



ADAPTATION FUND

1 October 2020

Adaptation Fund Board

Accreditation Panel Recommendation on the Re-accreditation of the United Nations Human Settlements Programme (UN-Habitat) as a Multilateral Implementing Entity (MIE) of the Adaptation Fund

Having reviewed the re-accreditation application of the United Nations Human Settlements Programme (UN-Habitat), the Accreditation Panel recommended that UN-Habitat be re-accredited as a Multilateral Implementing Entity (MIE) of the Adaptation Fund.

A summary of the review is presented in Annex I below.

Re-accreditation Decision:

Having considered the recommendation of the Accreditation Panel, the Adaptation Fund Board decided to re-accredit the ***United Nations Human Settlements Programme (UN-Habitat)*** as a Multilateral Implementing Entity (MIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 30/09/2025.

Decision B.35.a-35.b/78

ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME FOR RE-ACCREDITATION AS A MULTILATERAL IMPLEMENTING ENTITY (MIE) OF THE ADAPTATION FUND.

Background

The United Nations Human Settlements Programme (UN-Habitat), headquartered in Nairobi, Kenya and with 90 country offices, is a programme of the United Nations.

The Applicant – UN-Habitat

UN-Habitat was formally established on 1 January 2002 by the United Nations General Assembly (UNGA) Resolution 56/206 as one of its programmes with the mandate to promote socially and environmentally sustainable cities, towns and communities. Currently, 193 States of the United Nations are Members of UN-Habitat.

Its current mission derives from the 2016 United Nations Conference on Housing and Sustainable Urban Development (“Habitat III”) held in Quito, Ecuador, which adopted a far-reaching agenda – the ***New Urban Agenda*** (NUA) – with the objective to mobilize Member States and other stakeholders to drive urban development at the local level through a strategy of continuous generation of evidence-based and practical guidance for implementation of NUA and related dimensions of the 2030 Agenda, including the Sustainable Development Goals (SDGs). Implementation of NUA is expected to contribute to the achievement of SDG11 - making cities and human settlements inclusive, safe, resilient and sustainable.

The United Nations General Assembly revised the governance structure of UN-Habitat in 2018 from a two to a *three-tiered structure* made up of the *UN-Habitat Assembly* (the Assembly) composed of the 193 Member States; the *Executive Board* composed of 36 Member States elected by the Assembly; and the *Committee of Permanent Representatives*. The Secretariat, with 255 staff, is headed by an Executive Director.

In 2017, the Multilateral Organization Performance Assessment Network (MOPAN) performed its first review of UN-Habitat. It concluded that UN-Habitat largely met the requirements of an effective multilateral organization and was “fit for purpose”. It recognized the entity’s strong leadership on sustainable urbanization, its deep understanding of the changing nature of urbanization and a capability to adapt and respond to these changes, as well as its “innovative and creative approaches”; and “transparency and accountability” in its operations.

Assessment for Regular Re-Accreditation

UN-Habitat was assessed on the basis of EB Decision B.34/3 (Updated Re-accreditation Process) based on AFB/B.34/5; and EB Decision B.32/36 (Accreditation Standards Related to Anti-Money-Laundering/Countering the Financing of Terrorism) based on AFB/EFC.23/4, and its annexes. As a current implementing entity, its performance regarding quality at entry and project/programme implementation on AF projects was also assessed.

UN-Habitat provided documents as part of its application and additional documents in response to questions raised by the Panel during the review process. The Panel also considered other information in UN-Habitat and other relevant websites.

