (NEX) and National Implementation (NIM) in an effort to support national ownership and capacity-building.[6]

58. These organizations have introduced detailed guidelines and procedures to operationalize the NEX/NIM modality *i.e.* UNDP has a number of policies and procedures that provide the legal framework for the implementation of NEX and NIM projects; UNICEF utilizes, *inter alia*, the "National Execution and Implementation Arrangements" guidelines; and UNFPA uses regulations, rules and procedures similar to those of UNDP. Other organizations and specialized agencies, while not following the NEX/NIM modalities, have their own guidelines for implementing projects with national government entities. The Inspectors observed that organizations such as FAO and WHO have recently taken steps to align themselves to the NEX/NIM modality taking into consideration their particular business models.

59. The 2008 JIU report on the "National execution of technical cooperation projects" (JIU/REP/2008/4) addressed NEX/NIM-related issues, and identified challenges and lessons learned in the implementation of such modalities. As indicated in the report these modalities aim to achieve: (a) greater national self-reliance by effective use and enhancement of the management capabilities and technical expertise of national institutions and individuals; (b) enhanced sustainability of development programmes and projects by increasing national and local ownership and commitment to development activities; and (c) reduction of workload and integration with national programmes through greater use of appropriate national systems and procedures. Among its conclusions the report stated that government-led execution requires United Nations organizations and government partners to assume greater risks in pursuing sustained development. Such risks should be mitigated by promoting sound national policies that advance accountability and build capacity.

60. Further, the report observed that a number of other United Nations system organizations reserve a limited scope for NEX as a modality for the implementation of their programmes and projects, and some reserve the right to use NEX in a limited way or not at all. One of the reasons provided for these limitations was that organizations do not transfer funds directly to recipient governments. Others stated that even though they sign an agreement with the government, which is the owner of the programme, they remain accountable, within their own systems, for the whole management and reporting of funds channelled through NEX.

B.   National ownership and capacity-building

61. In the conduct of the present review the Inspectors explored some of the issues mentioned in the aforementioned report regarding implementation of United Nations activities through national governments. Certain observations emerged from interviews on the ground, as well as desk reviews and recent literature on the subject.

62. The first observation is the perception, by United Nations system staff interviewed and host governments alike, that the commitments made in the last decade by the international community to transfer to national entities more responsibility for executing or delivering programmes, have not been in all cases as robust as expected. The majority of interviewees indicated that while the various declarations and United Nations resolutions expressed an overall commitment to the use of national systems and building national capacity,

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[6] Definitions of NEX and NIM are discussed in JIU/REP/2008/4.

there has not been enough clarity on what in reality this meant: *e.g.* "operational oversight on national execution and implementation?", "delivering programmes/projects, goods and services by the United Nations on behalf of national governments?", "a combination of some aspects of both?". Managers and staff interviewed had difficulties answering or elaborating on these questions based on their working experiences.

63. Similar observations have been reported, *inter alia,* in surveys conducted by the United Nations Secretariat in 2012 and 2013 addressed to Governments of programme countries and to Resident Coordinators, in the context of the QCPR.[7] The General Assembly in paragraph 63 of resolution 67/226, requested the development of a common approach and framework for measuring progress in capacity development in programme countries. Steps to be taken to that effect are included in the UNDG Quadrennial Comprehensive Policy Review Action Plan.

64. The above notwithstanding, the Inspectors could not find any independent cross-cutting study performed on what are the actual results achieved, on a United Nations system-wide basis, in terms of national ownership, system-wide harmonization in capacity-building in line with the Triennial Comprehensive Policy Review (TCPR) and the QCPR, or on the question of who is ultimately responsible for programme delivery and results. With the exception of a limited number of evaluations commissioned by certain organizations to address this subject within their own operations[8] , the issue of the impact of interventions by United Nations organizations on national ownership, capacity building and their ramifications, appears to have been largely unexplored by most United Nations organizations. The Inspectors believe this should be the subject for a collective reflection among United Nations system entities and the topic of a comprehensive system-wide study.

65. Another observation, from interviews at headquarters and field offices, is the practice of a number of United Nations development agencies to increasingly deliver their programmes through direct implementation (DIM) outright, and/or through direct involvement by United Nations country offices in providing such services as human resource management, procurement, etc. to national entities. Some organizations also establish programme implementation coordination units embedded in the national government ministries under NEX or NIM arrangements. As indicated to the Inspectors, on the one hand this has been a helpful approach to support national capacity. On the other hand, it was indicated that more caution needs to be paid in ensuring that such embedded units remain focused on coordination, knowledge transfer, capacity-building and advisory services functions, and not get directly involved in the actual programme implementation, which translates to a situation of "*de facto* DIM".

66. Reportedly, one aspect of the above is that some national governments choose to have programmes or projects executed or implemented directly by United Nations agencies. This can be either because the government lacks the capacity to execute and would like to avoid the risk of possible failure and subsequent donor-funding implications, or because the government is less interested in capacity-building but more on actual programme delivery - as the case might be in middle-income countries.

67. Another aspect is the risk-averse environment under which a number of United Nations organizations are compelled to operate. Most United Nations staff interviewed on the ground feel that to build capacity you need a dedicated effort focusing more on the "capacity" element rather than the "delivery" element of the intervention. This, by definition, demands that in certain occasions United Nations organizations take greater risks when dealing with government partners - who might not have the means to deliver a programme - and

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[7] See "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system: report of the Secretary-General" (E/2013/94), which provides further information on the four related 2012 surveys addressed to Governments of all programme countries and to all resident coordinators, United Nations country team members, chairs of operations management teams at the country level, and civil society organizations in programme countries.

[8] UNDP, Evaluation of UNDP Contributions to Strengthening National Capacities, December 2010; UNFPA, Evaluation Report No.20, UNFPA's Support to National Capacity Development Achievements and Challenges, September 2003; and WFP, Evaluation of WFP's Capacity Development Policy and Operations, May 2008.

make efforts to support them along the way. The risks associated with delivering through such government partners may be much greater than reverting to direct implementation or NGOs. In an operating environment that calls for increased accountability and value for money, and a growing intolerance on the part of donor Member States regarding fraud and corruption, the primary concern of United Nations organizations is to ensure the delivery of programmes in line with their mandates and the regulations imposed on them. Capacity-building may indeed take place but it appears to be more a tangential exercise rather than the central focus of the intervention.

68. The Inspectors note that a number of agencies have several programmes dedicated to capacity building of government entities, and there have been a number of successful interventions throughout the United Nations system that are indicative of what can be achieved when targeted capacity building initiatives are in place. Nevertheless, the challenges and realities involving implementation through NEX/NIM modalities and the additional risks and costs involved are factors to be taken into consideration. Many interviewees felt that the sharing of risks among donor Member States, United Nations organizations, and recipient governments is an area that needs to be explored further among the various stakeholders in order to produce a more conducive environment for successful interventions. While NEX/NIM may appear to reflect a riskier delivery/implementation option in the short term, long-term benefits and rewards can be realized in line with the spirit of the aforementioned United Nations resolutions.

69. The implementation of the following recommendation is expected to enhance effectiveness and efficiency in engaging IPs.

Recommendation 5

The General Assembly, in the context of the QCPR and in line with the on-going effort to develop a common United Nations framework for measuring progress in national capacity development, should commission a system-wide study to take stock of the effectiveness and impact of Implementing Partner related approaches, initiatives and systems on strengthening national capacities and promoting national ownership in the delivery of programmes and activities for sustainable development.

VII.   THE MULTIPLICITY OF LEGAL INSTRUMENTS

70. Organizations use a range of legal instruments for engaging IPs, and have developed different template agreements for the various categories of IPs. For government partners and inter-governmental organizations memorandums of understanding (MOUs) are usually used, while for NGOs and CSOs, letters of agreement (LOAs), letters of understanding (LOUs) or similar agreements are concluded. When a United Nations organization engages another United Nations organization as an IP, a standard agreement template developed by UNDG/UNDOCO is mostly used. Agreements are usually supplemented with project and other supportive documents.

71. Some organizations, especially those working in the humanitarian assistance sector, have established fast-track procedures and use stand-by agreements with pre-selected partners for emergencies and crisis situations (see chapter XIII). Other legal instruments may include tripartite agreements (*e.g.* agreements between UNHCR, the government hosting the refugees, and the IP); and global agreements with international NGOs (*e.g.* the WFP's global MOUs on collaborative working arrangements with an international NGO). In the case of WHO, agreements may include: Agreements for the Performance of Work (APW), used in the context of contracting for goods and services; Technical Services Agreements (TSA), used in the context of clinical research and development work; and Direct Financial Cooperation (DFC) arrangements when payments are made by WHO in order to cover the cost of items that would otherwise be borne by governments.

72. Annex VI outlines the different legal instruments used by United Nations organizations in engaging IPs.

73. It should be noted that a number of organizations, such as the United Nations Secretariat (Peacebuilding Fund, UNDEF) and UNODC provide funding to third parties through grants and to this end they conclude grant agreements with recipient organizations. While the grant modality differs from the IP modality as to the source of funding - which is usually from extra-budgetary sources and the funds are specifically allocated for a respective grant programme - the selection of grantees, their pre-assessment and due diligence, monitoring, auditing, reporting as well as accountability issues, are similar to those of the IP modality. Therefore, this report's recommendations addressing those issues may also apply to the grant modality with the understanding that the specificities of the grant modality need to be taken into consideration as appropriate. Similarly, the recommendations also apply to implementation modalities in the context of multi-donor and other pooled funds, such as GEF, MDTF, CHF and ERF.

A.   Updating IP agreements in line with good practice

74. The template agreements used for the different categories of IPs vary in content from organization to organization. They set out the main framework of cooperation and the *modus operandi* of work, including the project's objectives, the parties' responsibilities and duties, implementation modalities, reporting, monitoring and audit arrangements. A list of the most commonly used provisions and minimum requirements included in IP agreements, either in the agreement as such or the attached project documents are presented in annex VII.

75. In reviewing a sample of IP agreements the Inspectors noted that not all agreements include the necessary provisions for ensuring that the organizations' interests and rights are adequately safeguarded. For instance, some organizations have not included in the agreements investigative rights for third parties and subcontractors, which would enable them to conduct investigations of IPs. Some good practice examples in this respect are initiatives by organizations such as UNDP, UNICEF, UNIDO and UNHCR that have addressed this shortcoming by adding appropriate clauses to their standard agreements.

76. There are also shortcomings in view of provisions involving anti-terrorism and anti-corruption clauses, restitution clauses, the use of the organization emblem and intellectual property provisions, procurement conducted by the IP, and governing-of-law clauses. Other limitations include absence of clauses on legal liabilities resulting from the activities of the IP, or property rights for equipment provided to the IPs. Finally, not all IP agreements make formal reference to and require acknowledgement of a code of conduct.

77. As previously mentioned the risks of IPs receiving additional funding from other donors for the same programme or charging the same overhead costs to multiple donors, could also be addressed by including a provision in the agreement requiring the partner to disclose to the United Nations organization any other additional funding received related to the specific project. Organizations such as UNIDO and UNHCR have incorporated clauses to that effect in agreements with IPs.

