



Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

### **REPORT 2014/022**

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#### **Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe**

**Overall results relating to management of projects in the Sustainable Energy Division were initially assessed as partially satisfactory. Implementation of ten important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**22 April 2014**

**Assignment No. AE2013/720/01**

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# AUDIT REPORT

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of selected projects in the Sustainable Energy Division (SED) of the Economic Commission for Europe (ECE).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. SED was one of the six substantive Divisions of ECE. It was headed by a Director at the D-1 level supported by 14 staff. The Director, SED reported to the Executive Secretary, ECE. The total budget for SED for the six-year period 2008-2013 was \$24 million. During this period, it implemented a total of 11 projects with a cumulative expenditure of \$10.7 million.
4. SED was governed by the Committee on Sustainable Energy (CSE), which was one of the eight sectoral committees that reported to ECE and its Executive Committee (EXCOM). EXCOM was the main governing body of ECE acting on behalf of the Commission in between its biennial sessions. CSE had several subsidiary bodies working under it, including expert groups that were charged with overseeing specific projects.
5. Comments provided by ECE are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of ECE governance, risk management and control processes in providing reasonable assurance regarding **the effective management of projects in SED**.
7. The audit was requested by ECE subsequent to a written request from a member state. It was included in the 2013 internal audit work plan for ECE because of the potential risk that inefficient and ineffective project management practices could prevent SED from achieving its objectives. SED had also not been previously audited.
8. The key control tested for the audit was project management. For the purpose of this audit, OIOS defined this as controls that provide reasonable assurance that SED: (i) has sufficient capacity, tools and systems to implement its projects efficiently and effectively; (ii) generates accurate financial and operational project reports; (iii) safeguards its project assets; and (iv) complies with established policies, procedures and guidelines regarding the management of projects.
9. The key control was assessed for the control objectives shown in Table 2.
10. OIOS conducted this audit from July to November 2013. The audit covered the period from 1 January 2008 to June 2013. OIOS conducted an activity-level risk assessment to identify and assess

specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. Since the two main projects reviewed were initiated and mostly implemented in the period 2008-2011; where control deficiencies were noted, OIOS verified whether ECE had subsequently improved the relevant controls and whether the existing design of controls was adequate to prevent recurrence of similar deficiencies in future.

11. Five projects with aggregated expenditure of \$8.8 million (or 82 per cent of the total project expenditure of SED during this period) were selected for detailed audit testing based on a risk assessment, as shown in Table 1.

Table 1  
**Summary of SED projects reviewed**

<b>Project reference / duration</b>	<b>Title</b>	<b>Actual expenditure (1 January 2008 to 30 June 2013) \$</b>
E163 2008-2010	Study of possible broadening of interaction among the United Nations regional commissions in the field of energy	130,053
UNDA project 2010-2012	Mitigating Climate Change through attracting foreign direct investment in advanced fossil fuel technologies	595,476
FEEI project 2007-2014	Financing Energy Efficiency and Renewable Energy Investment for Climate Change Mitigation	5,286,111
The Gas Centre 1994-present	The Gas Centre was launched in 1994 as a technical cooperation project "Promotion and Development of a Market-Based Gas Industry in Economies in Transition". It had evolved into an on-going programme of work of ECE whose mandate was regularly reviewed and extended by ECE member states.	2,688,143
E185 2011-2013	Enhancing Synergies in the Commonwealth of Independent States National Programmes on Energy Efficiency and Energy Saving for Greater Energy Security	99,477
<b>TOTAL</b>		<b>8,799,260</b>

### **III. AUDIT RESULTS**

12. ECE governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the effective management of projects in SED**. OIOS made ten recommendations in the report to address issues identified in the audit.

