**Standard Operating Procedure**

**for the development of UNDP management actions for Vertical Fund projects**

**escalated for action to the Executive Coordinator – Environmental Finance**

**Effective date: updated 2 December 2021**

1. **Background:**

The purpose of this SOP is to outline roles and responsibilities in UNDP to develop management actions for a Vertical Fund (VF) project (i.e., projects financed by the GEF, GCF or AF) that has been escalated to the Executive Coordinator – Environmental Finance for action. These management actions will be agreed with the Deputy Director of Regional Bureau and the Resident Representative (for NIM executed projects) and will be carefully documented using a standard Management Action Plan template. Note that management actions can occur in parallel to independent action undertaken by the Office of Audit and Investigation (OAI).

This SOP applies to VF projects only to ensure compliance with the relevant VF policies and reporting requirements. Separate SOPs are available for social and environmental standard compliance cases (SECU) of VF projects.

Note that all UNDP personnel must follow UNDP policies and guidelines on reporting allegations of misconduct as outlined under [Ethics and Internal Justice](https://intranet.undp.org/SitePages/Intranet.aspx) in UNDP, further detailed in the [Where to Go When Guide](https://intranet.undp.org/unit/office/ethics/Documents/Where%20To%20Go%20When%20-%20FINAL%20JUNE%202020.pdf). All personnel must inform themselves of their responsibilities and obligations as outlined in the [UNDP Code of Ethics](https://intranet.undp.org/unit/office/ethics/Documents/UNDP%20CODE%20OF%20ETHICS%20-%20June%202020.pdf) and supporting policies, and the consequences linked to these as outlined in the [UNDP Legal Framework for Addressing Non-Compliance with UN Standard of Conduct](https://popp.undp.org/node/11696).

1. **BPPS NCE roles:**

Original NCE Regional Technical Advisor (RTA) and regional PA (PA): the RTA/PAs who provided oversight before the project is escalated. The original RTA/PA will remain in place bringing valuable familiarity with the project(s) and insight and will be available for consultations with the additional RTA under the coordination, facilitation and supervision of the PTA. When the management actions have been completed, the original RTA/PA will continue in place.

Additional RTA/PA: when necessary, with the approval of the Executive Coordinator- Environmental Finance, additional oversight will be provided by an additional RTA/PA. The additional RTA will lead the implementation of the management actions and will be the primary communication channel for day-to-day interactions with the CO, project team and RBx. The additional RTA will act independently to come to her/his decisions and will make the final decision should opinions differ, under the supervision of the PTA. To bring the independence required, the additional RTA/PA’s duty station could be in another UNDP region. The PTA will decide who will undertake this additional RTA/PA role and will seek the approval of the Executive Coordination – Environmental Finance.

RTL: The RTL will manage communications between the additional RTA and senior managers in the RBX hub as CO as needed and represent the Executive Coordinator – Environmental Finance as and when requested to do so.

PTA: The PTA will supervise the inputs of the original and additional RTAs/PAs and provide additional technical input as needed.

1. **Management Action options**:

There are four management action options for on-going VF projects (i.e., prior to operational closure) escalated to the Executive Coordinator – Environmental Finance for action. These are: enhanced oversight, suspension, cancellation or DOA revoked. Note that an OAI investigation into a VF project that is operationally and/or financially closed typically do not require management actions.

1. Enhanced oversight: VF project implementation continues as per the signed project document with additional technical and/or operational oversight to address lagging performance including issues raised in audits and/or other due diligence. Some project activities may be put on hold or delayed until specific actions are completed. The details of enhanced oversight must be outlined and agreed in the Management Action Plan. Typically, technical oversight is provided by NCE RTAs/PA (original/additional or the equivalent) and operational oversight is provided by the Regional Bureau while the project is under enhanced oversight. When enhanced oversight has completed, the project could resume implementation, or be suspended or cancelled.

The decision to provide enhanced oversight, and to close enhanced oversight, is made jointly by the Executive Coordinator – Environmental Finance, the Deputy Director of the Regional Bureau, and the Resident Representative. The Implementing Partner and Project Board may be consulted however the final decision to provide enhanced oversight rests with UNDP. The VF Secretariat may or may not be informed of the enhanced oversight status of the project and the management action plan - depending on the relevant VF policies. The decision to inform the VF Secretariat will be taken by the Executive Coordinator – Environmental Finance.

1. Suspension: VF project implementation is stopped for a fixed suspension period. All project activities cease, and the project budget cannot be charged during the suspension period unless there are contractual obligations that cannot be suspended (for example, UNDP contracts of project staff and for the payment of previously agreed contracts according to legal conditions set out in the relevant contracts). Note that partial suspension does not exist (see enhanced oversight above). A Management Action Plan must be developed outlining the actions that must be completed before the suspension can be lifted.

The decision to suspend a project is made jointly by the Executive Coordinator – Environmental Finance, the Deputy Director of the Regional Bureau, and the Resident Representative. The Implementing Partner and Project Board may be consulted however the final decision to suspend a VF project rests with UNDP. The VF Secretariat will be informed of the suspension of the project as per the relevant VF policies. The Directorate will process the suspension forms and submit them to the VF.

