



# **Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services**

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**United Nations Office for Project Services**

## **Report of the working group on UNOPS**

### **I. History and introduction**

#### **A. History**

1. On 1 January 1995, the United Nations Office for Project Services (UNOPS) – the former Office for Projects Execution of the United Nations Development Programme (UNDP) – commenced operations as a separate and identifiable entity. In the United Nations system, UNOPS is a subsidiary organ, classified as an “other entity,” i.e., not a fund, programme or specialized agency. Notwithstanding, UNOPS is an entity of the United Nations development system. From a functional perspective, UNOPS project services comprise infrastructure, procurement, project management, human resources, financial management and other management services.<sup>1</sup>

2. Since 1995, Member States have evolved the UNOPS mandate through resolutions and decisions, particularly in respect to the nature of its project services and the types of partners with whom UNOPS is expected to engage.

3. In resolution 65/176 of 20 December 2010, on the renaming of the Executive Board to include UNOPS, the General Assembly reaffirmed the mandate of UNOPS as contained in Executive Board decision 2009/25 and the relevant provisions of decision 2010/21. In these decisions, the Board encouraged UNOPS to enhance engagement with various actors in the development, humanitarian and peacekeeping arena. UNOPS was further mandated to avail its expertise for Governments (donor and recipient), the United Nations system and other partners, including intergovernmental institutions, international, regional and subregional financing institutions, foundations, non-governmental organizations and the private sector.

#### **B. Introduction**

4. UNOPS “helps people to build better lives and countries to achieve sustainable development”.<sup>2</sup> Similar to the World Food Programme and the International Organization for Migration, UNOPS is a demand-driven and self-financing organization without any contributions from Member States. UNOPS relies on the revenue that it earns from the implementation of projects and the provision of transactional and advisory services. It provides services that contribute to peace, security, humanitarian and development operations of the United Nations system. UNOPS revenues are

<sup>1</sup> A/RES/65/176.

<sup>2</sup> <https://www.unops.org/about/our-story/mission-vision-purpose>



wholly dependent on fees generated by the provision of project services through advisory, implementation and transactional services in its five core areas of expertise, namely, infrastructure, procurement, project management, financial management and human resources.<sup>3</sup>

5. In 2018, in line with Executive Board decision 2016/12, UNOPS used financial regulation 22.02(b) to begin seed capital investments within the limits set out in the financial regulations and rules. In 2019, following the same regulation, UNOPS formalized the establishment of the growth and innovation reserve for sustainable investments in infrastructure and innovation (S3i).

6. The report of the United Nations Board of Auditors for the year ended 31 December 2021 noted the establishment of a bad debt allowance for the S3i initiative in the amount of \$20.53 million. The report also noted that investments had been made in violation of UNOPS rules regarding diversification and risk exposure. Subsequent disclosures by UNOPS management revealed additional losses and oversight failures.

7. At its annual session 2022, the Executive Board, in decision 2022/13, took the following actions to increase its oversight of UNOPS. The Board:

(a) Decided to create a working group in accordance with rule 9 of its rules of procedures consisting of 10 members and observers of the Executive Board to assess the root causes and institutional vulnerabilities within UNOPS that led to the failures associated with S3i, with a view to making recommendations to the Executive Board to facilitate additional necessary actions to consider at the second regular session 2022 and the first regular session 2023 (para. 10).

(b) Requested that the Bureau of the Board conduct consultations with the regional groups to present two nominees per regional group to compose the working group, to be appointed by the Board through a silence procedure (para. 11).

(c) Requested that the working group undertake its work in consultation with, as appropriate and not limited to, UNOPS, the United Nations Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions and the Joint Inspection Unit (para. 12).

(d) Requested the working group to focus its work on the following, and to present its work to the Executive Board: (i) options for the appropriate use of UNOPS reserves; (ii) options to increase transparency around UNOPS management fees and costing structure, with a view to limiting the accumulation of UNOPS reserves; and (iii) any other matters deemed appropriate by the Bureau for the working group to discuss (para. 13).

(e) Requested that UNOPS provide the following to the Executive Board and the working group, at the earliest possible date and with a view to facilitating the efforts of the working group in an expedited manner, complementary to any other actions undertaken by UNOPS: (i) a third-party review of the oversight mechanisms that existed for S3i investments; and (ii) a third-party review of UNOPS internal control systems, risk management and overall governance structures, including an assessment of the integrity of the wider UNOPS portfolio and a review of UNOPS cost structures (para. 14).

