PERFORMANCE AUDIT

OF

REGIONAL BUREAU FOR ARAB STATES

Report No. 1697
Issue Date: 11 November 2016
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**Definitions of audit terms - ratings and priorities**
Report on the Audit of UNDP Regional Bureau for Arab States
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of the UNDP Regional Bureau for Arab States (RBAS) from 16 May to 29 July 2016. Performance auditing is an independent examination of a programme, function, operation, project, or the management systems and procedures of an entity to assess whether the entity is achieving economy, efficiency and results in the employment of available resources.

The audit objective was to assess to which extent RBAS was effectively carrying out some of its key functions. The audit focused on three main audit questions:

1. Is RBAS organized to guide and support the work of Country Offices in line with the priorities of country partners and other stakeholders?

2. To what extent is the Regional Programme effectively managed to support groups of countries or regional bodies to work together on addressing common and trans-border development issues?

3. To what extent does RBAS, as head of the United Nations Development Group (UNDG) in the region, effectively contribute to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region?

The audit covered the activities of RBAS from 1 January 2015 to 15 May 2016. The last audit of RBAS was conducted by OAI in 2008 (Report No. 530, issued on 31 March 2009). An audit of the Regional Centre in Cairo was also conducted in 2013 (Report No. 1156, issued on 14 June 2013).

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Overall audit rating

OAI assessed RBAS as satisfactory, which means, “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

OAI assessed that RBAS was effectively carrying out some of its key functions.

Key recommendations: Total = 4, high priority = 0

The four recommendations aim to ensure the following:

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement of the organization’s strategic objectives</td>
<td>1, 3, 4</td>
<td>Medium</td>
</tr>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>2</td>
<td>Medium</td>
</tr>
</tbody>
</table>
Management comments and action plan

RBAS management accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations
I. About the Office

RBAS covers 17 Country Offices and the Programme of Assistance to the Palestinian People in the region. RBAS supports the Country Offices by providing policy and programme advice and ensuring country programmes are aligned to the regional and corporate priorities. Further, it implements the Regional Programme, focusing on supporting groups of countries or regional bodies to work together on addressing common and trans-border development issues. It also contributes to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region for greater coherence and harmonization of UN Country Teams.

A number of RBAS countries are in the midst of a protracted crisis. In addition, several countries are affected by more recent crises or the spillover effect of protracted crises in neighboring countries. The mandate of RBAS is defined in the Terms of Reference that were finalized in May 2014 as part of the structural review. RBAS consists of the Headquarters operations in New York (RBAS Headquarters) and the Regional Hub in Amman.

RBAS Headquarters has the following divisions:

(i) Directorate: The Directorate is responsible for Bureau Leadership and Management, Regional Forward Analysis, Regional Strategy and Positioning, Communications, and UN System Coordination and Partnerships.

(ii) Planning, Coordination and Oversight Team: The Team ensures regional compliance with corporate operational and programmatic standards. It is responsible for representation and coordination, planning, monitoring and reporting, and Results Based Management.

(iii) Compliance and Operations Team: The Team is responsible for finance and budget management, human resources, information and communication technology, procurement, general management and compliance, and audit oversight.

(iv) Partnerships Management Team: The Team is responsible for developing and advising on resource mobilization strategies, conducting in-depth analysis of donor specific trends, partnership/resource mobilization capacity building and knowledge sharing, and ensuring that engagement with partners and donor agreements are in compliance with UNDP’s policies and procedures. In addition, RBAS posted an Advisor in the UNDP Brussels Liaison Office to support European Union partnerships.

The Regional Hub in Amman (previously based in Cairo, Egypt) was established in 2015. The Regional Hub provides policy advisory services, project backstopping, programming assistance, operations and knowledge management support. It is also responsible for the implementation of the Regional Programme in the region.

The Regional Hub has the following divisions:

(i) Regional Hub Directorate: The Directorate is responsible for overseeing the overall management of the Regional Hub office and staff.

(ii) Country Operations Support Team: The Team is responsible for Country Office planning, monitoring, reporting and troubleshooting support, and Country Office policy support.

(iii) Regional Programme Coordination Team: The Team is responsible for the management of the Regional Programme, including ensuring that the Programme is aligned with the regional and corporate strategy and priorities. The Regional Programme (2014-2017) aims to:
a. Expand economic opportunities, especially for the increasing youth population.
b. Mitigate impacts of political transitions, conflict, instability and exposure to disasters.
c. Meet increasing popular demands for transparency, voice and accountability.
d. Counteract food, water and energy insecurity.
e. Plug the continuing gaps in women’s participation and empowerment.
f. Boost capacity of regional institutions to promote integration and South-South cooperation.