13. Project management was assessed as partially satisfactory. There was a need to strengthen arrangements for the preparation and quality review of project planning documents and to ensure that agreements with co-implementing agencies are established and documented before projects are implemented. There was also a need to ensure that decision-making authority and reporting requirements

to the ECE governing bodies were appropriate and adequately clarified and to establish appropriate policies and guidelines to deal with conflicts of interest involving members of SED governing bodies. There were also deficiencies in the quality of operational and financial reporting to the governing bodies by SED and uncertainties about the level of oversight that the governing bodies were expected to provide. Further, the governance and working arrangements for the Gas Centre needed to be formally reviewed and approved and long-term plans or strategies established to ensure better linkage of the Gas Centre activities with other SED activities. In addition, ECE needed to regularly review and update the funding agreements with its main donors and to evaluate the networking, capacity building and policy reform related activities that were recurring activities in most projects and that had not been adequately assessed in past evaluation exercises.

14. There were significant deficiencies in the quality and design of the FEEI project, as well as gaps in expertise needed to implement the project. In addition, oversight over the budget and expenditures for major outputs and activities under the FEEI project was inadequate. The total budget allocations of outputs funded by the various donors were not documented and approved. Further, the budgets were not prepared in a results-based format and the expenditures incurred for major activities and outputs were not tracked despite the project being large, with a budget of \$7.9 million, and involving several implementing partners. There were also deficiencies in the procurement of the five large contracts for the FEEI project with a total value of \$3.1 million that affected the competitiveness and transparency of the procurement processes. In addition, the National Participating Institutions (NPIs) under the FEEI project did not submit audited financial statements that would have helped in providing an appropriate level of assurance that the grants issued to the ten NPIs of approximately \$700,000 were used as intended.

15. The initial overall rating was based on the assessment of key controls presented in Table 2. The final overall rating is **partially satisfactory** as implementation of ten important recommendations remains in progress.

**Table 2: Assessment of key controls**

Business objective(s)	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of projects in SED	Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Project management**

### Projects were approved in accordance with established requirements

16. The FEEI, E163 and E185 projects were approved by EXCOM. Summaries of the project plans, including information on the project objectives, the participating countries and the linkage to the ECE strategic framework, were prepared using a standard template that ECE had established for submission of projects to EXCOM for review and approval. The UNDA project was not submitted to EXCOM because it was approved by the General Assembly. It was, however, reviewed by the United Nations Department of Economic and Social Affairs (DESA), which was responsible for overseeing all projects funded by UNDA.

## Need to strengthen arrangements for the preparation and quality review of project planning documents

17. At the time the FEEI, E163 and UNDA project documents were finalized in 2006, 2008 and 2010, respectively; ECE had not established any specific guidance or requirements for the preparation and review of project documents. The review and approval of projects by EXCOM noted above was not designed to be a quality review mechanism. There were no other independent quality review checks of project documents within ECE to ensure that the planning was effectively done. There were also no established requirements to ensure that risks were appropriately assessed and that the role of other actors was adequately considered in the design and selection of activities. In addition, there were no requirements or quality review checks to ensure that expected accomplishments and budgets were appropriately formulated. Most of the deficiencies in the implementation arrangements, project governance and budgeting discussed later in this report could have potentially been identified and addressed if quality standards for project documents had been clearly established or if the quality review of the project documents had been effective.

18. Regarding the FEEI project, there were significant differences in the title, budget, logical framework, the number of countries covered, and the way the project objectives were formulated in the three project documents prepared by the major donors. In addition, the high inherent risk that the planned establishment of an investment fund would not be successful was not adequately assessed and considered in the design of the project. This was demonstrated by the fact that although a significant budget of \$4.6 million was allocated to the two project objectives dealing with networking, training and policy reforms, these objectives were not designed as standalone objectives that would have had demonstrable and sustainable results. As a result, as reported in the mid-term evaluation report for the project, the impact of the outputs and activities implemented under these two objectives, before funding by the donors was discontinued, was diluted because the investment fund had not yet been successfully established.

19. Further, the fact that budget allocations were not clearly determined upfront during the FEEI project planning phase showed that the cost effectiveness of the major outputs and activities was not adequately thought through in designing the project. For example, the mid-term evaluation report noted that the budget allocation of \$500,000 for the establishment of a project website by a contractor and national websites by the NPIs appeared high for the task involved. The mid-term evaluation report also pointed out that the International Energy Agency published country reports similar to what was produced in the policy reforms report but it was not evident that this had been considered when designing the outputs and activities under the objective on policy reforms for which almost \$1.3 million was spent.