(f) Requested that UNOPS submit the terms of reference for these third-party reviews for approval by the working group prior to the commissioning of the reviews (para. 15).

(g) Requested that the Executive Director, ad interim, provide the Executive Board, as soon as possible, but no later than 15 July 2022, an action plan with a time frame for all actions, including but not limited to those requested in this decision, to address concerns regarding S3i, with a view to enhancing transparency and accountability (para. 16).

(h) Recalled decision 2020/13 on the working methods and recognizing the urgency of the situation, decided to include an update on the progress of the working group, including any preliminary

<sup>3</sup> United Nations Office for Project Services: Financial report and audited financial statements for the year ended 31 December 2020 and Report of the Board of Auditors (A/76/5/Add.11).

findings, as an item for decision on the agenda of the second regular session 2022 and the first regular session 2023 (para. 17).

8. The secretariat of the Executive Board facilitated a nomination process for selecting members of the working group. Each regional group selected two members. The following Member States were selected to serve on the working group: Antigua and Barbuda, Bangladesh, Cameroon, Finland, Georgia, Kenya, Mexico, Pakistan, Ukraine and the United States of America. The working group selected Antigua and Barbuda to serve as its technical chair.

9. The first meeting of the working group was held on 1 July 2022. Subsequent meetings were held weekly through 12 December 2022.

## **II. Third-party, backward-looking review of the effectiveness of the UNOPS oversight mechanisms for sustainable investments in infrastructure and innovation (S3i)**

### **A. Background, scope and process**

10. As requested by the Executive Board in decision 2022/13, UNOPS commissioned independent external advisory reviews and invited the working group to provide comments to the terms of reference for the two third-party reviews. The working group made several comments which were well reflected in the final terms of reference. The working group also recommended that UNOPS fast-track the review assignments by combining the two reviews into one procurement process. Despite the short time frame given, UNOPS was able to implement this recommendation, which resulted in a relatively short but intensive review process.

11. The review focused on identifying the root causes and institutional vulnerabilities within UNOPS that led to the failures associated with the S3i, and provided recommendations to strengthen oversight and accountability in UNOPS. The review included the following areas: S3i initiation and approval; governance over S3i; selection of partners; management; monitoring; and internal and external oversight. The engagement methodology included interviews, review of relevant documentation and analytical review of data.

12. The review process was managed and executed in an exceptional manner. The level and depth of the information provided resulted in a clear and thorough report. The working group commends UNOPS management and staff for their openness and willingness to collaborate with the working group, including providing opportunities to engage throughout the review process. The support of the top management, especially the interim Executive Director, has been fundamental in ensuring that the review process was conducted independently and professionally.

### **B. Key findings**

13. The review report highlights several critical findings relating to the root causes of the S3i failures.

14. Key decision-making was concentrated within upper top management, specifically the Executive Director and the Deputy Executive Director, who were the ultimate decision makers in all key areas. Of interest, the Deputy Executive Director had an exceptionally strong role. The management structure, combined with the significant delegated authorities, led to a high concentration of power within UNOPS.

15. The UNOPS management culture developed a strong top-down approach with a high focus on growing the business and reserves. Staff were afraid of being replaced or fired in case decisions or the management agenda were challenged. Overall, this created a culture of fear.

16. The Executive Director and Deputy Executive Director were deeply involved in the establishment of S3i, which was developed outside of the UNOPS structure and core mandate. Only the Executive Director and Deputy Executive Director, together with a few external consultants and

very few UNOPS personnel, were involved in designing and managing the S3i, with limited consultations within the broader organization.

17. The S3i lacked transparency and appropriate due diligence. UNOPS has a full set of administrative and financial rules, but the selection process of S3i partners did not follow these procedures. Prior to any investment being made, several gaps, risks and red flags had already been identified. These red flags were brought to the attention of the management. However, the management and oversight functions failed to act on these clear warning signals. The Deputy Executive Director was a member of the Engagement Acceptance Committee and simultaneously a direct supervisor of the Committee's members. There was little room to challenge the investment proposals.