(iv) Operations Management Team: The Team is responsible for financial resources management, human resources management, procurement and logistical services, and information and communication technology management.

(v) Partnership and Communications Team (Bureau for External Relations and Advocacy outpost): The Team is responsible for advising on regional partnerships and resource mobilization strategies and communications and quality assurance.

A. Audit objectives

The audit objective was to assess to which extent RBAS was effectively carrying out some of its key functions. The audit focused on three main audit questions:

1. Is RBAS organized to guide and support the work of Country Offices in line with the priorities of country partners and other stakeholders?

2. To what extent is the Regional Programme effectively managed to support groups of countries or regional bodies to work together on addressing common and trans-border development issues?

3. To what extent does RBAS, as head of Regional UNDG in the region, effectively contribute to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region?

B. Audit scope and methodology

The audit team reviewed documents provided by RBAS, organized interviews and/or written inquiries to RBAS staff, from 11 Country Offices in the region. The audit team conducted a visit to the Regional Hub from 5 to 9 June 2016. Specifically:

- Audit question 1 was addressed through a systematic review of RBAS Terms of Reference, organogram, job descriptions of key staff, resources available for Country Office support and analysis of support provided to Country Offices. This was complemented by interviews with key RBAS staff from a sample of Country Offices in the region.

- Audit question 2 was addressed through analysis of the Regional Programme Document, Project Documents, and monitoring reports. This was complemented with interviews with programme staff and a sample of key stakeholders.

- Audit question 3 was addressed through reviews of minutes of UNDG Regional Director meetings, documentation on the Peer Support Group review of United Nations Development Assistance Frameworks, records of the status of the implementation of the Standard Operating Procedures (SOPs) of Delivering as One and Harmonized Approach to Cash Transfer (HACT) readiness of Country Offices in the region. This was complemented by interviews with key RBAS staff from a sample of 11 Country Offices in the region.
The audit team also reviewed a sample of recruitment, payments and procurement cases for compliance with UNDP policies and procedures. The samples were selected from both RBAS Headquarters and Regional Hub transactions. The audit also reviewed compliance with general administration procedures.

C. Audit Criteria

The main audit criteria for this performance audit were the UNDP Strategic Plan 2014-2017, RBAS Terms of Reference, the Programme Document for the Regional Programme for Arab States, the Business Case for the Regional Hub in Amman, and the Corporate Accountability Framework. The ‘UNDP Programme and Operations Policies and Procedures’ were used as specific audit criteria where relevant.

1. RBAS organization to guide and monitor the work of Country Offices

According to its Terms of Reference, RBAS responds to Country Office demand for policy and programme advice and ensures alignment of country programmes with regional and corporate priorities. RBAS provides support to country partners and different stakeholders.

According to the Business Case for the Regional Hub in Amman, the Regional Hub allows UNDP to scale up substantive support in addressing the challenges in the Arab States region. The Hub combines policy, advisory, technical, capacity development, Regional Programme management and knowledge management services in a single location closer to UNDP Country Offices.

According to the RBAS Terms of Reference, the Planning, Coordination and Oversight Team monitors RBAS results in line with the corporate strategy, the UNDP Strategic Plan and relevant governing documents, as well as ensuring informed and coordinated reporting and monitoring of RBAS results, including synthesis of Results Based Management performance.

The Country Operations Support Team serves as the interface for technical support requests from Country Offices. Furthermore, the Team identifies support needs for Country Offices as well as continuously assesses demand for policy and programme advisory services to enhance country portfolios.

2. Regional Programme

The UNDP Strategic Plan 2014-2017 aims at having higher quality programmes, supported by better project planning, design, monitoring, evaluation and Results Based Management. To achieve this, UNDP developed the following quality criteria:

- Programming objectives and results are consistent with national needs and priorities, as well as with feedback obtained through the engagement of targeted excluded and/or marginalized groups as relevant. Programming strategies consider interconnections between development challenges and results.

- Outcomes and outputs are defined at an appropriate level; consistent with the theory of change; have Specific, Measurable, Achievable, Relevant and Time-bound (SMART); and have results-oriented indicators with specified baselines, and targets with identified data sources.

- Programming is accomplished in consultation with relevant stakeholders and national partners, who are engaged throughout the programming cycle in decision-making, implementation, and monitoring.
Governance of programmes and projects is defined with clear roles, responsibilities and functions as intended to provide active and regular oversight to inform decision-making.