20. In 2010, the ECE Secretariat established a Project Review Group for the review of projects funded by UNDA and issued a Guide to Project Managers that contained best practices in project formulation and implementation. However, for those projects not funded by UNDA, the review mechanisms by the donors continued to be the only independent review of the project documents irrespective of the size of the project. There were also no clearly established and mandatory project quality standards because the Guide to Project Managers was communicated to staff as an optional reference tool and not as the quality standards that ECE Divisions were expected to adhere to. In addition, there was no mandatory requirement for project managers to undertake training on project management, which would have been essential in promoting the use of best practices in the formulation and planning of projects.

<p><b>(1) ECE should establish appropriate arrangements for the preparation, review and quality control of project planning documents, including: (a) a mechanism for their independent review; (b) a requirement for reviewers to use the ECE Guide to Project Managers as a</b></p>
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**basis for quality review; and (c) a requirement for project managers to undertake project management training.**

*ECE partially accepted recommendation 1 stating that the Programme Management Unit (PMU) is overstretched and understaffed and is not in a position to support independent review of all projects unless member states agree to establish a regular budget funded post or donors agree to fund an extra budgetary post. ECE, however, agreed that the ECE Guide for Project Managers will be used for quality assurance of project documents, and that mandatory project management training will be included in the performance appraisal plans of all project managers. OIOS takes notes of ECE concerns about resource constraints in PMU, which might not allow for independent review of all projects. However, large projects such as FEEI do need to be independently reviewed either by peers or by external experts. Recommendation 1 remains open pending receipt of evidence that the arrangements for preparation, review and quality control of project planning documents have been strengthened.*

Need to ensure that agreements with co-implementing agencies are established and documented before the start of project implementation

21. The United Nations Environment Programme (UNEP) and EBRD were to be the co-implementing agencies in the FEEI project. However, EBRD ended up not participating as a co-implementing agency because its involvement was not adequately addressed before the project was started. The SED efforts to establish a formal Memorandum of Understanding (MOU) with UNEP, who was to facilitate the EBRD involvement, were also not successful because they were not undertaken upfront during the project development stage. Alternatives to EBRD were also not considered in a timely manner. As a result, there was a gap in the expertise required to implement the project, in particular the activities related to the design of the investment fund that were critical to the success of the project. The non-participation of EBRD was also the reason why one of the donors stopped funding the project after having provided only 50 per cent of the \$3 million it had originally committed to the project.

22. In the UNDA project, the involvement of ESCAP and UNCTAD as the co-implementing agencies was agreed through meetings and discussions and the agreed division of responsibilities and budget were documented in the course of project implementation. While this approach worked well in this case, there was a risk that SED would not have been able to establish successful agreements on the division of funds and the implementation timelines with ESCAP and UNCTAD once the project implementation had already started.

**(2) ECE should establish a practice of agreeing and documenting the responsibilities, funding arrangements and other coordination issues with co-implementing agencies at the time of the preparation of project documents.**

*ECE accepted recommendation 2 and stated that this requirement will be reflected in the revised ECE directive on trust fund/extra budgetary related activities. Recommendation 2 remains open pending receipt of evidence that ECE has established appropriate arrangements for agreements with co-implementing agencies to be documented before projects are implemented.*

Need to ensure that project governance and oversight arrangements, including the related reporting requirements to governing bodies, are appropriate and adequately clarified

23. Each of the SED projects reviewed in this audit was overseen by an expert group that reported to either a Steering Committee or a Working Party and then subsequently to the CSE. However, the decision-making authority and reporting requirements of the expert groups and other ECE governing

bodies were not documented and adequately clarified in their Terms of Reference or the project documents. For example, in the FEEI project, CSE granted the expert group decision-making authority but did not clarify details of financial and operational decisions that had to be approved or endorsed by the expert group. Similarly, for the UNDA project, project staff indicated that the expert group role on the project was limited to discussing substantive issues but this had not been formally documented or agreed on to ensure that there was a common understanding by all stakeholders on the role and responsibilities of the expert group. In addition, the reporting requirements to CSE and EXCOM, as well as from the expert groups under the Energy Efficiency 21 Programme to its Steering Committee had not been established.