1. Cancellation: VF project is operationally and financially closed and the outstanding VF grant is returned to the VF as per legal agreements.

The decision to cancel a project is made jointly by the Executive Coordinator – Environmental Finance, the Deputy Director of the Regional Bureau, and the Resident Representative. The Implementing Partner and Project Board may be consulted however the final decision to cancel a VF project rests with UNDP. The VF Secretariat will be informed of the cancellation of the project as per the relevant VF policies. The Directorate will process the cancellation forms and submit them to the VF.

1. DOA is revoked: VF project implementation continues as per the signed project document however execution support (if permitted) and oversight/quality assurance are provided by a different UNDP Unit/team.

The Executive Coordinator – Environmental Finance revokes the DOA (typically provided to the RR at project start) and a new DOA is provided to the Regional Hub or another UNDP team. The decision to revoke the DOA and re-assign it is made jointly by Executive Coordinator – Environmental Finance, the Deputy Director of the Regional Bureau and the Resident Representative or other UNDP units as necessary. The Implementing Partner and Project Board may be consulted however the final decision to revoke the DOA rests with UNDP. The VF Secretariat may or may not be informed of the revocation of the DOA - depending on the relevant VF policies. The decision to inform the VF Secretariat will be taken by the Executive Coordinator – Environmental Finance.

1. **Management Action Plan for a project under enhanced oversight or under suspension:**

For projects under enhanced oversight or under suspension, a management action plan must be developed outlining specific actions that will be taken by the NCE team, the Regional Bureau and the Country Office to put the VF project back-on-track according to specific timelines. The activities included in the Action Plan will, in general, not be charged to the project budget. Specific deliverables with target dates are required. A standard template is available from the NCE Directorate. Should the action plan lead to a major reformulation of the project, the project may need to be re-submitted to the VF for approval.

The action plan must be signed by the Executive Coordinator – Environmental Finance, the Regional Bureau Deputy Director, and the Resident Representative as relevant.

Once the action plan is completed, and pursuant to the substantiation (or not) of the OAI investigation as relevant, the project enhanced oversight/suspension status will be lifted with the concurrence of the signatories of the Management Action Plan. In the case of suspension, the VF Secretariat may also need to confirm the lifting of the suspension of the project.

1. **Procedure to follow:**

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| **SOP Steps** | **NCE Actions** | **Notes**  |
| **Escalation of VF project****(via risk dashboard in PIMS+ or other)** | 1. Project is escalated to the Executive Coordinator – Environmental Finance when senior management attention is required to get the project back on track.
2. If the project is escalated due to allegations of fraud or similar issues, these should be shared directly with OAI by the recipient of the allegations and copied to the Executive Coordinator – Environmental Finance.
3. When OAI informs the Directorate that an investigation has been opened related to a VF project, the Directorate notifies the VF Secretariat and PTA.
 | * OAI hotline available here: <https://www.undp.org/content/undp/en/home/accountability/audit/office-of-audit-and-investigation.html> See Intranet Guidance under Ethics and Internal Justice
* See guidance note on risk dashboard in PIMS+ on how to escalate a risk in PIMS+
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| **Prepare and finalize Management Action Plan** | 1. Directorate sets up initial call with the Executive Coordinator – Environmental Finance, Regional Bureau and the Resident Representative to discuss management action options.
2. PTA confirms roles and responsibilities of original and additional (if required) RTAs/PAs
3. PTA and Directorate draft Management Action Plan to share with RR and Regional Bureau for comment
4. Management Action Plan agreed and signed by Regional Bureau, RR and Executive Coordinator – Environmental Finance
5. If agreed action is to suspend the project, Directorate submits notification to VF Secretariat.
6. Directorate informs PTA of progress in OAI investigation as relevant
 | * Participants from NCE could include Directorate, PTA, RTL, RTA as needed
* The additional RTA will be added to the roles and responsibilities section of the project file in PIMS+
* Action Plan uploaded to PIMS+ library of main project to be labelled ‘confidential’.
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| **Monitor and Implement Action Plan** | 1. PTA monitors implementation of the Action Plan, adjusts as needed considering progress in OAI investigation as relevant
2. Directorate follows up with PTA to ensure Management Action Plan timelines are met as agreed
3. PTA revises Action Plan as needed with agreement of signatories, and informs Directorate
4. Directorate provide updates to VF Secretariat on OAI investigation as required by VF policy
 | * Directorate updates risk tab in project file in PIMS+ based on progress in OAI investigation as relevant
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| **Close out management actions and lifting of suspension as relevant** | 1. Directorate informs PTA of completion of OAI investigation; discuss substantiated allegations and next steps with projects concerned
2. PTA submits recommendation to continue enhanced oversight under an updated management action plan, or to suspend or cancel the project to the Executive Coordinator – Environmental Finance for discussion with the Regional Bureau and RR.
3. Directorate informs VF Secretariat as required.
4. Additional RTA/PA prepares handover note to original RTA/PA
5. Original RTA/PA provides oversight for the remainder of project implementation under the supervision of the PTA
 | * Directorate updates risk tab in project file in PIMS+ based on progress in OAI investigation as relevant
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