78. Table 1 lists some of the provisions and clauses not consistently included in IP agreements by all United Nations system organizations that, in the Inspectors' view, are important to safeguard the organizations interests and rights. Reference is also made to annex VII which contains additional provisions and clauses.

Table 1: Important provisions/clauses that are not consistently included in IP agreements.

- *Investigative rights for third parties and subcontractors*
- *Anti-terrorism and anti-corruption clauses*
- *Requirement for immediate reporting of any detected fraud*
- *Performance indicators for activities, outputs, outcomes and results of IP work*
- *Procurement and subcontracting by the IP*
- *Governing-of-law clauses*
- *Intellectual property provisions and use of organizations emblem*
- *Limitations of legal liabilities resulting from the activities of the IP*
- *Property rights for equipment provided to IPs*
- *Requirement and acknowledgement of a code of conduct by the IP*
- *Provision on disclosure of funding received from other donors related to the project*

79. MOUs, LOAs and similar documents serve as an important part of the foundation upon which IPs operate and deliver desired results. In order for such documents to play an effective role, they should contain essential elements to cover all phases and aspects of the programme/project implementation work.

80. The implementation of the following recommendation is expected to enhance effectiveness and efficiency in engaging IPs.

Recommendation 6

The executive heads of United Nations system organizations should act to strengthen Implementing Partner agreements and other legal instruments in line with good practices so as to ensure the inclusion of all provisions needed to safeguard the interests and rights of their organizations.

B. Small-scale agreements

81. Several organizations such as UNHCR, UN-Habitat, UNICEF and ILO, have in place IP agreements for small-size projects involving only a limited amount of resources. Those agreements have less strict provisions and come with approval procedures in line with the respective delegations of authority in place. Interviewees indicated that such agreements limit the administrative burden to the organization, lower transaction costs and allow for quick decisions. Annex VI provides, *inter alia*, information on organizations that have developed small-scale IP agreements. Annex VIII provides an example of a small-scale agreement template. The Inspectors recommend **that organizations, if they have not yet done so, should consider developing and adopting small-scale IP agreements in line with appropriate delegation of authority.**

C.   Proliferation of IP agreements

82. The Inspectors noted the tendency in some organizations to have an unusually high number of IPs. Instead of concluding one agreement with an IP for the whole programme or project, some country offices enter into multiple agreements of smaller amounts covering parts of the programmes/projects. This is mainly due to what is perceived as obstacles related to approval thresholds and associated delegation of authority at the country level. As indicated by staff in the field, going through the approval procedures, including through headquarters approval, or through IP committees, was time-consuming and cumbersome, increased the administrative burden, and delayed project implementation. It was acknowledged, however, that deviating from this practice is not in line with the established rules of delegation of authority, weakens the selection process and the controls in place, and results in an increased number of agreements which need to be monitored and thus an increase in overall risk.

83. In this regard, a recurrent item in internal and external audit reports was the high number of outstanding obligations which add to an increased number of active IP agreements and result in additional administrative costs. In addressing auditors' concerns several organizations, such as UNICEF, UNDP, UN-Women and UNEP, have made efforts to reduce the number of outstanding obligations. The introduction of new financial monitoring tools (such as the financial dash board for country offices at UNDP) or systems such as an electronic interface with IPs allowing for liquidating advances on line, are good additional measures for reducing the number of active agreements.

84. A balance needs to be found between necessary controls and adherence to established procedures, allowing some flexibility for cases where they are needed and suitable for reducing the administrative burden.

85. The Inspectors recommend that **the executive heads of the United Nations system organizations should: (a) review the existing thresholds and delegation of authority to country offices for concluding IP agreements, bearing in mind the role of IP committees at the country level; and (b) amend threshold provisions as necessary to allow administrative flexibility while maintaining adequate controls in place to ensure compliance.**

D.   UNDG standard agreement for United Nations Agency to United Nations Agency contributions

86. The United Nations Development Group (UNDG) has developed and endorsed a standard template agreement for United Nations agency to United Nations agency contributions together with a guidance note.[9] This standard United Nations agency to United Nations agency agreement provides an overall format and structure where two agencies are partnering and one transfers resources to the other agency to carry out programmatic activities, while also providing options for the agencies to select depending on the circumstances.

87. The Inspectors were informed that United Nations organizations are not using the UNDG standard template agreement in all cases where it would be suitable. In concurring with the UNDG suggestion, **the Inspectors recommend that United Nations organizations use the UNDG standard template agreement for United Nations agency to United Nations agency contributions, wherever feasible, with a view to reducing transaction costs and facilitating United Nations system-wide coherence.**

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[9] UNDG, Fiduciary Management Oversight Group, "Guidance note on transferring contributions from one UN agency to another for the purpose of programmatic activities, March 2011".

VIII. MONITORING AND EVALUATION

88. Effective monitoring and evaluation of IP work is essential in assuring that the resources allocated to IPs are being spent as intended and the objectives and results envisaged are being achieved.

89. In most organizations reviewed the monitoring and reporting framework for their respective IP programmes/projects is outlined in the IP agreements and related project documents. This framework outlines, *inter alia*, the IP responsibilities, activities and outputs together with the respective timelines and budgets, the type and frequency of reporting by the IP and the agreed monitoring activities. It also determines the payment/instalment schedules based on progress to date. The monitoring and reporting framework of the various organizations varies depending on the type of project, the type of intervention and the implementation environment.

90. The Inspectors observed that a number of United Nations organizations have made concerted efforts in recent years to strengthen the monitoring of IPs. These include reviewing reports received from IPs more systematically, conducting field visits and spot checks more frequently, and updating and revising their guidelines for monitoring, such as issuing SOPs, including checklists, for monitoring of IP work by staff in the field.[10]

91. The introduction of HACT in 2006 was intended to harmonize cash transfers to IPs and facilitate better monitoring of their work. The HACT framework, developed by UNDG/UNDOCO, includes performance monitoring elements of IPs, a financial reporting tool (FACE form) and IP project audit regimes. One of the strengths of the framework is that the monitoring regime is based on risks which are identified early in the implementation process. However, not all United Nations organizations have adopted the HACT framework. Challenges and issues regarding HACT and current efforts to strengthen its implementation are addressed in chapter X.

92. Despite noticeable improvements, it was acknowledged by a number of organizations that more needs to be done to ensure a robust and effective monitoring framework for IPs. Internal auditors have repeatedly expressed concern about the adequacy of guidance and the ineffectiveness of IP monitoring and reporting mechanisms on the ground. One of the issues observed by the Inspectors is that monitoring of IPs continues to rely mainly on the progress and final reports provided by the IPs themselves, but in many cases there is no verification by United Nations staff of the information provided. Verifications, if any, are not done systematically and are not based on risks assessments. Field visits to the project sites, spot checks and availability of supporting documentation, such as receipts, vouchers etc. are for some country offices the exception rather than the rule. It was noted that in certain cases organizations not only lack monitoring mechanisms but often have no direct access to the beneficiaries, and hence there is complete reliance on the reporting by the IPs without sufficient verification of the data and information submitted.

93. Reportedly**, a major constraint to effective monitoring is the lack of capacity, both in terms of resources (staff and other) and technical expertise**. Monitoring requires certain sets of skills, such as financial expertise, programme management skills and specific technical knowledge of the programmes and projects. For instance, programme staff without being well versed in reviewing financial statements, may not be able to detect inconsistencies or problems in the financial reports submitted by IPs, and, *vice versa*, finance

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[10] It should be noted that the European Union, as a significant United Nations partner, contributing over 1 billion Euro in support of external assistance programmes and projects, has made revisions to its financial rules and regulations (in force starting in 2014), which will have implications on the way the European Union is working with (implementing) partners, including organizations of the United Nations system. Among the changes, there will i.e. be an upfront assurance requirement that the IP systems in place at United Nations agencies (and other partners) are adequate to ensure that value for money is received from their IPs including assurance that the money was used as intended and that any possible irregularities would be detected. At the time of this review, the revision process of the applicable European Union rules and procedures, including those of EuropeAid and EU-ECHO, was still on-going.

staff may not be in a position to adequately assess programmatic achievements. Yet, in many cases, monitoring activities either in the country office or in the field are carried-out by staff available in the limited office contingent regardless of expertise. As was noted by interviewees and confirmed in many internal audit reports, better guidance for monitoring, such as SOPs, checklists etc., is needed as well as a more intense training of staff on monitoring techniques, especially in cases where monitoring visits are undertaken by junior staff not having the appropriate skills or familiarity with the IP operations reviewed. The scarce resources for monitoring IPs, remain a major challenge for most organizations.

94. Finally, in conflict and post- conflict areas, humanitarian crisis situations, and otherwise inaccessible regions, monitoring of IP activities remain an ever present challenge which most organizations are working hard to overcome.

A.   Risk-based monitoring of IP projects

95. On several occasions, internal and external auditors have recommended that United Nations system organizations develop and establish a systematic and risk-based monitoring framework for IPs. Especially for organizations that have a large number of IP projects, and limited staff to monitor the work, a robust risk-based monitoring framework would facilitate allocating scarce resources to those projects having the highest risk exposures. As part of the assessment and due diligence of an IP, the related risks should be identified and respective risk mitigation plans should be developed and subsequently implemented. The level of risks would determine, *inter alia*, the extent and type of monitoring activities, additional due diligence measures, schedule of payments/instalments, reporting frequency, requests for supporting documentation, auditing arrangements, field/monitoring visits and spot checks.

96. While enterprise risk management (ERM) and risk-based approaches to various aspects of delivering projects, including risk-based auditing, are gradually becoming a standard practice in many United Nations organizations, this is not so much the case in the management of IPs. Some organizations, *i.e.* those that have recently updated their IP policies and guidelines, have started to address those shortcomings and have developed a risk-based approach to managing and monitoring IPs.

97. One example is UNHCR which is making commendable efforts to embed risk management practices into all processes related to IP management. A risk-based tool for pre-selection of partners was introduced in 2009. In addition, among other efforts, a guidance note on IP performance monitoring has been prepared for UNHCR offices on how to use and apply a more structured approach to monitoring IPs based on risks. Also a policy and procedure guidance on a risk-based approach for pre-selection of partners has been recently introduced. At WFP, following a review of existing risk frameworks of IPs to identify common risk assessment processes and tools to actively manage shared risks, it was decided that case studies and workshops with partners would be undertaken in Zimbabwe and South Sudan in order to ensure an understanding of how risks can be shared in field environments. The workshops identified a number of findings that were subsequently presented at the WFP 2013 Annual Partnership Consultations. Joint risk sharing workshops between WFP and IPs appeared to be effective forums to openly discuss risks, particularly where the size and/or the scope of the operations preclude effective risk sharing mechanisms. The workshops encouraged staff from WFP and IPs to share risks in the context of their operations, emphasizing the common objectives and risks and the identification and ownership of mitigating actions.

98. However, the Inspectors also observed situations in a number of organizations where monitoring activities were guided by convenience, circumstantial or incidental considerations rather than real risk factors. For instance, IP programmes would be visited in a specific region because they are easy to access, while remote programme sites, although of "higher risk" were never inspected or visited. In other cases low-risk project sites were visited because they happen to be in the same geographical area with other projects scheduled to be inspected. In other instances decisions on what projects need to be inspected are made *ad hoc* based on preferences of different programme staff or managers, who may use different criteria. Having a formal risk-based monitoring framework in place would help to ensure that risk factors are adequately taken into account, and allow for forward planning for mitigation of the risks and proper documentation of the process, as well as efficient use of scarce resources.