24. There were also deficiencies in the way SED reported the progress and the status of the projects to the expert groups overseeing the projects. The progress reports were reported orally and did not include information on project expenditures, budget or budget status, and significant risk areas. Such information was needed for effective monitoring and support and to enhance accountability. The extent to which targets established in the work plans were achieved, or were being achieved, was also not clearly documented. Further, major variations from the approved project documents, such as the non-participation of EBRD in the FEEI project, were also not reported in a timely manner.

25. The establishment of reporting requirements was also needed to help in determining the appropriate composition and size of the expert groups and their working arrangements. In the case of the FEEI project, there was limited participation by financial institutions, who were listed as members of the expert group and who would have brought in the expertise related to establishing the investment fund. Insufficient efforts were made by SED to ensure that the financial institutions participated in the meetings as envisaged. Further, the expert group included the NPIs who received grants of \$70,000 each to assist in various aspects of project implementation. There was therefore a conflict of interest in them being part of the core expert group overseeing the project while at the same time being responsible for decision-making.

**(3) ECE should establish a practice of including the decision-making authority and reporting requirements to Sectoral Committees and the Executive Committee in its project documents.**

*ECE accepted recommendation 3 and stated that this requirement will be reflected in the revised ECE directive on trust fund/extra budgetary related activities. In addition, detailed information about all projects will be provided “in real time” at the password protected EXCOM website in response to request from member states “to strengthen the transparency and accountability on the use of resources for technical cooperation” contained in the outcome document of the review of the 2005 ECE reform (E/ECE/1468). Recommendation 3 remains open pending receipt of evidence that ECE has established requirements for documenting the decision-making authority and reporting requirements to its governing bodies.*

Need to strengthen arrangements for identifying and addressing conflicts of interest in project governance

26. Three members of SED governing bodies were associated with organizations that were awarded contracts and grants under the FEEI project, as well as grants in one other SED project that was not reviewed in this audit. In one of these three cases, a contract and a grant were awarded to an organization that was associated with the Chairman of the expert group overseeing the project. This chairman subsequently stepped down but continued to be a member of the expert group and chaired some of the subsequent meetings. In the second case, an expert was appointed to the Bureau of CSE even though an organization that he was associated with had been issued with two grants in two separate projects



implemented by SED. In the third case, an organization that was awarded a contract under the FEEI project was associated with a member of another expert group overseeing a different SED project.

27. Such situations presented potential conflicts of interest, which could negatively influence or could be perceived to influence the governing body members' ability to fulfill their roles objectively. They could also lead to actual or perceived favoritism in the award of contracts and grants. The level of risk varied depending on whether the expert was directly or indirectly overseeing the project, but in all of the above-mentioned cases there was a high risk of negative perception by outsiders, which could have affected the reputation of ECE.

28. The United Nations Office at Geneva (UNOG) Procurement and Contracts Unit that was responsible for ECE procurement and the ECE Executive Office or ECE Grants Committee should have been informed of these conflicts of interest before the contracts and grants were awarded. With respect to procurement, the United Nations Code of Conduct issued in September 2013 required all vendors to disclose any situation that might appear as a conflict of interest. However, the code of conduct did not specifically mention the need for the vendors to disclose the relationship with members of intergovernmental organizations in the same way that it required them to disclose relationships with United Nations staff members and professionals under contract with the United Nations. Further, as this was an ECE-specific issue, OIOS was of the opinion that it would be more effective to address the disclosure requirements at the ECE level. With respect to ensuring that conflicts of interest were avoided at the time of appointing experts to the various governing bodies, improvements were made in 2011, when SED established a practice that experts should not be appointed to SED governing bodies if they were associated with organizations that were doing business with ECE. This practice needed to be formalized and clarifications provided on how conflicts of interest should be dealt with when identified.