Financial Management and Fiduciary Standards

- **Legal Status:** UN-Habitat has been established in accordance with United Nations General Assembly (UNGA) resolution A/RES/56/206 and in accordance with Article I, Section 1 of the *Convention on the Privileges and Immunities of the United Nations* adopted by the UNGA on 13 February 1946, with the capacity to receive funds directly, authority to enter into contracts or agreement with international organizations and capacity to represent itself as plaintiff or defendant in legal processes. UN-Habitat provided examples of agreements it has entered into with other international organizations.
- **Financial statements including Project Accounts and Provisions for Internal and External Audits:** Since 2014 UN-Habitat has produced Audited Financial Statements (AFS) that comply with International Public Sector Accounting Standards (IPSAS) which were adopted by the United Nations General Assembly through resolution 60/283 of 7 July 2006 for the UN system. UN-Habitat submitted AFS for two recent years (2018 and 2019), both with unqualified audit opinions. It also provided an example of unqualified project level audit reports.

Its institutional financial statements are audited by the UN Board of Auditors, consisting of three Auditors-General or equivalent of UN Member States and are appointed by the Secretary-General after being elected by the UNGA for a non-renewable term of office of six years' duration. The audit is conducted in accordance with the International Standards on Auditing of the International Federation of Accountants.

UN-Habitat uses the Enterprise Resource Planning (ERP) system (a software package called SAP) of the UN Secretariat. This is now referred to as Umoja and serves as the backbone for its financial and accounting information system as well as for project management. Umoja is comprised of modules that record, maintain, process and produce reports on all substantive, financial and administrative operations of UN-Habitat.

Internal audit services are provided by the Internal Audit Division (IAD) of the Office of Internal Oversight Services (OIOS), an independent department established by the United Nations General Assembly resolution 48/218B to assist the UN Secretary General in fulfilling his/her internal oversight responsibilities over the staff and resources of the United Nations, its funds and programmes and other affiliated organizations. In addition to the IAD, there are two other Divisions in OIOS, the Investigation Division (ID) and the Inspection and Evaluation Division (IED). The IAD of OIOS discharges its responsibilities through independent, professional and timely internal audit in accordance with international internal auditing standards. OIOS's website provides the suite of policy documents and manuals that guide its work; UN-Habitat has demonstrated the effective application of the policies with examples from its institutional and project/programme activities. The IAD's external quality assurance assessment in 2017 concluded that the Division generally conforms to the IIA standards.

The Independent Audit Advisory Committee (IAAC), a subsidiary body of the UNGA, provides expert advice to the General Assembly in discharging its oversight responsibilities through its oversight of the internal and external audit functions of all UN programmes and activities. The IAAC has clear terms of reference that address its membership requirements, duties, authority, accountability, and regularity of meetings as approved by UNGA resolution 61/275. The Committee, which is independent of the internal and external auditors of the UN and the UN Secretariat, reports annually to the UNGA.

- **Internal Control Framework with Particular Reference to Controls over Disbursements and Payments:** UN-Habitat’s internal control framework is represented by its programme accountability framework (PAF). The PAF is specific to UN-Habitat and supplements the UN’s framework. It is anchored on a set of core guiding principles and policies built into the Organization’s structure and activities, which are fully integrated in the management processes of planning, execution and monitoring. This aims to ensure the effective and efficient management of UN-Habitat, together with the effective, efficient and economic use of all resources administered by the Organization. UN-Habitat’s policy is to regularly update its PAF to reflect modifications to management processes and systems that prove necessary in the context of increasing demand for services, as well as the need to observe the principles of results-based management and to comply with donor requirements. The Internal Control Framework was recently updated to include supplementary provisions on enterprise risk management at the institutional and project levels, which are now integral in UN-Habitat’s internal control and project management cycle.
- **Preparation of Business Plans and Budgets and Ability to Monitor Expenditure in Line with Budgets:** UN-Habitat recently adopted a four-year medium-term planning (MTP) horizon, the most recent one is for 2020-2023. It has operational planning processes in place supported by a multi-year track record of effectively managing its funds to ensure its continuity as a going concern, financed from voluntary contributions and member assessments.

It has also adopted an annual budget preparation cycle linking planned operations and expected annual funding, and its ERP system supports its budget cycle from preparation, control and monitoring, and accountability both at corporate and project levels. An independent review of the last MTP (2014-19) concluded that although UN system reforms during the period adversely affected implementation of the plan to some extent, UN-Habitat still managed to achieve “substantial” results, including some that achieved “transformational change”.