99. In this context, another issue observed was the schedule and modalities of payments to IPs. It was noted that in some instances the amount, level and frequency of tranches and the transfer modalities were not decided based on a careful assessment of the risks involved. In certain projects it is difficult, if not impossible, to get any advances reimbursed when non-compliance issues with project implementation arise. There are organizations that advance up to 80 per cent of the resources up front, frequently to IPs that have not been well vetted, and this is problematic. The schedule and modalities of cash transfers to IPs should be an integral part of the monitoring framework for the IP concerned, based on a comprehensive and robust risk analysis.

100.   The implementation of the following recommendation is expected to ensure effective monitoring of IP programme implementation.

Recommendation 7

The executive heads of United Nations system organizations should establish risk-based monitoring frameworks to guide their respective organizations in systematically monitoring programmes and projects delivered by Implementing Partners. The frameworks shall be adapted by country offices to best fit the types of interventions in the country specific environments.

B.   Results-based monitoring of IP projects

101.   The Inspectors observed that in most cases the IP programme/project budget lines are not clearly aligned to the activities, outputs, and outcomes, which makes it difficult to assess the quality of services delivered and whether value for money was received. Effective monitoring requires clear pre-set performance criteria and indicators forming the basis and benchmarks against which to monitor. While in some cases the responsibilities, activities and outputs expected from IPs were outlined in the IP agreement and the related project documents, this was not the case in specifying outcomes, results and impacts expected.

102.   Reviews conducted of IP reports indicate that in most cases there is no direct correlation between the IP reporting frameworks and the results-based framework of the programme involved. It was noted that reporting by IPs is mainly focused on activities and rarely on results and outcomes. By and large, field managers interviewed felt that reporting by IPs should be more results-based and more closely linked to the results-based management (RBM) framework of the organization, and the AWPs, CPAPs and UNDAFs of the respective programme country.

103.   As stated earlier, there is often a disconnection between financial and programmatic monitoring. To this end it is important to have clear, detailed and distinct financial and programmatic performance indicators included in the IP agreements and the related project documents, to allow for more rigorous, integrated and systematic monitoring of activities. In this regard some organizations, such as WFP (Nairobi), have started to conduct joint field and monitoring visits with teams composed of finance and programme staff.

104.   UNICEF has taken a commendable initiative to produce new guidelines that call for programme documents to be prepared for larger partnerships (value and importance) which outline the logic of the results chain and an explanation of how the partnership contributes to the relevant programme results (i.e. outcomes, outputs, as appropriate). Additionally, UNICEF expects partnerships to contribute to the achievement of results jointly identified with the government. This is documented in a work plan in which the broad outlines of activities being implemented by the IP must be incorporated. This allows UNICEF to monitor and review contributions to the achievement of a result.

105.   The Inspectors recommend that **the executive heads of United Nations system organizations, in line with RBM principles, should include clear pre-set performance indicators in the IP agreements and/or the related documents such as the project document, workplan or IP project budget, which outline the responsibilities, activities, outputs, outcomes and results expected from the IPs.**

C.   Remote monitoring

106.   United Nations organizations increasingly operate and implement programmes and projects in difficult environments, such as post-conflict countries, humanitarian crisis situations, or areas and regions that are not easily accessible. This poses challenges to effective monitoring as access to beneficiaries may not possible or only under severe constraints, entailing in certain cases safety and security risks for United Nations staff.

107.   In addressing those challenges, some organizations such as UNICEF, WFP and UNHCR, have started to apply remote monitoring techniques in managing projects. Those include web-based remote monitoring (*e.g.* through satellite images, photos sent by e-mail/text message, etc.), the establishment of quality assurance teams (field staff with relevant technical expertise and knowledge and access to some of the programme areas/sites), third-party monitoring (through hiring external consultants located in the respective programme countries), beneficiary/community group/local government monitoring and triangulated monitoring.[11] Applying remote monitoring techniques comes with benefits, such as reduced costs, but also disadvantages, such as limited reliability of data and evidence and risk of subjectivity in information-gathering.

108.   The Inspectors were informed that remote monitoring may be in some cases the only possible way of monitoring projects, and it was noted that when working in severe operational environments remote monitoring has become more and more the rule rather than the exception.

109.   The Inspectors are of the view that **United Nations organizations, in particular those frequently working in difficult operational environments, should consider developing and applying remote monitoring techniques for IP projects, drawing upon the collective experiences of and lessons learned by other United Nations system organizations, such as UNICEF, UNHCR and WFP.**

D.   Evaluation

110.   Performance evaluation of individual IPs is not systematically done in most organizations and there is a lack of central records on IP performance. As indicated in previous sections clear pre-set performance criteria and indicators should be included in the IP agreements and related documents to form the basis against which to measure IP performance. Such evaluations determine the IPs fulfilment of the agreements with regard to quality, delivery and timeliness of the work. They also provide a record of IP performance which can be used as reference for future selection decisions and minimize the risk of entering agreements with poorly performing IPs.

111.   Furthermore, in most organizations reviewed it was observed that evaluations of programmes and projects do not focus systematically on IPs and their work. Some IP related issues are being addressed transversally as part of the general evaluation regime of programme and country office evaluations. This general evaluation regime consists of evaluations conducted either by a centralized headquarters evaluation office and headquarters programme departments, or decentralized managed by country or regional offices and conducted by external evaluation firms or consultants.

112.   Usually evaluations at field offices are carried out at various stages of the programme cycle and are often done jointly with others, including other United Nations organizations (under DaO or UNDAF) and occasionally with the participation of IPs that are implementing the programmes.

113.   Some organizations have established thresholds above which programmes or projects are evaluated. For example in ILO evaluations are required for projects above US$ 500,000 and in UNESCO for IP projects over US$ 1 million. In many cases, however, evaluations of specific IP work are normally carried out as a sub-element in the organization's global and/or country evaluation plans as well as upon discretion of the

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[11] See *e.g.* UNICEF, Office of Emergency Programmes, "Remote Programming in Humanitarian Action: Programme Guidance (2012)".

programme managers at country offices. In some organizations, attempts have been made to evaluate all programmes and projects (regardless of who is the implementing party), for instance at UNEP and DESA, but difficulties were experienced due to resource constraints.

114. Evaluations for programmes and projects funded by voluntary contributions and implemented by IPs are in some cases conducted at the request of donors. Separate funding may be provided for the evaluation and occasionally donors determine the scope and modalities of the evaluation. Those evaluations are more tailored to fit donor needs rather than being part of the overall evaluation strategy of the organization.

115. As a measure of good practice UNICEF promotes the use of self-evaluation at country level by their IPs, and has made increased efforts towards strengthening the evaluation capacity of partners, both national governments and NGOs/CSOs, in line with its evaluation strategy.[12]

116. Another good practice is the initiative by evaluation offices, *i.e.* at WFP, FAO and UNHCR, to conduct strategic and cross-cutting evaluations specifically addressing IP modalities and other partnership frameworks of their organizations, looking at questions such as country offices' capacity for partnering, the sustainability of those partnerships, the adequacy of guidance for and coherent understanding of partnerships, and the role and capacity of the partner/IP.

117. A number of challenges were brought to the attention of the Inspectors regarding IP-related evaluations. A recurring issue is resistance on the part of some government partners to have "outside" groups evaluate government-implemented activities and their insistence to conduct instead their own self-evaluations. However, the evaluation capacity of some national audit offices is an issue that impacts the effectiveness of the on-the-ground evaluation of programmes, as it has been already highlighted in a previous JIU report on NEX.[13]. Another reported challenge is that the evaluation responsibilities and coverage are not clearly defined in the IP agreements with specific criteria and indicators and as such measuring effectiveness and impact of programmes is nearly impossible. Most interviewees also felt that while self-evaluations were a useful tool to support monitoring and evaluation, lack of training and understanding of evaluation methodologies and approaches were a major obstacle in the effectiveness and usefulness of the exercise.

118. Most importantly, interviewees indicated that in most cases there is no systematic feedback and follow-up on evaluation findings, which puts organizations at a disadvantage in gaining from lessons learned and past experiences and in promoting knowledge-sharing within the organizations and with other organizations and partners.

119. The Inspectors would like to note that JIU is currently undertaking a review and analysis of the evaluation function of United Nations agencies across the system. The reader is guided to relevant findings and recommendations of such review upon its completion.

E. IP monitoring and evaluation practices of other organizations

120. In the case of financial development banks and other institutions, such as the World Bank, IFAD and the Global Fund, there is a practice of establishing cross-functional project and monitoring and evaluation (M/E) teams for projects financed by them and implemented by third parties. The project management and M/E teams are usually led by a task leader and are composed of officers and experts from various relevant functional groups, including programme, finance, M/E as well as other technical experts depending on the type of project. As the field presence of those institutions is often limited, M/E teams are usually external consultants and experts contracted for such tasks.

121. The M/E activities are conducted in line with tailored and detailed M/E plans which have been developed after a thorough and extensive pre-assessment of the IPs, and a risk assessment of the type, size

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[12] See e.g. UNICEF 2008 Evaluation Policy as approved by its Executive Board.
[13] JIU/REP/2008/4, paras. 74-79 and recommendations 7 and 8.

and other features of the projects. The M/E plans also include expected outputs, time frames and performance indicators. Interviews with those institutions indicate that having cross-functional M/E teams doing performance assessments and monitoring in line with such rigorous M/E plans contributes to effective and efficient delivery of projects.

122.   While the Inspectors are cognizant of the different working modalities, methods and structures of financial institutions, they note that these institutions have developed fairly sophisticated procedures and management systems in selecting and managing IPs, including robust monitoring and evaluation frameworks. Given the resource limitations of this review, an in-depth exploration of these systems was not possible. There is scope, however, for a comprehensive assessment of practices and tools in IP management that exist outside the United Nations system to determine practices that could be adapted by United Nations organizations.

IX. AUDIT ARRANGEMENTS

A. Overview

123.   United Nations organizations have in place audit regimes as part of their accountability framework, which, in addition to their other mandates, provide assurance to the organizations' legislative bodies that funds transferred to IPs have been used as intended and in accordance with applicable regulations. These regimes include audits conducted by internal audit offices, by external auditors; and by audit firms contracted by the field offices specifically to audit IP projects. In addition, supreme audit institutions of national governments may conduct IP-related audits, especially in cases where the IP is a government entity.

124.   In most organizations headquarters- based internal audit offices do not conduct IP audits directly. IP issues are reviewed transversally as part of the programme/projector country office audits which are selected based on the annual audit risk plan of the internal audit office. While they are not specifically dedicated to IPs, those audits may include site visits in projects implemented by IPs, spot checks and verification of invoices or other supporting documentation. No separate report on a specific IP or IP project is issued, but the results of the IP related verifications, and/or findings are reflected in the internal audit reports.