The size and scope of programmes and projects are consistent with resources that are available and that are planned to be utilized.

Programming design and implementation is supported by relevant knowledge, evaluation and lessons learned to develop strategy and make informed course corrections.

3. UN Coordination

The RBAS Terms of Reference state that one of its roles is to contribute to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region. Another one of its roles is to lead the Regional UNDG. In so doing, RBAS should:

i. analyse and share outcomes from Regional Coordinator annual reporting trends to ensure the operational dimension is appropriately reflected in the relevant policy making fora;
ii. develop strategies and plans to harmonize activities with other agencies;
iii. establish and maintain key UN inter-agency contacts;
iv. position organizational tools and activities and represent organizational activities in inter-agency fora and with key UN Secretariat entities;
v. develop strategies, interface with and manage ongoing relationships with UN partners, permanent missions/programme countries and others for Country Offices; and
vi. support UN relationship management at the regional level.

II. Audit results

Satisfactory performance was noted in the following area:

**Operations:** OAI reviewed operations in RBAS Headquarters and the Regional Hub. The work performed in this area included a review of (i) procurement, planning and evaluation processes, and (ii) human resources management and recruitment practices. No reportable issues were identified.

OAI made four recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Bureau and are not included in this report.

**Medium priority recommendations**, arranged according to significance:

(a) Improve the oversight of the Regional Programme and regional projects (Recommendation 3).
(b) Recruit staff to fill the vacant positions (Recommendation 1).
(c) Improve the quality of operational support provided to Country Offices (Recommendation 2).
(d) Promote UN coordination by adopting a more proactive approach towards establishing Delivering as One countries and improve Harmonized Approach to Cash Transfer readiness (Recommendation 4).

The detailed assessment is presented below, per audit area:
A. Is RBAS organized to guide and support the work of Country Offices in line with the priorities of country partners and other stakeholders?

Overall, OAI assessed that RBAS was organized to guide and support the work of Country Offices in line with the priorities of country partners and other stakeholders. Specifically, RBAS Headquarters provided strategic direction and oversight while the Regional Hub provided support services to Country Offices in the region during the audit period. RBAS supported a programme delivery of $564 million in 2015 and delivery of $572 million as of 31 October 2016.

Interviews with RBAS Headquarters, the Regional Hub, and Country Office staff, and a review of the RBAS organizational structure and progress reports disclosed the following:

- The Planning, Coordination and Oversight Team provided effective programmatic support to Country Offices, such as reviewing key processes and ensuring adherence to the corporate calendar on reporting deadlines. Furthermore, two RBAS staff were assigned to each Country Office in the region to provide support, such as guidance on financial sustainability exercises, development of Country Programme Documents, preparation of Integrated Work Plans, guidance on monitoring quality assurance and evaluation, and preparation of annual results reports. However, operational support to Country Offices was perceived to be insufficient (see Issue 2 for details).

- During the audit period, RBAS Headquarters conducted five workshops mainly focusing on programme alignment. For example, a Results Based Management workshop was held in October 2015 focusing on the quality of programmes, including planning, monitoring, reporting and evaluation. Another workshop was held in April 2016 relating to UNDP corporate initiatives. The agenda of the workshop included: the new quality standards for programming, social environmental standards, project document templates, corporate planning and monitoring systems/tools, and the UNDP Transparency Initiative.

- Out of 11 Country Offices interviewed, 8 indicated that there was an improvement in the quality and timeliness of services provided by the Regional Hub.

**Issue 1**  **Incomplete staffing**

A review of the organizational structure showed clear linkages on roles and responsibilities, and reporting lines among the units in RBAS Headquarters and the Regional Hub. However, the audit team noted that there were vacant positions within the organizational structure, which may lead to key duties not being fulfilled in accordance with the Terms of Reference. The Country Office Support Team in the Regional Hub had the most number of vacant positions, whose functions included Country Office support in planning, monitoring, reporting and assisting Country Offices in resolving issues. According to the organogram, when fully staffed, the Team should be composed of 13 staff members. However, at the time of the audit, there were only four staff on the Team (see table below).
Table 1 – Planned and actual number of staff in the Regional Hub - Country Office Support Team