18. The S3i was using UNOPS expertise in project management to conduct its activities but there were few interactions between the S3i office team members and UNOPS headquarters or regional offices. The Deputy Executive Director initially had some contacts with UNOPS personnel in local offices relating to efforts in finding impact investing possibilities, but those investments never materialized. Local structures and knowledge were not utilized, therefore exposing UNOPS to significant local operating, environmental and reputational risks.

19. The Deputy Executive Director was strongly involved in preparing, negotiating and entering into contracts on behalf of UNOPS, acting as the de facto verifying officer as he authorized the investments against UNOPS resources.

20. No specific S3i investment policies and frameworks were established. No executive office directive or instruction were ever promulgated, as the Deputy Executive Director did not initiate the policy development during the proof-of-concept period of the S3i. The manuals were created only after all investments in Sustainable Housing Solutions Holdings (SHS) had been approved and disbursed.

21. There was no indication of a competitive selection process for the technology, or any documented comparison of the housing technologies in the market. No technical due diligence was conducted despite UNOPS strong expertise in infrastructure. No feasibility studies of the concepts were conducted prior to the investments.

22. The investments were directly brought to the Engagement Acceptance Committee without alternative suggestions or clear visibility of the investment proposal preparation process. The material provided was not standardized and its quality varied significantly. The Engagement Acceptance Committee was not a decision-making body and made recommendations to the Executive Director who held the decision-making authority.

23. The envisioned objectives were overly ambitious compared to the UNOPS track record and capability to deliver on investments. Due to this lack of capacity and limited expertise in similar investment arrangements, the management did not fully comprehend the risks involved.

24. Whistle-blowing mechanisms were non-functional and whistle-blowers have faced threat of retaliation.

### **C. Reactions from the working group**

25. The working group commends the consulting firm KPMG for an exceptionally well-executed review. The report is of high quality and the thoroughness demonstrates the benefit of conducting third-party reviews, if need arises. The working group recommends that the Executive Board consider third-party reviews as an option for conducting assessments/reviews, whenever necessary.

26. Open and transparent communication (including dialogue between the auditors and the working group) was highly useful to the working group for following and monitoring progress throughout the process. The working group found that its collaboration with UNOPS was a good practice and recommended, when appropriate, that in future the Executive Board consider a working group or a

similar format as necessary. It could be particularly helpful for following up on specific issues that may concern only one of the three agencies that the Board oversees.

27. The working group considers the findings to be highly critical and recommends that UNOPS and the Executive Board take necessary action on all areas. The KPMG report defines critical areas, which need immediate attention.

### **III. Third-party, forward-looking review of UNOPS internal control systems, risk management and overall governance structures**

#### **A. Background, scope and process**

28. The second, forward-looking review focused on the UNOPS mandate, governance, risk management and internal control systems, performance management and accountability, and includes an assessment of the portfolio and cost structures. The forward-looking review provides many highly relevant recommendations, which needs to be addressed urgently. The working group expects UNOPS management and the Executive Board to take all necessary measures to implement the recommendations without any delay.

#### **B. Key findings**

29. The report comprises 47 recommendations, most of which are addressed to UNOPS management with five within the purview of the Executive Board. The recommendations, the primary responsible entity, degree of priority and target date for implementation are in the annex.

#### **C. Reactions from the working group**

30. The recommendations are mainly assessed as critical and the target implementation date is set as either immediate or midterm. The working group recommends that UNOPS management and the Executive Board respond to all recommendations and take urgent action on all relevant recommendations. The Board has requested that UNOPS provide a comprehensive response plan, along with clear timelines. The working group proposes that the implementation of the recommendations should be followed and monitored using annex 1. The status of implementation would be reported to the Board on a regular basis. The recommendations are divided into the following seven categories:

(a) **Category 1: Executive Board.** Firstly, the recommendations to the Board are highly relevant. The review pinpoints areas where the role of the Board needs to be strengthened. For example, considering the volume that UNOPS is managing, an audit and risk committee, as a subcommittee of the Board, is well argued for in order to ensure sufficient risk management by the Board. Therefore the oversight functions of the Executive Board need to be strengthened.

(b) **Category 2: Mandate and strategy.** All three recommendations concerning mandate and strategy are critical and demand urgent action. The working group expects these matters to be discussed at the 2023 first regular session of the Executive Board. A draft framework for a revised UNOPS strategic plan, 2022-2025 will be presented and discussed during the session, and the final revised strategic plan will be adopted at the annual session 2023.