125.   A number of organizations require dedicated financial audits of IPs to provide assurance on the use of funds and compliance with signed agreements and applicable regulations. In the case of UNDP and UNFPA these audits are known respectively as NIM and NEX audits when they involve national execution or implementation either by national government entities or by NGOs/CSOs. NIM/NEX audits are conducted by a variety of audit actors, such as audit firms and consultants hired by the organizations, national audit offices (Supreme Audit Institution (SAI)); joint government and United Nations agency auditors; and joint IP and government auditors.

126.   Other organizations (*e.g.* UNICEF) reported that they conduct IP audits relying on the HACT audit principle which assesses the existence and functioning of the IP internal controls (see section below and chapter X). Yet others (*e.g.* FAO, ILO, WHO) do not require systematic IP audits but reserve the right to audit IPs on a need-to basis, usually as part of their overall risk-based audit plan. Annex IX provides information on IP related audit arrangements as reported by a number of United Nations system organizations.

127.   Lastly, as part of expressing an opinion on the overall financial statements of organizations, external auditors of United Nations organizations review, *inter alia*, the adequacy of assurance mechanisms and internal controls in respect to funds transferred to third parties such as IPs.

B. NEX/NIM audits

128.   For some national government partners, the respective projects are subject to audit coverage by the national audit office or by external consultants contracted by the organization depending on the circumstances.[14] NIM/NEX audits involving NGOs are conducted mostly by private audit firms or audit consultants contracted by the country offices. Organizations, such as UNFPA and UN-Women, have concluded long-term agreements (LTAs) with a global audit firm to perform such audits.

129.   In terms of scope the NIM/NEX audits are usually comprised of two components:[15] (a) a financial audit to express an opinion on the project's financial statements[16] including the statements of cash position

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[14] *I.e.* application and adherence to internationally accepted auditing standards by the SAI.

[15] Using the case of UNDP as an example; for further information see "National Implementation by the Government of UNDP Supported Projects: Guidelines and Procedures, UNDP, 1 July 2011" and "Specimen Terms of Reference for audits of NGO and NIM projects, Rev. November 2012"

and assets and equipment; and (b) an assessment of the IP internal control system covering areas such as financial management, the selection and recruitment of project staff and consultants, procurement and the use and control of project assets. The review usually includes a general assessment of the project's progress and timeliness in relation to progress milestones and planned completion dates.

130.   Audit standards that apply depend on whether the audits are carried out by a private audit firm or the SAI of the host government. When a private audit firm is used, the International Standards on Auditing (ISA) usually apply, while in the case of the audit by the national audit office, the International Standards of Supreme Audit Institutions (ISSAI) are taken into account.

131.   The NEX/NIM audit coverage takes into account various elements, *i.e.* monetary thresholds, specific risks associated with a particular IP, type of project/programme implemented by an IP, the country of operation. For instance, UNDP, *inter alia*, assigns different risk ranks to country offices ("high", "medium", and "low") determined annually as a result of an exercise that takes into account quantitative and qualitative factors. The risk-based approach to NEX/NIM audits implies that the lower the NEX/NIM audit risk rank for a particular country office, the higher the monetary threshold of the projects to be audited in a given year. Other organizations, such as UNFPA and UNHCR, apply thresholds determined annually, with the objective of achieving coverage of a certain percentage of total expenditure allocated to IPs in a given year.

132.   Some organizations have in place the good practice of having country offices upload audit reports to a database/follow-up system, such as the Comprehensive Audit Recommendations Database (CARDS) at UNDP, National Execution Audit Management System (NEXAMS) at UNFPA, and Management Systems Renewal Project (MSRP) and eSafe at UNHCR. In the case of UNDP, the internal audit offices provide and issue on an on-going basis guidance for the NIM audits, review and revise the terms of reference (TORs) periodically and provide other support as required. At UNFPA, similar functions are entrusted to the UNFPA NEX audit unit. In both organizations the internal audit or other headquarters management oversight functions may also review the adequacy of the NEX/NIM audit process in the context of and as part of their regular country office audits.

C. IP audits under HACT

133.   The HACT framework introduces a risk-based approach to management of IPs, from financial assessments and choice of cash transfer modality to formulation of an audit and assurance plan that targets each IP with a scope and frequency of monitoring activities directly driven by their capacity and risk rating.[17] Audits of IP projects take place at the completion of a project or during project implementation in the form of spot checks or special audits depending on the ongoing risk assessment of the IP. The HACT modality and challenges facing organizations implementing HACT are addressed in chapter X.

134.   Where several United Nations agencies work with the same IP on a particular programme, the audit is undertaken jointly and the assessment is not specific to any of the agencies' funds, but limited to the IP internal controls. During the audit, transactions of all agencies may be tested.[18]

135.   The main differences between the assurance models under NEX/NIM audits and HACT can be summarized as follows:[19]

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[16] Based on the Combined Delivery Report (CDR); for further details, see e.g., "NEX Audit Guide for UNFPA offices, October 2012, pages 9-10", and for UNDP "Specimen Terms of Reference for audits of NGO and NIM projects, Rev. November 2012, pages 5-7."

[17] UNFPA, NEX Audit Guide for UNFPA Offices (October 2012), p. 13.

[18] NEX Audit Guide for UNFPA Offices (October 2012), p. 14.

[19] Adapted from UNFPA as presented in NEX Audit Guide for UNFPA Offices (October 2012), p.14.

Assurance Model	NEX	HACT
Approach	Assurance through large coverage (financial audits)	Risk-based assurance
Purpose of audits	Assurance over use of funds	Assurance over IP's internal controls
Frequency of audit and assurance	Annual audit based on threshold and past audit outcome	Scheduled audits and spot checks over the programme cycle based on risk rating of the IP and a threshold
Financial opinion	Yes	No
Audit of CDR/ FACE	Yes	No

Source: Adapted from the UNFPA NEX Audit Guide for UNFPA Offices (October 2012), p.14

136.   Country offices are responsible for selecting private audit firms or SAI, if assessed as competent, for the HACT scheduled and/or special audits of IPs. The hiring of external auditors is conducted in accordance with the HACT guidelines issued by UNDG and the organization's procurement guidelines.

D.   The supportive role of the headquarters internal audit offices

137.   As mentioned above the headquarters internal audit offices, or other similar management oversight functions (e.g. the NEX audit unit at UNFPA), play a multifaceted role in the oversight of IPs. They review IP-related issues in the context of their regular country office audits when such issues are part of their field audit plan. Also, in organizations following the NEX/NIM audit model, they provide general guidance and advice, that may include providing standard TORs for audits done by the country offices, issue SOPs, perform quality checks of country office audits (usually of qualified IP audit reports and/or based on random sample), help the country offices in selecting IP auditors and/or LTAs with a global audit firm as appropriate, facilitate follow-up on IP audit recommendations, and provide occasional quality control over IP audits (*e.g.* as selectively practiced at UNFPA, UNDP and UNHCR).

138.   The internal audit offices also provide input to assessing the risks associated with IPs in consultation with country offices, in view of globally determined risk levels and applicable thresholds, and as such providing the basis for the percentage of total IP expenditures subject to audit. They also facilitate follow-up through managing the audit follow-up database, reviewing selected IP audit reports and issuing corresponding management letters when needed.

139.   **The supportive role and guidance provided by internal audit offices or similar headquarters management oversight functions to country teams under the NEX/NIM audit regime or similar audit regimes are a good practice that should be intensified subject to capacities and resource availability. This role also helps to address the risks of fragmentation of IP audits, as it allows maintaining the overall direction and oversight over the IP audit process within the organization while outsourcing the required IP-related field audit activity.**

X. HACT CHALLENGES

140.   As a result of General Assembly resolution 56/201, UNDP, UNICEF, UNFPA and WFP adopted in 2006 a common operational framework for transferring cash to government and non-government IPs. The implementation of the Harmonized Approach to Cash Transfers (HACT) was intended to reduce transaction costs and lessen the burden that the multiplicity of United Nations procedures and rules creates for its partners. It was also envisaged that it would allow more emphasis on strengthening national capacities for management and accountability, with a view to gradually shifting to the use of national systems.

141.   Under HACT, IPs use standardized forms and procedures for requesting cash transfers and reporting on expenditures. United Nations organizations select methods for transferring cash on the basis of risk assessments of the IPs that determine the required level of monitoring and auditing for the work. Under HACT the level of assurance for cash transfers moves from project level controls and audits, to assurance derived from system-based assessments and selective audits. Annex X provides a list of main differences between HACT procedures and those of the previous regime on such issues as assessment of IPs, cash transfer modalities and monitoring and reporting methods.

142.   According to a 2011 global assessment of HACT implementation,[20] 96 countries were in the process of implementing HACT, corresponding to 64 per cent of all programme countries.

A. HACT implementation challenges

143.   In a 2008 report,[21] the HACT Advisory Committee (a UNDG committee established to coordinate HACT implementation issues) summarized some key challenges based on its annual implementation update. The report stated that while progress had been made, several concerns remained, including:

- Resistance of the central government counterparts to be subject to audit and assurance
- Inadequate commitment to HACT by United Nations agencies and staff
- Uneven and inconsistent implementation across the agencies
- Potential of HACT as a capacity development approach not fully exploited
- Lack of trained staff at the country level
- Systems of different agencies not yet aligned with the HACT procedures.

144.   Similarly, in a 2011 study[22] conducted by DESA on harmonizing business practices of United Nations entities at the country level, a high-level UNDG-HLCM mission that visited various country offices addressed the need for a systematic approach to HACT and an increase in cooperation amongst implementing agencies. Findings include:

- HACT introduced a complexity to the management of cash disbursements and reporting which frequently exceeds the capacity of the United Nations and IPs at the country level
- In many countries, HACT is often accompanied by a parallel continuation of financial controls undermining the objectives of the harmonized approach[23]

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[20] UNDG HACT Advisory Committee. "Global Assessment of the Harmonized Approach to Cash Transfer" (December 2011).

[21] HACT Advisory Committee "Harmonized Approach to Cash Transfers (HACT): Responses to key Implementation Challenges" (2008).

[22] UNDG HACT Advisory Committee. "Global Assessment of the Harmonized Approach to Cash Transfer" (December 2011).
[23] Ibid., pp. 7-10.

- There is little incentive for HACT-implementing agencies to work together because the cost of coordination is perceived to be higher than the potential benefits from harmonizing HACT-related activities.[24.]

145.   The study emphasized that HACT is an area of considerable financial risk and recommended a review of the feasibility of HACT in the light of the significant commitment required to enable its full implementation.

B.   Internal and external auditors concerns

146.   Strong concerns were also voiced in a joint audit of governance arrangements for HACT conducted recently by UNFPA and UNDP internal audit offices.[25] The audit highlighted significant gaps and shortcomings in HACT guidelines and implementation practices such as unclear accountability issues, inadequate monitoring, and weak compliance criteria. The auditors recommended that an inter-agency team revisit the HACT framework and decide to redesign it, as appropriate, ensuring that the issues identified by the joint audit are addressed

147.   Also, the BoA, in its "Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the biennium 2010-2011" (A/67/173), highlighted systemic issues involving the implementation of HACT, including "lack of clear understanding of which entity should be responsible for monitoring the implementation of HACT", "incoherent implementation of the framework in the field" and "general lack of progress in the implementation of the framework". BoA called for an urgent review of the framework as "it is not operating as intended".