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Title</th>
<th>Number of staff per organogram as of October 2015</th>
<th>Actual number of staff as of July 2016</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>D-1</td>
<td>Chief – Country Operations Support</td>
<td>1</td>
<td>0</td>
<td>Recruitment was put on hold until June 2016</td>
</tr>
<tr>
<td>P-5</td>
<td>Country Programme Advisor</td>
<td>1</td>
<td>0</td>
<td>Recruitment was put on hold until June 2016</td>
</tr>
<tr>
<td>P-4</td>
<td>RBM &amp; Evaluation Specialist</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>P-3</td>
<td>Country Programme Specialist</td>
<td>3</td>
<td>1</td>
<td>Recruitment for two positions was put on hold until June 2016</td>
</tr>
<tr>
<td>P-3</td>
<td>Monitoring and QA Specialist</td>
<td>1</td>
<td>0</td>
<td>Recruitment was put on hold</td>
</tr>
<tr>
<td>P-2</td>
<td>Country Programme Analyst</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>G-7</td>
<td>Country Programme Associate</td>
<td>4</td>
<td>0</td>
<td>Recruitment was put on hold indefinitely</td>
</tr>
<tr>
<td>G-6</td>
<td>Executive Associate</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>13</strong></td>
<td><strong>4</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: RBAS

According to RBAS management, the hiring of staff was put on hold due to financial constraints. In the interim, Country Office support was being provided by the Planning, Coordination and Oversight Team in RBAS Headquarters. Out of 11 Country Offices interviewed, 5 indicated that the support being provided by the oversight function required improvement, as it was more directive than instructive. While oversight was provided in relation to deadlines and compliance, there was limited substantive guidance. For example, Country Offices indicated that the Planning, Coordination and Oversight Team regularly communicated gaps in compliance. However, there was no guidance on how to address these gaps. In response to the draft report, RBAS indicated that the recruitment of the Chief of the Country Support Team, and the Country Programme Advisor had been finalized and the staff were on board in September 2016. Three other vacancies for the Country Support Team members were going through the recruitment process.

Additionally, the thematic clusters in the organogram had 31 staff comprised of Policy Advisors from the Bureau for Policy and Programme Support. However, as of July 2016, there were only 21 staff at the time of the audit, as shown in the table below.
**Table 2 - Planned and actual number of Policy Advisors from the Bureau for Policy and Programme Support in the Regional Hub**

<table>
<thead>
<tr>
<th>Thematic cluster</th>
<th>Number of staff per organogram as of October 2015</th>
<th>Actual number of staff as of July 2016</th>
<th>Number of vacant positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance, Rule of Law and Peacebuilding</td>
<td>11</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Inclusive and sustainable growth and development</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Climate Change and Disaster Risk Reduction</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Gender</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Development and Impact</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Regional Crisis Coordination</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>21</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

Source: RBAS

Following the audit, RBAS indicated that as of September 2016 the number of staff decreased from 21 to 17. Furthermore, RBAS also indicated that the recruitment of the Gender Team Leader was ongoing.

The staffing needs may be affected by the cost of services requested by Country Offices. Since the beginning of 2016, the Bureau for Management Services provided a methodology for costing of staff expertise for those staff who provided advisory services which were classified as ‘development effectiveness’. The total expertise cost per day included the staff proforma cost per day and an additional 20 percent for general operating expenses. The costing policy raised some concerns on the part of Country Offices as they noted that in some cases the cost of services by UNDP staff was high. Some Country Offices indicated that the costs may lead to a reduction in requests for support from the Regional Hub.

The audit team compared the number of requests made in 2015 and 2016 and noted a decline. In 2015, a total of 336 support services were provided to Country Offices. As of July 2016, RBAS received only 95 requests from Country Offices. Out of the 95 requests, 72 were indicated as submitted or in progress in the Country Office Service Management Operating System (COSMOS). Of the 72 requests, the audit team calculated the equivalent estimated cost of services for 15 requests. The estimated total costs for 11 out of 15 requests were reflected in COSMOS as exceeding the available budget of the Country Offices.

OAI did not review in detail the suggested impact of the cost of services requested by Country Offices, as the costing system was only launched in March 2016, or still at an early stage of implementation.

Without a full staff complement there is also a risk that the quality of services offered to the Country Offices by both the Country Office Support Team and the Policy Advisors may be diminished. The current organizational arrangements may also limit the extent to which the Planning, Coordination and Oversight Team is able to carry out its requisite functions.
**Priority** Medium (Important)

<table>
<thead>
<tr>
<th>Recommendation 1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Regional Bureau for Arab States should recruit staff to fill the vacant positions to ensure that the roles and responsibilities of the Bureau are performed effectively.</td>
</tr>
</tbody>
</table>

**Management action plan:**

The recruitment of three additional Country Support Team members is currently ongoing and they are expected to be on board before the end of the year. The Bureau also plans to include in its 2017 institutional budget proposal submission, the funding request for the remaining positions in the Hub; therefore, provided the approval by the Executive Group, the Amman Hub will have a full staffing contingent in the Country Office Support Team.