(c) **Category 3: Governance and management.** An inclusive management culture requires a systematic engagement with regional directors and regional offices. This is both a matter of effective management utilizing the expertise from the regional offices and a critical risk management element.

(d) **Category 4: Risk management and control environment.** The review highlights several critical areas of the UNOPS risk management system that must be developed immediately. The full independence and sufficient resourcing of the Internal Audit and Investigations Group and Ethics Office need to be protected.

(e) **Category 5: Ethics, compliance and organizational culture.** There are 15 recommendations focusing on ethics, compliance and organizational culture. It is obvious that much needs to be done. The working group expects the reform work to start immediately. The selection of the new Executive Director must be based on merit, skills, abilities and experience deemed most suitable for the position. In addition to the Executive Director, top management must have sufficient competence and skills. The second Deputy Executive Director would need to ensure that there are sufficient resources and clear division of labour among top management, which is also responsible for the organizational culture. These reviews reveal that the reform work will need the full attention of management, bearing in mind how the culture has affected the well-being of UNOPS staff.

(f) **Category 6: Financial and performance management.** The review gives concrete recommendations to enhance the financial and performance management. The pricing model needs to be justified, clear and understandable. Risks related to the financial investment portfolio and the due diligence process require special focus, taking into account the current situation. Results and reporting management processes also need to be developed to be more aligned with the results frameworks.

(g) **Category 7: The future of S3i.** The working group proposes that all S3i-related recommendations should be taken into consideration only after the Executive Board has taken decisions regarding the future of S3i. Therefore, at this stage the working group will not make the final assessment regarding these recommendations.

## IV. Reserves

### A. UNOPS reserves

31. In decision 2021/21, the Executive Board approved a formula for calculating the minimum required reserve level. With the reported losses, in decision 2022/13 the Board requested that UNOPS transfer all reserves not committed to projects to the operational reserve and restricted the use of the reserves to daily operations. The Board also froze all transfers out of the operational reserve.

32. Based on the calculation from decision 2021/21, on 18 July 2022, UNOPS reported to the working group that the minimum operational reserve level as of 31 December 2021 totalled \$139 million. Total reserves as of 31 December 2021 were \$360 million, including \$63 million committed to S3i projects. Also as of 31 December 2021, a total of \$158 million was neither committed to S3i projects nor part of the minimum operational reserve.

### B. Options for use of UNOPS reserves

#### 1. Use of contributing entities' proportional share of excess fees determined by the contributing entity

##### (a) Maximum total reserve

33. Under option (a), the Board would establish a maximum total reserve. Any amount exceeding the maximum total reserve shall be credited to the paying entities according to an excess reserve indexing formula (ERIF).

34. The total reserve would comprise the maximum total reserve: minimum operational reserve (as of 31 December 2021) plus funds committed to S3i plus \$10 million and increasing by \$5 million each year thereafter. Excess reserves would be creditable to paying entities: Total reserves – maximum total reserve.

35. For reserves accumulated up through 31 December 2021 (ERIF1), each paying entity's proportional percentage share of all payments received by UNOPS from 1 January 2018 through 31 December 2021 (four calendar years), shall be multiplied by an amount equal to the excess reserve to determine the amount creditable to each paying entity. See the ERIF1 expressed as a

formula: (Individual entity-specific payments to UNOPS from 1 January 2018 through 31 December 2021)/(Total payments to UNOPS from 1 January 2018 to 31 December 2021) = proportional percentage share of entity payment to UNOPS.

36. For reserves accumulated after 31 December 2021 (ERIF2), each paying entity's proportional percentage share of all payments received by UNOPS from 1 January through 31 December each year shall be multiplied by an amount equal to the excess reserve to determine the amount creditable to each paying entity. See ERIF2 expressed as a formula: (Individual entity-specific payments to UNOPS from 1 January through 31 December each year/ (Total Payments to UNOPS from 1 January through 31 December each year) = proportional percentage share of entity payment to UNOPS.

37. Credits received by paying entities may be used as voluntary contributions or applied to projects anywhere within the United Nations system.

**(b) Provide rebates to partners and remit funds to Member States**

38. **Partners:** This approach would offset management fees, through a rebate, for partners on future engagements in proportion to the fees already generated by these partners within a defined time frame (e.g., the past five years). This rebate could be implemented by prorating excess reserves based on the management fees generated for each partner as a share of total management fees for the period 2017-2021. For the following periods, an annual analysis following the publications of the audited accounts will confirm the remaining balance available for future rebates. In order to reduce transactional costs and administrative challenges, a threshold of \$1 million paid in management fees would account for 93 per cent of management fees.