C.   A harmonized risk-based management instrument

148.   In the conduct of this review the Inspectors interviewed a number of HACT users, at the country office level, in an attempt to verify the current status of some of the concerns expressed above. The framework was also reviewed to examine its methodology and approach in providing a risk-based operational management tool in dealing with IPs in a harmonized manner. Interviewees confirmed that difficulties continue to exist in making the framework fully operational. Most mentioned the lack of capacity and training, both of United Nations staff and IPs, as the biggest challenge for full implementation. Many agreed that the framework provides a valuable risk management tool especially in conducting IP assessments, but found the various steps of the framework complex and time-intensive.

149.   The adequacy of assurance that HACT provides through its various risk-based steps (macro/micro assessments, spot checks, monitoring, scheduled audits) has been an issue of debate among users and auditors alike. Some organizations and internal audit offices believe that the assurance provided by the HACT framework is not as robust as that provided by traditional financial audits. It should be noted, however, that the focus of internal and external auditors has not been so much on the capacity of the HACT conceptual framework to provide assurance, but rather on the lack of adequate assurance because of weak mechanisms in implementing it or the lack of full implementation (governance issues, lack of clear guidance and operating procedures, limited resources at country level, poor quality of macro and micro assessments, lack of adequate spot checks, poor monitoring, etc.).

150.   HACT is one of few harmonized frameworks among United Nations organizations that provides for a systematic risk-based approach to managing and monitoring an activity from planning to completion. The Inspectors would like to draw attention to two aspects of the framework. While it was conceived mainly as a means to provide assurance on the method of cash transfers to IPs, the framework also provides, if properly implemented, for two important aspects of IP management, that of capacity-building and of programmatic monitoring.

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[24] See UNDG, Joint Funding and Business Operations Network Meeting: Meeting Note for the Record (20 December 2011).
[25] Joint Audit of Governance Arrangements for HACT by UNDP and UNFPA audit offices with the involvement of UNICEF (November 2012). Available at the websites of UNDP and UNFPA.

151.   Macro and micro assessments are intended to identify weaknesses in IP financial and management systems and provide an opportunity to determine capacity development needs the fulfilment of which will provide assurance for the proper delivery of programmes and projects. However, most field offices visited by the Inspectors were not developing capacity-building plans to address identified weaknesses on the part of IPs nor was there a requirement for reporting on such plans. Further, according to the HACT guidelines, the results of the macro assessments should be incorporated in the UNDAF process. Nevertheless, interviewees reported a disconnection between the macro assessments conducted under HACT and UNDAF and in many cases the opportunity for incorporating identified capacity needs was not taken into account.

152.   A number of interviewees highlighted the need for an emphasis in the programmatic aspects of monitoring under HACT which they feel has been minimized by the overwhelming focus on financial issues. They believe that HACT presents an opportunity for strengthening programmatic monitoring as it provides for a risk-based framework that should complement the overall programme risk management plan.

153.   It was noted that UNDG has engaged the services of an external consultant to review HACT and address implementation issues with the objective of strengthening the HACT framework. At the time of this review draft versions of the consultant report were being discussed among United Nations organizations with the expectation for a final report in late 2013. An analysis of potential improvements addressed in the consultant report was not feasible within the context and time frame of the present JIU review.

154.   Notwithstanding reported implementation challenges, the Inspectors are of the view that **the HACT framework in its totality of processes which focus on a risk-based approach to assurance and audit, has the potential of achieving its intended objectives effectively if gaps highlighted by auditors are addressed and a robust implementation regime has been put in place. Revisions and improvements under way to strengthen the HACT framework should take into account,** *inter alia*, **the need for strengthening aspects of programmatic monitoring and capacity-assessment mechanisms.**

XI.   FRAUD PREVENTION AND DETECTION

155.   Fraudulent behavior on the part of IPs can seriously damage the reputation of United Nations organizations and diminish Member States' trust in their ability to deliver results in an effective, accountable and transparent manner. Because United Nations organizations are not, in most cases, the direct recipients of the services covered by the work implemented by IPs, it is often difficult to determine the levels of service actually provided or if the intended number of beneficiaries have actually received the service. The situation is exacerbated in emergency and humanitarian interventions that take place in remote locations where security and other factors come into play.

156.   Hence, United Nations programmes and activities implemented by IPs and involving considerable amounts of funds are potential fraud and corruption magnets. In addition to the difficulties in measuring or verifying if IPs have done what they were paid to do, IPs and their subcontractors may be perpetrating fraud through falsification of capacity credentials, overstatement of costs, and failure to provide adequate levels of service. The nature of the agreements signed when engaging IPs is a related element of concern. As mentioned in previous chapters, inconsistent selection processes and ineffective agreements signed with IPs create weak internal control frameworks. The fact that these agreements are not subject to the more stringent procedures applied to commercial contracting/procurement makes the case of potential fraud by IPs more ominous.

157.   This review revealed that the magnitude of IP-related fraud remains relatively unknown in the United Nations body of knowledge. Compared with fraud statistics reported by the Association of Certified Fraud Examiners (ACFE),[26] and as has been highlighted by BoA in various audit reports, the levels of fraud reported in the United Nations system are unusually low. Similarly, the Independent Audit Advisory Committee (IAAC) could not say with certainty whether the low level of procurement investigations conducted in the United Nations was due to improved controls or was failure to report and/or detect fraud.[27] The above should be a matter of concern to management and legislative bodies alike.

158.   **The Inspectors suggest that measures over possible fraud and corruption in IP-related activities need to be addressed on a broad front- starting with an anti-fraud policy and risk management processes and implementation strategies at headquarters and country and regional offices, and including the development and deployment of additional support mechanisms directed at fraud prevention and detection at the level of programmes and projects**.

159.   Such measures should also take into account the JIU report on "Accountability frameworks in the United Nations system" (JIU/REP/2011/5) which set two benchmarks aiming to reinforce the control environment and anti-fraud-related activities:

Benchmark 5: Ethical conduct, standards of integrity, anti-corruption and anti-fraud policies are in place and enforced.[28]

Benchmark 11: Financial regulations and rules (FRR) in the United Nations system organizations should embody anti-fraud and financial misconduct policies and are implemented practically.[29]

160.   Against this background the Inspectors note that a number of United Nations organizations have taken measures to address fraud prevention and detection, including fraud committed by internal as well as external parties. Such organizations as WFP, UNDP, UNOPS, UNFPA, UNIDO, UNICEF and others have

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[26] ACFE 2012 Report to the Nations on Occupational Fraud and Abuse:: a typical organization in the private sector loses 5 per cent of its revenues to fraud.
[27] A/67/259, IAAC 2011/2012 Annual Report
[28] JIU/REP/2011/5, p. 21.
[29] JIU/REP/2011/5, p. 32.

published specific policies to address fraud and facilitate controls to prevent, detect, report and investigate fraud.

161.   While examining in detail the adequacy and rigour of the current anti-fraud measures in place by United Nations system organizations, is constrained by the limited resources of this review, certain aspects of relevance to IPs came to the attention of the Inspectors as addressed below.

A. Fraud awareness

162.   While most organizations have, in one degree or another, certain processes and procedures in place to combat fraud, a lack of fraud awareness among staff and related training and skills became apparent in the conduct of this review.

163.   Most of the staff interviewed indicated that they had received no training in fraud-related issues in the previous five years. Also the level of awareness about how their organizations were addressing fraud in general was alarmingly low. Nearly all of those questioned were unsure whether their organization had encountered any fraud cases or carried out an investigation into fraud of IPs over the preceding five years. Awareness is fundamental to fraud mitigation. Without being aware that fraud is occurring – or that it could occur – an organization is unlikely to be successful in mitigating or moderating it.

164.   If United Nations organizations wish to realize a sustained zero-tolerance culture to fraud, as some existing anti-fraud policies reviewed indicate, United Nations staff would also need to understand better how anti-fraud measures in place apply to cases of IP fraud , and receive the right training and guidance to support this effort. Fraud awareness training, especially at the country level, should go beyond the typical anti-fraud training addressing occupational fraud, and focus on important areas such as misconduct and fraud when dealing with third parties, financial statements fraud, and due diligence and corruption.

165.   The implementation of the following recommendations is expected to enhance effectiveness of engaging IPs for programme delivery and mitigate possible fraud risks.

Recommendation 8

The executive heads of United Nations system organizations should institute training in fraud awareness and prevention, with emphasis on fraud related to third parties, for staff engaged with Implementing Partners (and especially staff in country offices).

B. Right to investigate IPs

166.   Documents reviewed indicate that audit and investigation offices of a number of organizations have the right to conduct investigations into allegations of fraud and other financial irregularities, committed by contractors, IPs and other third parties. UNDP, FAO, UNICEF, UNIDO, WFP and others have similar policies to that effect.

167.   However, not all organizations have investigative rights over IPs. At the time of this review a number of organizations (*e.g.* UNFPA, UNHCR) were revising their oversight function charters to include investigation rights/jurisdiction over third parties, and reference thereto was to be made in the respective agreements with IPs.

168.   In some instances cases were reported where fraud and mismanagement occurred at the subcontracting level of IPs. Most IP agreements signed by United Nations organizations do not require the subcontracting partners to provide documentation or evidence in the conduct of an investigation. Legal obligations stop at a level between the IP entity and its subcontractor with no access by the United Nations at the subcontracting level. This reflects the difficulty of regulating an area where the jurisdiction of the United Nations is not clear and is lacking legal basis. **It was also noted to the Inspectors that the outcome of**

investigations and the disposition of such cases (the mechanism to ensure that action is taken regarding IP wrongdoing) is often not regulated. While there are mechanisms for staff-related investigation cases, and also vendor sanctions for procurement cases, the mechanism for IPs with the differentiation between government IPs and NGOs/CSOs still needs to be clearly defined.

169.   Investigations of government entities, when they are partners, remain a challenge. In most cases the national SAIs are the only ones that can conduct investigations of such entities. However, in certain countries, national audit institutions have not demonstrated capacity to carry out audits and investigations independently. While some organizations, such as UNDP, require that private audit firms should be engaged to carry out the work when national capacity is not available, the policies of other organizations are silent on that front. Instances were reported where joint investigations between the government auditors and United Nations investigators were conducted, but such cases are the exception rather than the norm.

170.   The implementation of the following recommendation is expected to enhance the effectiveness of engaging IPs and mitigate possible fraud risk.

Recommendation 9

The executive heads of United Nations system organizations should revise existing oversight function charters to ensure that they have the right to investigate third parties involved in implementing United Nations-funded activities. The revised charters should be submitted to legislative bodies for approval.

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171.   Standard templates of IP agreements and other related legal instruments should be revised accordingly as indicated in chapter VII and the respective recommendation 6, to ensure that anti-fraud and anti-corruption policies are included in agreements signed with IPs.

C. Joint investigation of IPs

172.   Two JIU reports (JIU/2011/7 and JIU/2000/9), addressed the need for more frequent and organized interaction among United Nations organizations with respect to investigations. Both reports suggested that such interaction should include: cooperation in the development of common standards and procedures for conducting investigations; the sharing of expertise when advice or assistance is required; the sharing of methodologies; developing joint training opportunities; exchanging personnel leading to a system-wide approach to investigations; and the undertaking of joint investigations, especially for multi-agency field-based activities.