**Estimated completion date:** 30 June 2017

**Issue 2** Insufficient support to Country Offices on matters related to operations

According to the RBAS 2015 Annual Business Plan, close attention will be given to ensure that the Regional Hub provides timely, high-quality, client-oriented, demand-driven and tailored support to Country Offices on both programme and operations fronts.

At the time of audit, the operational support in the Regional Hub was limited to human resources. Support for procurement was being provided by the Bureau for Management Services staff in Istanbul and shared with another Regional Bureau. RBAS management indicated that other operational support was provided by the Planning Coordination and Oversight Team. However, based on review of records, the audit team noted that only 2 percent of the Country Office support provided by RBAS to Country Offices in 2015 related to operations (5 out of 336 services provided).

The audit team assessed some of the operational issues raised in OAI’s 14 reports issued from 2013 to 2016 for Country Offices in the region and noted the following:

- Of all the audit recommendations issued for the Country Offices in the region since 2013, the area with the most number of recommendations was procurement (24 out of 115 all recommendations). Most of the recommendations related to UNDP compliance with procurement procedures. This may be the result of the lack of assigned staff to offer operational support.

- Two Country Offices in the region did not submit a procurement plan for 2015, and approximately half of Country Offices in the region had not submitted a procurement plan for 2016 at the time of audit.

- The Comptroller performance index for RBAS, which monitored operational performance, for the last quarter of 2015 and first quarter of 2016 showed that out of the 18 Country Offices in the region, 3 were on the watch list and 5 on the concern list.

- Performance Management and Development for 2015 was not yet completed for 16 Country Offices and RBAS Headquarters. The completion rate for three Country Offices was below 70 percent. A total of 17
Country Offices had not yet completed Performance Management and Development planning for 2016, with 8 Country Offices having a completion rate below 50 percent.

The audit team noted that there have been ongoing discussions with the Bureau for Management Services to improve the capacity within RBAS, particularly in the Regional Hub. Management correspondence with Bureau for Management Services support indicated that a human resources (at the P4 level) position was filled in October 2016 and a procurement position was to be considered as part of the budget discussions for 2017.

Lack of support and oversight on Country Office operations may result in inaccurate Bureau reports.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 2:</strong></td>
<td></td>
</tr>
<tr>
<td>The Regional Bureau for Arab States should improve the quality and volume of operational support provided to Country Offices by providing more robust and instructive guidance as and where required.</td>
<td></td>
</tr>
<tr>
<td><strong>Management action plan:</strong></td>
<td></td>
</tr>
<tr>
<td>The Regional Bureau for Arab States understands the importance of improving the quality and quantity of providing operational support to our Country Offices and will submit, as part of the 2017 budget, a proposal to fully staff the Amman Regional Hub. The Regional Bureau for Arab States continues to advocate to the Bureau for Management Services to fill promised positions.</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated completion date:</strong></td>
<td>31 December 2017</td>
</tr>
</tbody>
</table>

B. To what extent is the Regional Programme effectively managed to support groups of countries or regional bodies to work together on addressing common and trans-border development issues?

The audit team noted that the Regional Programme was supporting the regional bodies like the League of Arab States, and the Arab Women Organization to address common issues. The existing Regional Programme in the region covered the period 2014-2017. As such, both the formulation and implementation periods coincided with the structural change in UNDP and a challenging period in the region. In parallel within UNDP, organizational restructuring and reductions of core budgets challenged established means of formulating and delivering development assistance. The Regional Programme has, against this backdrop, sought to engage with governments and regional partners to provide programming that is responsive to prevailing development needs in the Arab region. For instance, there was more programmatic interaction with the Regional Bureau for Africa. RBAS facilitated this interaction. The Regional projects were aimed at supporting regional developmental issues, for example The Aid for Trade Initiative for Arab States project aimed to promote regional trade and economic integration; the Anti-Corruption and Integrity in the Arab countries project aimed to strengthen cooperation and promote collective action against corruption in the Arab countries, while adding value to related bilateral and multilateral efforts; the Arab Development Portal aimed to create a knowledge platform which promotes timely and high-quality knowledge sharing and cooperation which generate development and rising living standards in the region; and the Fostering the Inclusive Participation and Effective Contribution of Women in the Public Sphere (Mosharka) project aimed at addressing the deficits in the public participation and citizenship rights of women in the Arab Region, especially in transition, fragile and post conflict societies. In addition, the mid-term review of the Regional Programme noted that it was aligned with the overall strategies.
and outcomes indicated in the UNDP Strategic Plan 2014-2017 and relevant to regional and country policies, to which programmatic actions have provided substantial contributions.