39. **Member States:** This approach would remit excess reserves to Member States in proportion to the management fees generated by each Member State for the period 2017-2021, initially as a one-off transaction, and to be repeated based on future decisions of the Executive Board. Excess reserves can be transferred to United Nations Member States, irrespective of contributions, if any, made in the past. Such a transfer would be a distribution similar to a dividend. A mechanism would need to be developed to apportion the distribution to the Member States

40. To acknowledge the UNOPS financial model and the absence of assessed contributions, the management fee share generated by a Member State in relation to all management fees generated by Member States would provide a ratio by which the excess reserves could be remitted to the respective Member State.

41. Similar to the logic envisaged in the partners' scenario, a threshold could be introduced to ensure cost-efficient arrangements in relation to Member States. For example, establishing a threshold for those that generated more than \$1 million in management fees during this period would capture 96 per cent of total management fees generated by Member States.

**2. Use of contributing entities' proportional share of excess fees determined by the Executive Board**

42. **Support the United Nations development system.** This approach would support the United Nations development system, by contributing to the Special Purpose Trust Fund for the new resident coordinator system.

43. **Finance the United Nations Efficiency Agenda.** The excess reserve could be used to take a financing role, and UNOPS could make available its comparative advantage in procuring global partners to manage a centralized facilities portfolio in a manner that could maximize efficiencies from financing and managing facilities at scale globally, rather than country by country.

44. **Address emerging needs.** The Board may also consider an approach whereby it could exercise its discretion to address emerging needs on an ongoing basis. This could mean that a predetermined

share of any excess reserve could be held in escrow, subject to the decision of the Board to proceed with the use of these funds.

45. **Invest in UNOPS internal capacity:** A key objective of an internal capacity investment reserve (financial rules and regulations: “growth and innovation reserve”) would be to future-proof the organization in terms of ensuring adequate resourcing in areas such as structural enhancements and response to emergencies (e.g., Ukraine), expertise and capacities of UNOPS personnel through learning activities, cyberresilience, digital transformation and capital expenditure needs (e.g., enterprise resource planning (ERP)). An appropriate level of the reserve could be determined through two different approaches.

46. One would rely on benchmarking comparable professional services firms. Deloitte is currently working on setting up a benchmark, which could be defined as a percentage of annual expenses. Another approach would be to have a set amount fixed by the Executive Board, based on UNOPS investment needs.

47. Based on a study currently being performed by Gartner, preliminary results show that UNOPS would need to invest around \$62 million to reach its digitalization ambitions, including a change of its ERP system. UNOPS has for the purposes of the present note included an internal capacity investment reserve set at \$72 million, in line with Gartner’s estimates of \$62 million, including other internal capacity investment needs of \$4 million in response to emergencies such as Ukraine and the needed structural enhancements, and \$6 million directed to development of the expertise and capacities of UNOPS personnel through learning activities in support of the UNOPS mandate.

## **V. Additional remarks and proposals by the working group**

48. As noted elsewhere in this report, the working group finds that the external review process has provided highly relevant and useful information. This format should be used more broadly within the United Nations system, if the need arises. The reviews should also be reflected in the United Nations system as a whole. While each United Nations organization is structured and managed in its own way, these findings should be taken into consideration beyond UNOPS to prevent similar critical errors from taking place in any United Nations organization. In particular, matters relating to whistle-blowing mechanisms, functioning of ethics offices and the role of Executive Boards should be looked at first.

49. Effective implementation of the recommendations could place the developed management and organizational structures as good practices for other United Nations agencies to consider.

50. The reviews also address areas where the role and functioning of the Executive Board needs to be improved. This is another element which should be considered beyond the Executive Board of UNDP/UNFPA/UNOPS to include the Executive Boards of the United Nations funds and programmes in general.

51. The culture of fear, concentration of power and fully independent and sufficient resources for the audit, investigations and ethics functions are also areas which should be reflected upon in other funds and programmes. This review process was highly valuable at an extremely critical moment in the Organization’s history.