173.   In the course of this review it was observed that efforts have been made, albeit to a limited degree, for cooperation among organizations in conducting joint investigations of United Nations activities. A good example was observed in Nairobi where OIOS has embedded an investigator in the Risk Management Unit (RMU), which is part of the United Nations Resident Coordinator's Office for Somalia (see also chapter XIV, para. 223). The RMU and the OIOS investigator provide information and, upon request, advice to United Nations agencies on initiating investigations of IPs where such need has been identified through risk reporting. The RMU staff indicated that they have been coordinating with other investigation entities including UNDP, the World Bank and the European Union to improve information-sharing and when possible collaborate on investigations.

174.   However, beyond these noteworthy but isolated efforts, much more needs to be done in sharing of methodologies, development of common standards and procedures, exchanging of personnel and especially exchanging investigative information on IPs in the same country or region where multiple United Nations agencies operate. The fact remains that United Nations organizations/UNCT members have their own audit and investigation units, which tend not to exchange information among one another. As a result, presumed fraud cases or audit reports on IPs at one United Nations organization are often not shared with other agencies

working with the same IP or which may do so in future. These are not only theoretical risks, but as reported to the Inspectors, have actually been realized on a few occasions; for example it became evident through investigations in one country that three United Nations agencies provided multimillion US dollars to the same fraudulent IPs, which led to significant loss of money to those organizations. More systematic information-sharing and coordination among the organizations would have helped to avoid such cases.

175.   At the 2013 Conference of United Nations Investigators, and in previous conferences, the issue of exchange of information among agencies was discussed and it is clear that there is increased awareness among United Nations internal oversight offices of the benefits to be gained from inter-agency cooperation when engaging in investigative activities of IPs. The greatest challenge to overcome, however, is the different legal frameworks under which each organization's investigation unit operates.

176.   **The Inspectors would like to reiterate the importance of stronger cooperation and coordination among United Nations system investigative offices to address fraud prevention and detection when engaging with external parties such as IPs.**

XII.   OPERATIONAL MANAGEMENT ISSUES

A.   IP management support unit

177.   With a few exceptions, the selection and day-to-day management of IPs is delegated to country offices. Various departments and functional groups at headquarters and field offices provide support and backstopping in such areas as finance, law, procurement, policy support, audit, evaluation and programme management. Regional offices may also be assigned certain oversight roles and/or provide policy and general guidance and advice. The management of global IPs that cover a worldwide programme or territory is usually done at the headquarters level.

178.   The decentralized management of IPs has the advantage of placing the selection and management on the ground and hence to staff who are most familiar with programme implementation and in close and continuous contact with their IP counterparts. However, it also leads to fragmentation and incoherence as IP policies and guidelines across different country offices are not always applied consistently and/or may be interpreted in different ways. Fragmentation is aggravated by the fact that most organizations do not have a single focal point or office to coordinate IP issues at the corporate level or provide operational support or policy advice.

179.   Some organizations that engage with a large number of IPs and/or significant IP resource expenditure have started to address some of those issues by establishing centralized IP management units and also improving their way of collecting and managing information and data related to IPs. A good example is UNHCR, which has established a dedicated unit, the Implementing Partnership Management Service, located in the Division of Financial and Administrative Management. The unit coordinates matters related to IP management within UNHCR structures, and provides policy, procedures and guidance on IP issues. The unit also provides support to the field and facilitates the collection of IP data and information as well as information-sharing on the use of partners and IPs at a corporate level. A similar IP related unit, the External Party Engagement Unit, is being established at UNODC to manage relationships with external parties which are not part of regular procurement actions.

180.   UNFPA has set up a NEX audit unit to administer the IP NEX audit process, among other things. Also the UNFPA Strategy, Policy, and Standards Branch has started to develop the Implementing Partner Information Management System (IPIMS), a database for capturing key data and information on IPs at the corporate level. Both units have also developed and issued guidance on IP selection and management, which contributes to a more effective and coherent approach to engaging and working with IPs. Other organizations, such as WFP and UNEP have started to establish an IP/partner portal and have also assigned offices to coordinate and provide guidance on IP management issues - the NGO Unit at WFP and the Office of Operations at UNEP, which also acts as the secretariat to the UNEP Partnership Committee. Other organizations, such as FAO and IFAD, have created partnership offices or directorates to assist in implementing and operationalizing their partnership strategies and provide respective support. Some organizations (*i.e.* FAO, UNEP, and UN-Habitat) have also established partnership advisory committees at headquarters that provide guidance, and/or review selection of major partners.[30]

181.   Organizations that manage a large number of IPs may find it useful to follow the above examples and establish a dedicated IP management support unit at headquarters. This unit may, *inter alia*: collect and consolidate all key data related to partnerships throughout the organization, including administering an IP database, partner portal or other IP information tool; provide guidance on IP issues, including on the applicable policies, guidelines and procedures in consultation with other relevant offices; liaise among the different offices and functions dealing with IPs at the headquarters, regional and country level; assist in developing and conducting training on IP issues, both in-house to staff as well as to IPs; and serve as a forum for sharing information and lessons learned on IPs at the corporate level.

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[30] See above chapter IV.

182.   Subject to an organization's business model or project management approach, such a unit may be established as a separate office or as a dual function located at the organization's headquarters, on a temporary or pilot basis subject to regularization at a later stage. The establishment of such a unit should take into account the functions of existing offices which already provide certain IP services and support, so as to avoid duplication of functions and limit cost implications to a minimum. Consolidating and/or strengthening these already existing offices or functions should be taken into consideration accordingly. Such an IP unit may also be tasked with proving similar management services for other types of partners beyond IPs. It is advisable that the actual management of IPs should continue to rest with the organization's country offices which are best positioned to perform this task.

183.   **The Inspectors recommend that the executive heads of United Nations system organizations should consider establishing a partnership management unit on a pilot basis, subject to regularization at a later stage, in charge of the functions indicated above.**

B. Information systems related to IPs

184.   In recent years some United Nations organizations have made concerted efforts to automate the plethora of information related to the management of IPs. Managing this information, especially at organizations with a large number of IPs or large volume of projects, is a formidable challenge. As a result of the decentralized management of IPs and the involvement of various offices and functional groups therein, information and data on IPs is collected, kept and managed at different places in the organization's headquarters, regional and country offices. As indicated in chapter III, IP information can be found in the organizations' ERP systems, financial management systems, follow-up systems for audit and evaluation, and project management systems, files and notes at headquarters and field levels.

185.   For example, IP-related information in UNDP is kept, *inter alia*, in ATLAS (its ERP system), CARDS, the financial dashboards for country offices, and on project files at country offices. Similarly, at UNFPA information on IPs is kept at country offices systems, ATLAS, the CARDS audit tracking system, the National Execution Audit Management System (NEXAMS), and the Implementing Partner Capacity Assessment Tool (IPCAT). Further, in some organizations there is additional IP information collected through HACT micro and macros assessments, which in most cases is kept separately. The UNICEF ERP system (VISION) provides extensive information on IPs, *e.g.* on financial transactions, risk level and types of financial assessments and audits, and the number, value and types of partnership agreements, as well as outputs to which the partnerships contribute.

186.   In addition to the lists and information on IPs kept at country offices, partner portals have been established by some organizations (UNEP, UNFPA, UNHCR, WFP) at the headquarters level.[31] Such portals provide key data on IPs, the organizations they are working with, and past project history. A good example is the UNFPA IPIMS application which offers, in addition to registering online IPs, additional functionalities, such as a search engine for IPs by various criteria, including thematic focus, past contracts, countries of operation etc. IPIMS merges partners' information from the ATLAS financial applications on expenditures which indicates the particular department working with each IP, and includes a feedback system where UNFPA staff members can rate their experiences with IPs with the purpose of knowledge-sharing.

187.   Another notable example is the UNHCR Partner Database. It contains records of more than 2800 humanitarian IPs. For every IP there is information on its contact details, mission statement and memberships. It has a search engine that can display records by type of partner (national NGO, international NGO, governmental and intergovernmental), by country (of operations or origin) and other criteria. The database also contains an option to download Excel files which contain financial data on UNHCR collaboration with its IPs obtained from the UNHCR financial system.

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[31] WFP is in the process of developing an online Country Office Monitoring and Evaluation Tool (COMET), which will include a database on partnerships.

188.   The UNHCR database does not include performance information or rankings. IP performance is managed at the project level as reflected by the partner's delivery of the project within the scope of the project agreement. Most of the documentation related to the performance of the project is kept in the local project file. Other components of performance are maintained centrally: for example specifications of IP projects are captured by the UNHCR results-based management tool (FOCUS); financial performance is captured on the Implementing Partner financial reports which are uploaded into the UNHCR ERP (MSRP); and if the project is audited, financial performance can also be captured by the audit results. Also, audit results are uploaded to the UNHCR information-sharing system (Livelink) and monitored by the headquarters Implementing Partnership Management Service. The partner portal which is currently being developed at UNHCR will replace the existing database and permit easier sharing of performance and other IP-related information throughout the global operations.

189.   The above examples show the complexity of having key information on IPs in an aggregated and user-friendly manner despite being already available in the various management and information technology (IT) systems. This situation is a typical challenge facing all organizations contacted for this review. Most serious is the case of organizations that do not have central IP databases or partner portals or fully employed ERP systems. There exists a significant lack of key information that impedes the effective and efficient management of IPs.

190.   In the view of the Inspectors, key information on IPs, such as basic data on specific IPs, resources allocated to them, current/previous agreements, past performance information and any other significant information such as qualified audit reports and evaluations, needs to be aggregated and readily available to management and staff at headquarters, regional and country offices. In the case of organizations with a large number of IPs this information is important for informed decision-making at all levels of the organization.

191.   The implementation of the following recommendation is expected to enhance transparency and accountability.

Recommendation 10

The executive heads of United Nations system organizations should review the capabilities of their existing automation systems, such as ERPs and other database tracking systems, with the aim of supporting the management of Implementing Partners and consolidating related data in these systems. This action should be based on a cost/benefit analysis taking into account the level of need for such data.

C.   Training needs

192.   The need for training and capacity-building of IPs as well as United Nations staff has been highlighted as a major issue among participants in this review.

IP training and capacity building

193.   As mentioned to the Inspectors, one major impediment to effective programme implementation is the lack of capacity of a number of IPs in areas such as financial management, accounting, procurement and human resources management. The issue is exacerbated by the need for IP staff to be knowledgeable in the complex systems and methods of several United Nations agencies whose management and operating systems differ. Some of the current United Nations harmonization efforts (*i.e.* HACT) have helped in this regard, but in the view of IPs the degree of complexity of these different systems remains a problem.

194.   In order to address this issue, most organizations do engage in training and management capacity building activities of both government and non-government IPs as related to the specific projects that are being implemented. These activities include informal on-going training during the implementation, and

workshops on administrative processes such as reporting, procurement, budgeting, RBM, etc. However, as indicated by many interviewees, training is done *ad hoc* and not in a structured and systematic fashion.