The relocation of the Regional Programme management team from New York to Amman as part of UNDP’s organizational change created opportunities for greater engagement and collaboration with regional stakeholders and increased responsiveness on the part of the Regional Programme. This was greatly appreciated by five stakeholder representatives (regional bodies and NGOs) with whom OAI met during the audit fieldwork. Increased advocacy and collaboration by RBAS staff with regional stakeholders enabled increased resource mobilization, which has enabled the Regional Programme’s budgetary targets to be met despite reductions in core budgets.

In addition, RBAS still maintained an office in Lebanon to support the operational implementation of the regional projects. RBAS management indicated that the operations in Lebanon would continue until the end of the current regional projects, as the assigned local staff had a good understanding of the projects. Prematurely closing the operations in Lebanon would negatively affect project implementation and institutional knowledge, according to RBAS management. During the audit fieldwork, the audit team did not identify any significant risks that would have negative implications to UNDP in keeping the Lebanon office.

**Issue 3**  Deficiencies in monitoring and oversight of Regional Programme and regional projects

According to the ‘UNDP Programme and Operations Policies and Procedures’, progress on the implementation of programmes should be monitored against the outcome and output indicators defined in the programmes' monitoring frameworks. Outputs and outcomes should have predefined baselines, targets and indicators that define how progress on projects/programmes is measured. UNDP’s monitoring policy explicitly states “UNDP programming activities must collect appropriate and credible data as evidence for adequate monitoring.” The data to be collected is guided by the indicators of the Results and Resources Framework and the monitoring plan. Monitoring provides an opportunity to validate or adjust the theory of change and make evidence-based decisions to improve programming performance and results achievement.

According to the Terms of Reference of the Regional Board of the Regional Hub, it provides advice on Regional Programme implementation and management, which includes strategic advice on the formulation, implementation and evaluation of the Regional Programme. The Board is supposed to meet at least twice a year and, in addition, can also meet virtually for consultations on specific issues that can arise throughout the year as needed.

According to the ‘UNDP Programme and Operations Policies and Procedures’, Project Boards should meet at least once annually to review progress of programme implementation and provide oversight. The Boards are also responsible for reviewing and approving project work plans, project revisions, monitoring progress and results and providing strategic guidance.

A. Deficiencies in monitoring of progress towards meeting Regional Programme outcomes

The Regional Hub’s monitoring of the progress being made by the Regional Programme in achieving programme outcomes was being undertaken at the output level and not at the outcome level. Information was gathered from projects through regular quarterly progress reporting to determine whether the projects were contributing to specific outputs. However, there was no measurement on the progress made against the indicators at the outcome level due to an inadequate monitoring framework.
The Results and Resources Framework of the Regional Programme did not contain baselines, targets and sources of data for the Regional Programme’s outcomes. It was therefore not clear from the Results and Resources Framework on what basis progress by the Regional Programme would be measured, where data would be collected to measure progress made, or what would constitute “success”.

Programme staff explained that baselines were not defined at the outcome level for the Regional Programme because it was expected that the data for the baselines would be provided by Headquarters.

OAI also noted weaknesses in the indicators used in the Regional Programme Document. In particular:

For Outcome 1, two out of five indicators were not related to the outcome (Indicators 3 and 4). In particular, Outcome 1 read, “Growth is inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded” while Indicators 3 and 4 looked at annual emissions of carbon dioxide and coverage of cost-efficient and sustainable energy, respectively. As such, the focus of the indicators was not linked to the subject of Outcome 1 (inclusive growth).

For Outcome 2, which aims to ensure that “Citizen expectations for voice, effective development, the rule of law and accountability are met by stronger systems of democratic governance”, there were no indicators to measure if the Regional Programme’s activities had an effect on the rule of law and the development of stronger systems of governance, even though these were central elements of the outcome.

Measuring progress towards outcomes by monitoring output level data can provide an inaccurate and misleading assessment of progress.