52. After meeting with Deloitte and KPMG, the working group met with the UNOPS Client Board. That meeting was led by the Controller of the United Nations and Assistant Secretary-General for Programme Planning, Finance and Budget, and attended by the chief financial officers of UNDP, the Office of the United Nations High Commissioner for Refugees and the World Health Organization. The Client Board members said that they had previously expressed their concerns to UNOPS management about the high fees charged for services and overall value for money. The Controller pointed out that the options for the use of reserves presented by Deloitte were not viable as they did not adhere to the United Nations financial rules and regulations. Additionally, letters had



already been issued to UNOPS partners informing them that the reserves were going to be returned in the form of credits or other similar options based on how much partners were overcharged for past projects with UNOPS.

## Annex. Recommendations

### Recommendation category 1: Executive Board

No.	Recommendation	Responsible	Status	Priority	Target Date
1.	When deciding on the use of operational reserves, the Executive Board should take into account the financial investment risk and related recent fair value changes (chapter 6.2), as well as the need for internal organizational development at UNOPS.	Executive Board		High	Immediate
2.	Consider the risks to effectiveness and efficiency inherent in the Executive Board's governing of three different United Nations agencies.	Executive Board		Medium	Midterm
3.	Benchmark the Board's functionality and composition against other agencies and similar actors.	Executive Board		High	Midterm
4.	Establish an audit and risk committee as a subcommittee of the Executive Board supported by sufficient capacity. The role of a typical audit and risk Committee is to assist in supervising the management, financial controls and reporting and overseeing risk management, strategy, policies and governance.	Executive Board		High	Immediate
5.	The Executive Board should consider engaging an external and independent specialist to review the functionality of the Internal Audit and Investigation Group (IAIG), and to review the implementation measures taken in relation to the IAIG self-assessment report.	Executive Board		High	Midterm

**Recommendation category 2: Mandate and strategy**

No.	Recommendation	Responsible	Status	Priority	Target Date
1.	Revisit the Strategic Plan, 2022-2025 and engage the broader organization and relevant governance bodies in the process.	UNOPS		High	Immediate
2.	Refocus on the original mandate as a demand-driven United Nations organization providing services to the United Nations system, Governments and other partners and clearly define the extent and form of engagement with the private sector	UNOPS		High	Immediate
3.	Refocus the strategic priorities and establish key performance indicators (KPIs), including quality of service delivery, pricing and level of operational reserves, to respond to a strategic road map approved by the Executive Board.	UNOPS		High	Midterm

**Recommendation category 3: Governance and management**

No.	Recommendation	Responsible	Status	Priority	Target Date
4.	The Regional Directors should meet on a regular basis to discuss and develop common understanding and ways to work towards UNOPS goals across the regions as well as to share best practices and lessons learned.	UNOPS		High	Immediate
5.	UNOPS should define what kind of an operating system is required to support the project and programme management, project delivery needs and key corporate functions of the organization across all regions. The regions should be engaged in the process from the start.	UNOPS		High	Immediate

**Recommendations category 4: Risk management and control environment**

No.	Recommendation	Responsible	Status	Priority	Target Date
6.	Conduct a thorough assessment of the portfolio and potential hidden risks.	UNOPS		High	Immediate
7.	Make risk management an integral part of all important decision processes and include reporting of portfolio risk in standard quarterly reporting.	UNOPS		High	Immediate
8.	Review the design and functionality of the current risk management framework.	UNOPS		High	Immediate
9.	Undertake a comprehensive review of risk management policies and procedures.	UNOPS		High	Immediate
10.	Ensure the independence and sufficient capacity of oversight functions, especially internal audit and ethics functions.	UNOPS		High	Immediate
11.	Prepare a documented action plan in response to the IAIG self-assessment report recommendations. The action plan should list all the recommendations, proposed action plans, expected date of completion, status update and an accountable person. The IAIG should report regularly to the Executive Board and the Audit Advisory Committee on the implementation plan.	UNOPS		High	Immediate
12.	Conduct a comprehensive review of the Audit Advisory Committee terms of reference in light of the findings of S3i. In this respect a change in the terms of reference should consider the establishment of an audit and risk committee under the Executive Board.	UNOPS		High	Immediate