195. Training needs for IPs should be identified upfront to allow corrective action proactively and avoid potential difficulties at a later stage of the implementation, so as to enhance effectiveness as well as reduce transaction costs in the long run. While training challenges differ from country to country and from IP to IP, there are common training elements that apply to all types of IPs and occur in all programme countries alike, such as courses in code of conduct, internal control standards, fraud awareness, programming and financial management, etc. It would be useful for organizations to develop and establish corporate training strategies and plans for IPs. At the country level it was suggested that IPs working on joint programmes could be trained together by the organizations involved.

196. **It is recommended that United Nations organizations strengthen IP training and capacity building on operational management issues, and implement a more pro-active and systematic approach to IP training including the development of standard training and capacity development modules targeted to IPs. To the degree feasible training and capacity-building elements should be included in the IP agreement with corresponding funding allocated accordingly.**

In-house training for United Nations staff on IP management

197. Most importantly, adequate training is required and should be undertaken in-house for United Nations organization staff on IP selection and management (see also chapter VIII, para. 93). While most organizations have training in place which covers basic management and operational issues involving implementation of programmes, it is suggested that more training should be provided specifically addressing IP management issues, in particular on how to apply and comply with the existing IP policies and guidelines, including IP assessments, monitoring, and evaluation and reporting. This was especially mentioned to the Inspectors in reference to new or revised IP guidance and procedures, which many organizations have put in place in recent years.

198. In addition, due to the decentralized structure and management of IPs, interviewees felt that more detailed training material should be provided including SOPs, checklists, templates and other tools for certain aspects of working with IPs, which could help in practice to apply and comply with the IP policies and procedures. Finally it was suggested that additional special frameworks for difficult programme implementation countries and fragile environments be developed.

199. **The Inspectors recommend that United Nations organizations strengthen their staff training on IP management, and ensure that the necessary training instruments are in place to support effective and efficient implementation of projects and activities. Costs associated with such training should be identified up front as part of the budget and programming process.**

D. Performance feedback systems by IPs

200. Feedback by IPs on cooperation with United Nations organizations and on any issues related to programme implementation is usually provided informally throughout the whole implementation process. It may take place in the form of discussions and interactions during the pre-assessment of the IPs, negotiations in the context of preparing the project document and work plan, and periodic meetings during the project implementation phase. It should be noted that some United Nations organizations, such as UNHCR and WFP, conduct periodic or annual consultation meetings with IPs which includes discussions and consultations on operational, policy and other issues including feedback surveys with implementing partners and other relevant documentation prepared by the respective United Nations organization jointly with its IPs.[32]

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[32] For further details, see e.g. http://www.unhcr.org/ngo-consultations/index.html or http://www.wfp.org/about/partners/ngos/annual-consultations.

201.   UNICEF has instituted the good practice of having country offices complete a self-assessment of their performance in managing partnerships as part of the annual review and reporting process. All country offices report on their performance against the six UNICEF global performance benchmarks related to partnerships. Based on the outcome of this review, country offices take action to enhance effectiveness. Country offices also report on their engagement with United Nations agencies and international financial institutions at country level on an annual basis. This enables systematic tracking of these important partnerships including their associated results.[33]

202.   An evaluation conducted by WFP in 2012 addressed, inter alia, the need for establishing tools to enable a mutual assessment by partners of their strengths and weaknesses within the partnership. These assessments may range from contributions of the partnership parties to delivery, quality, transparency and other aspects of good partnership management and effectiveness.[34] The evaluation cited Kenya as a good example of the work done by WFP to formalize the country-level partnership evaluation system based on the principles of mutual accountability and respect.

203.   **The Inspectors recommend that United Nations system organizations, in complementing their performance evaluations of IPs (see section VIII-D), should consider setting up a formalized performance feedback system to allow IPs to express and exchange views on common issues and to assess how well the partnership is working. Those mechanisms may include questionnaires, surveys and/or annual NGO-United Nations-Government consultation meetings. It would, among others, help to share lessons learned, and discuss ways for improving cooperation and effectiveness. It would also reflect the notion of a partnership on an equal footing**.

E.   Other management issues

204.   The following management issues have been brought to the attention of the Inspectors by many of the officials interviewed, and they have also been highlighted in a number of reports of organizations' internal and external auditors. They are being presented here for information purposes only, as some of them have or are being addressed by management or internal and external auditors in the various organizations contacted for this review.

Accounting for resources allocated to IPs

205.   Prior to the introduction of International Public Sector Accounting Standards (IPSAS) there had been discussions in various United Nations system organizations as to whether resources allocated to third parties through an MOU or other type of agreement should be accounted for as expenditure or advance. As a basic rule, in the case of delegation of responsibilities to the third party, the payment was accounted by some organizations as expenditure while in others it was treated as an advance. This was an area of concern to auditors who repeatedly raised the risks involved with such an approach. This situation is being remedied by the introduction of IPSAS which requires transfers to third parties to be treated, in most cases, as advances and be counted as expenditures only after having received confirmation on services provided.[35]

Programme support costs (PSC)

206.   It was noted that some international NGOs ask for overhead costs for their headquarters (10-15 per cent), which has to be added to the 7-13 per cent PSC of the United Nations organization which then results in total overhead costs of about 17-28 per cent. In some cases, any further subcontracting done by the IP itself would further increase the overhead cost. While overhead costs should be taken into account as the cost of doing business, donors expect on the one hand minimum overhead costs, and on the other, they demand

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[33] UNICEF, Report on the implementation of the strategic framework for partnerships and collaborative relationships (2012).

[34] WFP strategic evaluation: From food aid to food assistance, 2012

[35] See also United Nations Policy Framework for International Public Sector Accounting Standards, Second Edition (final version) (27 August 2013), para. 10.2.15.

robust monitoring and oversight mechanisms which come with additional costs. The issues involved with overhead costs vary in degree of complexity and depend on the circumstances and the arrangements dictated by the specific projects and the modality of the IPs. This is an issue of interest to United Nations organizations as well as donors and the Inspectors believe it should be the subject of a separate review.

Liquidating outstanding advances

207. The issue of outstanding obligations had been highlighted by auditors in many reports. Most organizations have made efforts to follow up on and reduce outstanding advances to partners. UNDP has established a financial dashboard to monitor NEX advances which are updated based on the quarterly reports received by IPs. With the NEX dashboard it is also possible to reconcile information obtained through the NIM audits. Also, UNDP and UNFPA have started working towards introducing an electronic interface with IPs, through which it would also be possible to liquidate advances electronically including using the FACE form. This would be, in the case of UNDP, part of an IP online portal currently under development.

Programming and budget cycles of the United Nations system and government IPs

208. Another issue raised was the different budgeting cycles of national governments and the United Nations system organizations at the country level, which result in challenges for programme implementation. Furthermore, delays in processing payments from the national governments treasury to the recipient national implementing agencies are often encountered, which leads to programme implementation delays and subsequent increased costs.

209. It was also noted that the programme cycles of United Nations organizations, often annual programmes, and the corresponding AWPs and CPAPs, are in some cases too time restrictive and not suitable for long programme implementation through IPs. Since in many instances the design, preparation and signing of agreements with some government IPs takes a significant amount of time, annual planning and programme cycles may not be realistic. Many interviewees expressed the desire for multi-year planning and implementation cycles. UNICEF allows multi-year agreements with IPs under certain conditions within the confines of a country programme or humanitarian cycle.

Contributions, financial and in-kind, by IPs

210. In-kind and other contributions by IPs to mainly financed United Nations programmes come with additional challenges. Those contributions are often not detailed enough in the IP agreements, difficult to quantify in the case of in-kind contributions, and are not often monitored or audited by United Nations organizations.

XIII. FAST-TRACK PROCEDURES

211.   As stated in previous chapters, United Nations organizations often operate in difficult environments, such as post-conflict countries and natural or humanitarian emergencies. These environments create difficulties in the overall selection and management of IPs. In emergencies only a very limited number of suitable IPs are available, and their capacity, including those of government entities, may be limited.

212.   The United Nations system together with other international actors have established interagency emergency response mechanisms and governance structures to deal with emergency settings, *e.g.* under the Inter-Agency Standing Committee (IASC), the Resident/Humanitarian Coordinator (RC/HC) system or the emergency clusters under DaO. Further, MOUs concluded by United Nations organizations with other United Nations system organizations, intergovernmental, governmental and NGOs/CSOs, may contain provisions for emergencies.

A.   Fast-track procedures for IPs

213.   Organizations such as UNDP, UNFPA and UNHCR, have put in place "fast-track" procedures applicable to engaging with IPs beyond the standard response procedures of the organization. For instance, the UNDP Fast-Tracking Crisis Response sets out initiatives to be undertaken at both the corporate level and the country office level in order to set the stage for country offices to respond quickly in emergency situations. Country offices, particularly in high-priority countries, are encouraged to undertake a NGO/CSO mapping of the country with a view to creating a pre-selected roster of NGOs/CSOs, which also includes an assessment of their expertise and capacity for certain key activities. This roster can then be tapped into in a period of crisis when UNDP needs to respond swiftly. At the corporate level, a similar process is carried out at headquarters for international NGOs with the objective of finalizing as many LTAs as feasible with as many of the partners as are found eligible.[36] An example provided to the Inspectors is the UNDP country office in Bangladesh which had conducted pre-assessments of suitable NGOs in advance so that they were pre-vetted and could be engaged without delays in emergency situations, such as be able to react quickly to recurring emergencies due to floods.

214.   FAO has special policies and practices in place for emergency operations also covering fast-track selection of IPs and cluster approaches and coordination with other United Nations agencies including EU-ECHO. WFP has an emergency cluster system which also maintains a database of IPs for specific emergency operations and for stand-by partners. WFP interviewees indicated that as part of preparing for emergencies there is a need to build up the capacity of its IPs, so as to be in a position to supplement WFP at short notice in a specific area of need.

215.   In some organizations with no specific fast-track procedures, there are existing provisions for waivers and exceptions from the usual steps for IP selection in cases of emergencies, as for example is the case at UNHCR.[37] In other cases heads of country office determine the procedures to apply in emergency cases. For instance, as indicated to the Inspectors, during an emergency operation in Pakistan, a country manager was confronted with cumbersome procedures to engage IPs that would have required 26 steps and about three weeks of delay. The country manager took immediate action as the responsible head of office, accepted the risk of deviation from the standard procedure, while in parallel reported to headquarters accordingly.

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[36] Strategy for Fast-Tracking UNDP's Crisis Response, p. 5; a similar function serves the global agreements concluded by WFP.
[37] UNHCR, Implementing Partnership Management Service Guidance Note: Partner selection for undertaking project agreements (April 2013), p. 5.

B.   Stand-by agreements

216.   A number of United Nations organizations including UNDP, UNFPA, UNICEF, UNHCR, WHO, WFP, UNESCO and FAO use and have concluded stand-by agreements with suitable government and non-government organizations. Stand-by agreements or Stand-by partners are mostly used in the humanitarian context and they describe an entity funded and mandated to provide in-kind resources (in most cases experts and personnel) to United Nations agencies that deal with emergencies. Often stand-by partners are large international NGOs, which operate a roster of trained and qualified humanitarian personnel, in addition to their own programming activities. Access to those rosters of stand-by partners, allows United Nations agencies to deploy staff from the rosters upon short notice to serve in emergency operations, making the agreements an important part of the organizations' emergency response capacity. Some organizations have developed detailed guidance for concluding and operationalizing stand-by agreements.