The Executive Office and the Bureau for Policy and Programme Support organized a technical workshop to review all results/monitoring frameworks across the Global Programme and Regional Programme in Amman in July 2016. The workshop, which was attended by all the Executive Office; the Bureau for Policy and Programme Support and representatives for all Regional Bureaux, considered ways of addressing problems related to standards, methods and measurements for a minimum common monitoring framework currently and in the future (results, indicators, targets, data and systems, reporting). Subsequently, a submission was made in October 2016 to the Organizational Performance Group to endorse a series of actions to resolve these issues.

The deficiencies in the monitoring framework of the Regional Programme were being resolved corporately, and therefore OAI did not make a recommendation in this regard.

B. Weak oversight of the Regional Programme by the Governance Board

Based on the review of available documents, the audit team noted that the Governance Board (referred to as the Advisory Board) for the Regional Programme only met in April 2016 since the Regional Programme started in 2014. The Advisory Board comprised of the RBAS Deputy Director (Chair), the Deputy Director of the Bureau for Policy and Programme Support, the designated representatives of the Bureau for External Relations and Advocacy and the Bureau for Management Services, four Resident Representatives, and four Country Directors.

Furthermore, a review of the minutes of the meeting held in April 2016 disclosed that the discussions did not focus on the Regional Programme work plan for the year, progress in the implementation of the Regional Programme, or new regional initiatives, as per the Terms of Reference. RBAS management indicated that a presentation was delivered and documents were provided to the Governance Board relating to the progress in implementing the Regional Programme.
Since the Board only started meeting in 2016, it did not provide advice on the implementation of the Regional Programme or guidance on activities implemented in 2014 and 2015.

C. Project Boards for four regional Projects not established

Project Boards were not established for four out of seven ongoing regional projects (Project Nos. 79194, 79196, 82484, 85056). As a result, there were deficiencies in the oversight provided, as required by the ‘UNDP Programme and Operations Policies and Procedures’ for the four projects to ensure that implementation was progressing as planned and was within budgetary parameters.

The deficiencies in outcome-level monitoring on the Regional Programme and oversight by the Governance and Project Boards may result in poor performance in meeting programme targets not being detected, thereby resulting in a loss of resources and/or sub-optimal results.

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**Recommendation 3:**

The Regional Bureau for Arab States should improve the oversight of the Regional Programme and regional projects by:

(a) ensuring that the Governance Board meets at least twice per year in accordance with its Terms of Reference, and reviews progress against the Annual Work Plan; and

(b) establishing Project Boards for all regional projects.

**Management action plan:**

(a) The Governance Board will convene during the first quarter of 2017 to review the past year’s progress report against the Annual Work Plan. The Board will also review the work plan for 2017 in line with the corporate planning and reporting cycle.

(b) The Regional Bureau will take the following actions:
   - Project No. 79196 is operationally closed and hence no board will be established.
   - Project No. 79194 is phasing out and it is decided to close it operationally by the end of this year; a new phase may be initiated within the next programme cycle, in that case, a Project Board will be established accordingly.
   - Project boards for both Project No. 82484 and Project No. 85056 will be established.

**Estimated completion date:** June 2017
C. To what extent does RBAS, as head of the United Nations Development Group (UNDG) in the region, effectively contribute to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region?

RBAS had made much progress in its efforts to strengthen the UN Resident Coordinator system in the region. The Regional UNDG, headed by the Director of RBAS, was established to provide leadership, strategic guidance and support to Resident Coordinators and UN Country Teams for the achievement of country level results. Discussions with the Regional UNDG Coordination Team and a review of documents, including meeting minutes, indicated that work was being done to strengthen the UN Resident Coordinator system in the region. For example:

- The Regional UNDG, consisting of 22 UN agencies met twice per year to discuss issues pertinent to the region and developed strategies to address them in an effective and coordinated manner. A directory of key inter-agency personnel, as well as external experts supporting the UN Country Teams, was also maintained.
- Data from Regional Coordinator annual reports were aggregated and used to formulate regional and global policy and action, as well as the Quadrennial Comprehensive Policy Review discussions (i.e., steps being taken to improve the effectiveness, efficiency, coherence, relevance and impact of UN operational activities for development).
- In an effort to harmonize activities across agencies, the Regional UNDG established a number of thematic working groups that provided technical support and advice to the UN Country Teams, and ensured coordinated responses at the regional and national levels.
- The Peer Support Group, chaired by the Regional Hub Manager, supported the formulation and development of roadmaps of the United Nations Development Assistance Frameworks and Strategic Frameworks.
- The Regional UNDG Coordination Team assisted Country Offices in following up on the use of the Delivering as One SOPs. These SOPs are provided by the UNDG to support countries that choose to adopt the Delivering as One approach. The SOPs focus on the UN system delivering together and aim to accelerate reform in the area of business practices in support of driving a focused results agenda.