Requisite Institutional Capacity

- **Procurement:** UN-Habitat relies on the UN Secretariat’s Procurement Division (PD) of the Office of Central Support Services that provides services to the UN Headquarters in New York and other organizations at the UN Office in Nairobi. The PD follows the UN’s procurement regulations, rules and procedures and uses operational systems which are aligned with best practice, including with respect to dispute resolution mechanisms. It has built-in internal AML/CFT controls connected with contract awards and policies to abide by UN Security Council sanctions that are commensurate with the related risks relating to procurement. UN-Habitat has supplemented these controls with additional initiatives.
- **Project cycle management (overview):** UN-Habitat is well-established as one of the Programmes of the United Nations with a good track record of project implementation and execution. It has demonstrated its technical expertise, effective technical cooperation with developing countries, and sound operational management over the years. It is poised to contribute significantly to the realization of the United Nations Agenda 2030 (specifically, Sustainable Development Goal 11) through its leadership in the implementation of its flagship mandate: the New Urban Agenda (NUA).

- **Project Preparation and Appraisal including impact (environment, socio- economic, political, gender etc.) assessment study with risk assessment and mitigation plans:** UN-Habitat has in place broad policy directives complemented by detailed guidelines and procedures to govern its programme/project management cycle. The cycle is entirely managed on-line through two integrated systems: Umoja and a Microsoft application called SharePoint both of which facilitate the workflow tracking and clearly delineate required clearances and accountabilities in the process. UN-Habitat submitted detailed project plans for two approved Adaptation Fund projects as examples to demonstrate its capability in project identification and design.

It has demonstrated having a robust framework of policies, internal depth of technical expertise, and an online operating system that ensures quality during the identification and appraisal stages of the project cycle, thereby enhancing the quality of the subsequent stages of the cycle.

The programme and project formulation guidelines, the quality assurance checks, and its Environmental and Social Safeguards and Gender Policies provide a good basis for incorporating risk assessment and management in project preparation and appraisal.

- **Project Implementation Planning and Quality-at-entry Review:** UN-Habitat has put in place a framework as well as detailed guidelines to provide a solid basis for quality-at-entry prior to and during project inception. Their operationalization is facilitated by a robust ERP system that clarifies the workflow and ensures accountabilities throughout the programme/project management cycle. UN-Habitat provided examples of planning for quality in multi-year programmes and projects that demonstrate the depth of its operational and technical expertise.

The projects-at-risk system is embedded in all stages of the programme/project cycle, including during implementation. The system is comprised of instruments/tools and accountabilities which, together, ensure that programme/projects with problems during implementation are quickly identified and remedial action is taken by the responsible individual or team. Two AF financed projects were used to demonstrate how UN Habitat manages risks during the entire project management cycle.

- **Project Monitoring and Evaluation during Implementation:** UN-Habitat's monitoring and evaluation policies, which are elaborated in various documents (including a Project Based Management Policy and a UN-Habitat Evaluation Policy which is aligned with best practices and norms and standards of the United Nations Evaluation Group) and having its own Evaluation Unit, provide a comprehensive framework and resources for monitoring and-evaluation during implementation. These are backed up with practical tools, operational systems and highly regarded technical expertise to ensure that programmes and projects are meeting the highest quality standards and performing as designed. UN-Habitat provided two project examples to demonstrate its capability in monitoring and evaluation during implementation.
- **Project Closure and Final Evaluation:** UN-HABITAT has appropriate policies and operational procedures, systems and technical resources in place to execute and oversee the execution of programmes and projects. Its track record, including results of

evaluations, and project portfolio indicates that donors have confidence in its competencies. It also provided examples of project completion reports that demonstrate its capacity in this area, particularly in terms of analyzing the technical and financial issues. In recent years it has built up its capacity and experience in respect of environmental, social and gender dimensions.