**Recommendations category 5: Ethics, compliance and organizational culture**

No.	Recommendation	Responsible	Status	Priority	Target Date
13.	Define the ownership and tasks of the compliance function and communicate them clearly within the organization	UNOPS		High	Immediate
14.	In order to be able to monitor and report on the number of cases received on a regular basis, the Ethics Office should invest in capturing the case numbers in real time.	UNOPS		High	Immediate
15.	Overhaul the whistle-blowing process completely and establish clear protocols and rules for confidentiality.	UNOPS		High	Immediate
16.	Create protocols for dealing with complaints and investigations, especially involving Director levels or above. Ensure that the reported concerns/cases are handled in a consistent way, regardless of the status/seniority of the reportee. Encourage personnel to report on unethical behaviour and create their trust that the ethical policies and guidelines are followed in every situation.	UNOPS		High	Immediate
17.	Engage in closer collaboration with other United Nations agencies and relevant external parties around human resources and ethics practices.	UNOPS		High	Midterm
18.	Create a dedicated policy for anti-bribery and corruption.	UNOPS		High	Immediate
19.	Change the tone from the top and work to instil the values of the United Nations	UNOPS		High	Immediate
20.	Ensure a robust management structure with clear reporting lines and sufficient division of duties in respect of finance, legal, human resources and procurement.	UNOPS		High	Immediate

21.	Ensure the competence and capacity of the management team, and a structure with clear accountability in respective areas.	UNOPS		High	Immediate
22.	Create a management team with a functional size and clear mandate, with an emphasis on segregation between operational and risk management, including ethics and compliance.	UNOPS		High	Immediate
23.	Increase the number of Deputy Executive Director roles to two (at a minimum) with clear separation between operational and risk management.	UNOPS		High	Immediate
24.	Revise the management and organizational culture towards broader engagement and less of a top-down and hierarchical approach.	UNOPS		High	Immediate
25.	Encourage open engagement and differences of opinion through regular “pulse” surveys, discussion forums and frequent sharing of information.	UNOPS		High	Immediate
26.	Take into use a structured change management process to facilitate an efficient and effective organizational change.	UNOPS		High	Immediate
27.	Strengthen regional and functional input and participation in key decision-making	UNOPS		High	Immediate

#### Recommendations category 6: Financial and performance management

No.	Recommendation	Responsible	Status	Priority	Target Date
28.	The pricing should be further developed. Efforts should be made to communicate the logic and the basis of the different pricing model elements internally and with partners so that a common understanding and acceptance is formed.	UNOPS		High	Midterm
29.	The risks related to the financial investment portfolio should be carefully	UNOPS		High	Immediate

	monitored in the current economic situation and reporting should be provided monthly to the Executive Director and senior leadership.				
30.	Invest in resources and capabilities to enhance outcome reporting.	UNOPS		Medium	Midterm
31.	Develop the performance management process and strengthen the accountability through reporting and results management. Align the frameworks and reporting of indicators. Enhance results communication to management.	UNOPS		Medium	Midterm
32.	Define more clearly in operational instructions , what are accepted partnerships. Consider restricting exemptions of the Executive Office to develop new forms of partnerships without Engagement Acceptance Committee review or proper control mechanisms.	UNOPS		High	Midterm
33.	All Regions need to establish a practice and process that require the Integrated Practice Advice and Support to be completed before the project contract is signed.	UNOPS		High	Midterm
34.	The development of the due diligence process should be continued and adequate resources allocated based on the volume of work in due diligence.	UNOPS		High	Midterm

#### Recommendations category 7: Future of the S3i

No.	Recommendation	Responsible	Status	Priority	Target Date
35.	Make sure the value-addition of S3i is clearly understood and create structures to support the value-addition within UNOPS broader operations	EB/UNOPS			
36.	Focus on activities close to what UNOPS has been seen to do well, such as efficient project execution in challenging circumstances.	EB/UNOPS			

37.	Clarify responsibilities on S3i management and assess the current team and capacity.	EB/UNOPS			
38.	Comprehensively review all available information and investigation reports and take the necessary steps to resolve legal, financial and exit matters in relation to the failed S3i portfolio.	EB/UNOPS			
39.	Provide for the remaining outstanding balance related to S3i investments.	EB/UNOPS			
40.	Continue the risk assessment of the broader portfolio in order to understand if there is systemic failure still to be addressed.	EB/UNOPS			
41.	Perform a thorough review of the costs and implementation activities of the previous Deputy Executive Director and the Executive Office.	EB/UNOPS			
42.	Conduct a full external assessment of the existing S3i impact investing frameworks, policies and capacity.	EB/UNOPS			