The audit team noted rooms for improvement relating to the implementation of the SOPs for Delivering as One and readiness for implementing HACT in the Country Offices.

**Issue 4 Deficiencies in Delivery as One and HACT implementation**

According to the RBAS Terms of Reference, one of the roles of RBAS is to contribute to UN reform and coordination efforts by strengthening the UN Resident Coordinator system in the region for greater coherence and harmonization of the United Nations Country Teams and leading the Arab States/Middle East and North Africa Regional UNDG. One important role of the Directorate in coordinating UN reform is to coordinate efforts for the rollout of the revised HACT Framework in the Country Offices within the region in a move towards HACT readiness. According to the ‘UNDP Programme and Operations Policies and Procedures’, the Resident Coordinator is accountable to the Administrator for applying the HACT procedures at the country level with Regional Bureau oversight and support.

Of the 17 countries in the region, only one country (Jordan) was a self-starter for Delivering as One in 2016. According to the UNDG Coordination Team, one more country was being targeted to be a self-starter for
Delivering as One, but no concrete plans had been made. Out of 11 Country Offices interviewed, 3 indicated that they were already working with other UN agencies and following SOPs for countries adopting the Delivering as One approach. A review of the status of implementation of the SOPs showed that no country in the region had fully implemented the 15 core elements of the SOPs. Management indicated that the adoption of Delivering as One had been a challenge in some countries due to the crises in the region, and as such, there were limited formal initiatives towards Delivering as One.

A review of documents on HACT readiness disclosed that some Country Offices in the region were not fully prepared for HACT implementation. Specifically, the Office of Financial Resources Management activity status showed that out of 10 Country Offices in the region that should have implemented HACT, 3 Country Offices had not completed macro-assessments, 8 Country Offices had not completed micro-assessments, and 8 Country Offices had not completed the 2015 assurance plans. For 2015, expenditure amounting to $150 million pertained to nationally implemented projects in the region.

By not achieving the Delivering as One status and not fully implementing HACT, UNDP Country Offices in the region may miss out on the benefits for greater coherence and harmonization among UN agencies.

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<td><strong>Recommendation 4:</strong></td>
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<td>The Regional Bureau for Arab States Director, as the Chair of the Regional UNDG, should promote UN coordination by:</td>
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<td>(a) adopting a more proactive approach towards establishing Delivering as One countries in the region; and</td>
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<td>(b) following up on Country Offices to improve their Harmonized Approach to Cash Transfer readiness.</td>
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**Management action plan:**

The Regional UNDG Chair will work with the Regional UNDG Team, and Peer Support Group Chair to outreach to each Regional Coordinator/United Nations Country Teams on their plan toward the full implementation of the SOPs to the extent possible, considering the high number of crisis countries within the region. The Regional UNDG Team under the leadership of the Chair will provide technical assistance on the Operating as One SOPs through training on the Business Operations Strategy. Within the next 12 to 24 months, the SOPs implementation will advance by 25 to 30 percent, bringing the full implementation to 75-80 percent, given the crisis country context in the region. SOPs training to Regional Coordinator/United Nations Country Teams and Resident Coordinator Offices will be conducted on key elements including Communicating as One and the Business Operations Strategy.

RBAS will improve HACT readiness in countries in the region, through increased oversight and support to the Country Offices through the following means:

- By end 2016, creation of a HACT Task Force in RBAS to serve as liaison between RBAS, Bureau for Management Services and the Country Office and to facilitate the monitoring of HACT compliance and provide support to Country Offices.
- By end 2017, organize two regional teleconferences to review HACT compliance and exchange experiences among Country Offices.
- By April 2017, RBAS will request countries lagging with HACT compliance to prepare a “HACT plan” to chart a way forward for measures to improve compliance to HACT.
RBAS, through the Deputy Regional Director, with the support of the HACT Focal Point team, will request Resident Coordinators and Country Directors/Deputy Resident Representatives to complete micro-assessments and assurance plans by December 2017.

RBAS would like to note that while every effort is going to be deployed towards 100 percent HACT compliance, full compliance is not guaranteed in the short term for reasons beyond RBAS control, especially in countries with ongoing conflicts such as Libya, the Syrian Arab Republic, or Yemen.

**Estimated completion date:** December 2017
Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory**
  Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.

- **Partially Satisfactory**
  Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.

- **Unsatisfactory**
  Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)**
  Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.

- **Medium (Important)**
  Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.

- **Low**
  Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.