The Independent Evaluation Unit of UN Habitat established by the Executive Director in 2018 is now responsible for the evaluation of its projects and programmes and at times, using the services of independent evaluation experts in accordance with the Evaluation Policy of UN-Habitat which is in conformity with best practices and norms and standards of the United Nations Evaluation Group (UNEG). The Inspection and Evaluation Division (IED) of OIOS provides guidance, conceptual and methodological framework for monitoring and evaluation to the various evaluation offices/units of UN funds and programmes. The examples of evaluation reports provided to the Panel are technically focused and demonstrate capacity and experience in respect of environmental, social and gender dimensions.

Transparency, self-investigative powers, and anti-corruption measures

- **Policies and Framework for Dealing with Financial Mismanagement and Other Forms of Malpractices:** UN-Habitat's policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice is embedded in the Anti-Fraud and Anti-Corruption Framework of the United Nations. UN-Habitat's ethical culture is also enhanced through annual conflict of interest and financial disclosure by staff, and an active and accessible Ethics Office.

Considering the built-in framework afforded by the UN Secretariat and supplemented by its own initiatives, UN-Habitat has an impressive array of policies and procedures, operational systems, and staffing in place to prevent, detect and deter financial mismanagement, corruption and other forms of malpractice, including for managing risks related to anti-money laundering and countering the financing of terrorism. It has in place sound and accessible mechanisms for reporting suspected fraud and corruption, and an appropriate and well publicized disciplinary framework and sanctions regime applicable to staff and third parties found to have engaged in prohibited practices. OIOS has established a capable and well-resourced internal oversight function to manage the reporting hotlines and its Investigation Division carries out investigations in accordance with the Uniform Guidelines for Investigations adopted by the Conference of International Investigators.

- **Commitment by the entity to apply the Fund's Environmental and Social (E&S) Policy and Gender Policy:** UN-Habitat has committed in writing to abide by the AF's Environmental and Social, and Gender policies while continuing efforts to further enhance its own policies which the Panel has assessed as already reasonably aligned to AF's and best international practice. UN-Habitat's Environmental and Social Safeguards System are fully integrated in its programme/project management cycle and results framework, and there exists deep expertise within the Organization, backed by operating procedures and Umoja, a robust ERP system for project management. UN-Habitat has a long tradition of leadership in gender mainstreaming and the empowerment of women, and places gender as a key principle in all its undertakings. The gender policy for the 2020-2023

period is being updated, and reaffirms UN-Habitat's commitment to this principle. The new policy will be implemented through four-year strategic plans (currently for the 2020-2023 period) with well-resourced structural elements and leadership at the highest rungs of the Organization.

- **Mechanism to Deal with complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programmes:** UN-Habitat has the commitment and the capability to receive, have independently reviewed and take remedial action where appropriate on complaints regarding environmental, social and gender harms caused by its programmes and projects. This is being done principally through implementation of its Stakeholder Response Mechanism which UN-Habitat has designed and is operating at the project level. The mechanism is comprehensive, accessible and meets best practice standards for accountability to affected populations, and for impartiality/independence. It is reinforced by UN-Habitat's Access to Information policy which is consistent with UN-Habitat's commitment to accountability to affected communities and promoting and engaging stakeholder participation at all stages of the project cycle.
- **Assessment of performance regarding quality-at-entry and project/programme implementation:** Available assessments of AF projects under implementation by UN-Habitat were generally positive and did not identify any adverse aspects to the entity's implementation role.

Conclusion

The Accreditation Panel concludes that the United Nations Human Settlements Programme (UN-Habitat) meets the AF's fiduciary standards, the requisite institutional capacity, project cycle management criteria, and policies and framework to deal with financial mismanagement, fraud and other malpractices; commits to comply with the Fund's environmental and social and gender policies; and has a grievance mechanism to deal with environmental and social and gender harms caused by projects..

Recommendation

It is therefore recommended that UN-Habitat be re-accredited as a Multilateral Implementing Entity of the Adaptation Fund.