217.   Stand-by agreements are being recognized as having many advantages and they are considered to be a successful and effective practice. At the same time it was noted that they may have an unintended drawback, as they implicitly tend to favour international versus local partners and IPs. Another reported issue is that many agencies have signed stand-by agreements with similar partners, and hence the margin for the choice of experts and candidates on the stand-by partner rosters can be diminished and limited when a major emergency occurs.

218.   While standby agreements are primarily made to support immediate response to a rapid-onset emergency, they have also helped to strengthen capacity development of partner countries for emergency preparedness and risk reduction. Increasingly they support the broader IASC global cluster response.[38]

219.   Several officials interviewed noted that it would be useful to have more detailed SOPs for certain aspects of the work with IPs and additional special frameworks for difficult environments, such as conflict or post-conflict situations and emergencies in particular, as United Nations organizations working in the humanitarian and development sector have increased operational activities in those contexts.

220.   **It is recommended that United Nations system organizations, if they have not yet done so, establish or ensure that there exist policies and procedures for engaging IPs in emergency settings, taking into account respective risk-mitigation measures of operating environments. Efforts should be made to align the IP-related policies to the organization's overall emergency response procedures as well as the inter-agency emergency response mechanisms and governance structures, such as the Inter-Agency Standing Committee (IASC) and the RC/HC system.**

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[38] UNICEF, Civil Society Guide to Working with UNICEF (2012), p. 46.

XIV.   INTERAGENCY COOPERATION AND INFORMATION-SHARING

A.   Cooperation on the ground

221.   *At the country level* the forum for discussions and exchanging IP-related information is the operational management group/team of UNCT. Most members of UNCT are represented in the group and it provides a place for discussing issues, such as HACT (*e.g.* macro and micro assessments) and other common operational matters. IP-related information is further shared among United Nations organizations in the various clusters (and related working groups) established within the framework of UNDAF, UNPAF or UNDAP in countries which operate under DaO.

222.   In addition, informal consultations take place, albeit on an *ad hoc* basis, among United Nations agencies that work with common IPs. For instance, in cases where a United Nations agency works with a number of IPs, in particular NGOs or CSOs in a given country, it would usually engage other United Nations organizations that also have working relations with those IPs as seen necessary by the respective programme officers.

223.   In some countries additional mechanisms for sharing IP-related information exist, for instance under governance arrangements of pooled funds. One good practices example is the operations in Somalia where 24 United Nations organizations operate under the Somalia UNCT. So as to improve risk management and set up a proper risk framework, a Risk Management Unit (RMU) was established as part of the RC/HC office to which it reports, to provide operational advice on risk management issues to UNCT and RC/HC. To this end, the RMU has developed a database with contracts of 13 United Nations agencies (at the time of review) amounting to about US$ 419 million with about 1,200 IPs and partners. The database also allows checking any IP against the United Nations Security Council sanctions lists and the World Bank vendor black-list. The related information is gathered through the contract information provided by United Nations agencies, but RMU also sends out monitoring and surveillance teams to field missions to verify some of the information and for collecting additional data. The Inspectors were informed that similar RMUs are planned for Afghanistan and Mali.

224.   As mentioned in chapter X, most interviewees noted that HACT has also improved harmonization and cooperation within the United Nations system to some degree and hence has facilitated the management of IPs. For instance in Kenya a HACT micro assessment of a government IP was made jointly by UNFPA, UNDP and UNICEF. The three organizations jointly established a cost plan for the micro assessment and decided on the TORs inducing the joint criteria for the assessment. An external consultant for the micro assessment was hired, and a joint committee composed of members of the three organizations was set up to oversee the process.

225.   *At the regional level*, operational IP issues are discussed to some extent in the UNDG regional groups. For instance, UNDG Asia-Pacific meets quarterly under the chairmanship of the UNDP Regional Coordinator for Asia and the Pacific, based at the UNDP New York headquarters, for discussing operational and technical issues, including aspects related to IPs. The group is composed of the regional directors of the United Nations organizations and its membership is similar to that of the Regional Coordination Mechanism (RCM).

226.   A common view of officials on the ground as well as at headquarters was that, despite the above forums for formal information-sharing and the informal case-by-case IP consultations, there is still a lack of sufficient information-sharing and cooperation among United Nations agencies on the subject of IPs. While, *e.g.* the selection of IPs is discussed in the clusters under DaO, neither the clusters nor the RC offices visited have a list of potential IPs or other partners with which the various agencies have worked. Organizations rely exclusively on information that may voluntarily be presented by cluster members in the meetings. There is

also very little consultation among United Nations agencies prior to setting up agreements with IPs. In many cases information-sharing is not taking place at all, which has resulted occasionally in one United Nations agency engaging with an IP with which other agencies may have had questionable performance experiences.[39]

227. This situation poses significant challenges particularly in high-risk environments, such as post-conflict, humanitarian crisis or emergency situations. More than a dozen United Nations agencies in Somalia are working with and providing resources to the same IPs, in addition to the World Bank, the African Development Bank (AfDB), the European Union and other donors, which creates risks of double billing and contracting. As noted in chapter XI, fragmentation within the United Nations system both on the operational side and oversight/monitoring in relation to IPs was one of the major risks and impediments to fraud detection. More systematic and periodic information-sharing and enhancing coordination would help avoid risks in those environments.

228. A robust information-sharing framework for IPs would also improve identification of opportunities for joint pre-assessments under HACT and beyond, promote joint monitoring, evaluation and auditing of common IPs. It would also permit the use of pre-assessments, progress reports and audits already done by one United Nations organization, and hence reduce administrative and transaction costs. Further it would open possibilities for a more coherent approach to capacity-building and training of common IPs. As mentioned to the Inspectors, "more extensive sharing of information on IPs and experiences working with them on an inter-agency level could help save lots of money". As appropriate, lists of IPs with a bad record or suspected irregularities need to be shared periodically among UNCT members.

229. The implementation of the following recommendation is expected to strengthen inter-agency coordination and cooperation.

Recommendation 11

The executive heads of United Nations system organizations should instruct country offices to act at the country level to establish, in cooperation with other United Nations organizations, procedures for sharing Implementing Partner information. Channels for such cooperation should include operations management groups of the UNCT and clusters and working groups established under UNDAF, UNPAF and UNDAP.

B. Cooperation at headquarters levels

230. Currently no forum exists among United Nations system agencies at the headquarters level for discussing systematically substantive and all-encompassing issues related to IPs in particular and partnerships in general. A notable exception is HACT and the occasional IP discussions in the context of and in conjunction with other inter-agency themes.

231. Yet the fact remains that the majority of United Nations system organizations do work, in one way or another, with IPs, and several use IP modalities as the norm for programme implementation with significant amounts of resources expended through IPs. Further, the selection and management of IPs is cross-cutting and linked to most of the organizations' internal processes at headquarters, regional and country levels.

232. While IP selection and management is mostly decentralized and delegated to country offices, IP policies, procedures and other guidance are being developed and issued at headquarters levels. It would

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[39] See also relevant audit and evaluation reports of DaO programmes, which have highlighted similar issues, for instance in the "Joint audit of the United Nations Delivering as One programme in Tanzania", report No. 886 (6 November 2012) and the "Independent evaluation of lessons learned from Delivering as One, final summary report (June 2012)" (A/66/859).

therefore be advisable for the United Nations system as a whole, as well as for the United Nations agencies concerned, to have an inter-agency forum for discussing IP issues at the headquarters level where knowledge, experiences, views and policy direction on IPs, can be exchanged. In particular issues such as IP modalities, capacity-building, pre-assessments/due diligence, agreements, accounting and financial management as well as monitoring, reporting, auditing, investigation of IPs would be of interest to all concerned. Organizations could draw from the experiences and work already done by others, especially at a time when several organizations are in the process of updating their IP policies and procedures.

233.   The Inspectors believe, and a number of officials interviewed concurred, that such a forum could be most suitably established at the level of the CEB committees and their functional networks, as appropriate, either as a separate working group or as a recurrent item on the agenda of the already existing working groups under the HLCM, UNDG, and the High-Level Committee on Programmes (HLCP).

234.   The implementation of the following recommendation is expected to enhance system wide coherence and harmonization.

Recommendation 12

The United Nations Secretary-General, in his capacity as Chairman of the CEB, should act to ensure that Implementing Partner policy and management issues become a regular agenda item of the three CEB pillars. Consideration of these issues can occur in a special Implementing Partner-focused working group or as a standing item in existing functional networks. Issues considered should include, inter alia, strategic frameworks, assessments, selection, agreements, accounting and financial management, monitoring and performance evaluation.

Annexes I - XI

Annexes I-XI are published only on the JIU website (www.unjiu.org) together with the report

I.	Definitions of Implementing Partners
II.	Expenditures by United Nations System Organizations to Implementing Partners
III.	Strategies and Policies related to Partners & Implementing Partners
IV.	Common Guiding Principles for Partnerships
V.	Selection Criteria and Process for Implementing Partners
VI.	Types of Implementing Partner Agreements
VII.	Sample List of Provisions and Clauses of Implementing Partner Agreements
VIII.	Example of a Small Scale Implementing Partner Agreement Template
IX.	Audit Arrangements for Implementing Partners
X.	HACT Procedures Comparison
XI.	Major Challenges (Partial List) – As reported by Participating Organizations

Attachment 1

**Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit
JIU/REP/2013/4**

	Intended impact	United Nations, its funds and programmes															Specialized agencies and IAEA													
		CEB**	United Nations*	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNAIDS	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
Report — For action		⊠	⊠	☐	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	⊠	☐	☐	⊠	⊠	☐	⊠	⊠	⊠	☐	☐	⊠	☐	⊠
Report — For information		☐	☐	⊠	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	⊠	⊠	☐	☐	⊠	☐	☐	☐	⊠	⊠	☐	⊠	☐
Recommendation 1	a		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 2	a		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 3	f		L		L	L	L	L	L	L	L	L	L	L	L	L	L		L	L	L		L	L	L			L		L
Recommendation 4	f		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 5	d, f		L		L	L	L	L	L	L	L	L	L	L	L	L	L		L	L	L		L	L	L			L		L
Recommendation 6	f, h		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 7	i		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 8	f		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 9	e		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 10	a		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E
Recommendation 11	c		E		E	E	E	E	E	E	E	E	E	E	E	E	E		E	E	E		E	E	E			E		E

	Intended impact	CEB**	United Nations*	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNAIDS	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
			United Nations, its funds and programmes														Specialized agencies and IAEA													
Recommendation 12	d	E																												

Legend: **L:** Recommendation for decision by legislative organ   **E:** Recommendation for action by executive head
▢ **:** Recommendation does not require action by this organization
Intended impact: **a:** enhanced transparency and accountability   **b:** dissemination of good/best practices   **c:** enhanced coordination and cooperation   **d:** strengthened coherence and harmonization   **e:** enhanced control and compliance   **f:** enhanced effectiveness   **g:** significant financial savings   **h:** enhanced efficiency   **i:** other.

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-Habitat, UNHCR, UNRWA.

** Addressed to the United Nations Secretary-General in his capacity as Chairman of the CEB.