**(4) ECE should establish a formal policy and mechanisms to prevent potential conflict of interest situations involving members of its governing bodies.**

*ECE accepted recommendation 4 and stated that this requirement will be reflected in the revised ECE directive on trust fund/extra budgetary related activities. Recommendation 4 remains open pending receipt of details of mechanisms put in place by ECE to prevent potential conflicts of interest involving members of ECE governing bodies in future.*

Need to formalize the Gas Centre governance and working arrangements, as well as strategic planning and reporting requirements

29. The Executive Board of the Gas Centre was composed of representatives from the companies that financed its operations. The Board met at least once a year, normally in Geneva. It approved the annual work plan and budget of the Gas Centre and reviewed the reports of activities carried out. A summary of this information was then reported to CSE and the Working Party on Gas. Detailed financial information on the activities was also submitted to the Board, which OIOS considered to contain an appropriate level of detail and quality to enable the Board to effectively oversee the Gas Centre.

30. However, the composition of the Board and the reporting requirements to the Board had not been formally approved. In addition, similar to the expert groups overseeing SED projects, the reporting requirements of the Gas Centre to the other governing bodies, including the Working Party on Gas, under which it was established, had also not been formally approved. In practice, there was limited oversight of the Gas Centre activities by the Working Party on Gas. SED reported on the activities orally at the Working Party on Gas meetings, but neither the Working Party on Gas nor CSE were involved in approving or endorsing the decisions made regarding the Gas Centre work plan. Further, unlike other ECE governing bodies, the presentations or reports of the meetings were not made public. This absence

of oversight and public reporting increased the risk of the Gas Centre being perceived to be focused on private interests, particularly since it was fully funded by its member companies. The review and approval of the governance and working arrangements would have ensured that this risk was considered in determining the appropriate governance and working arrangements for the Gas Centre and that the SED reporting requirements to the governing bodies with respect to the Gas Centre activities were adequately clarified.

31. In addition, the Gas Centre had evolved into a regular area of SED work over the years. Long-term plans or strategies that would have ensured that its activities were strategic for greater impact, and that the linkages to other SED areas of work were adequately thought through, needed to be established.

**(5) ECE should ensure that the Gas Centre governance and working arrangements, reporting requirements, work plans, annual budgets and long-term plans or strategies are reviewed and formally approved by the relevant ECE governing body.**

*ECE accepted recommendation 5 and stated that the activities of the Gas Centre are prepared and approved by the members of the Gas Centre and its Executive Board. Its programme and activities are reported to the Group of Experts on Gas. As of 1 January 2014 its activities as those of other subsidiary bodies of CSE are reported quarterly to the CSE Bureau. The activities of the Gas Centre will also be coordinated with those of the Group of Experts on Gas. Recommendation 5 remains open pending receipt of evidence that the Gas Centre governance and working arrangements, as well as the reporting requirements have been formally approved.*

#### Need to regularly review and update the funding agreements with the main donors

32. Two of the projects reviewed by OIOS were small projects that were financed by one major donor's annual funding to ECE. However, the agreement with the donor was not regularly reviewed and updated. The review and update of the funding agreement was needed because there had been some additional requirements by the donor in correspondence with ECE, and some aspects of the agreement had not been implemented as stipulated. Further, one of the projects reviewed was delayed for about one year because of delays in receipt of funds but SED was still required to prepare a final report one year before the project was completed. This diluted the value of the final report and was an indication that the agreement needed to be regularly reviewed. In addition, the need to establish a long-term plan of projects that could be funded from the annual funding should be explored with the donor as small projects, like the ones reviewed in the audit, had limited impact unless funding to build on the results was secured.

**(6) ECE should regularly review and update the funding agreements it has with its main donors.**

*ECE accepted recommendation 6 and stated that all funding agreements have been reviewed prior to the deployment of the International Public Sector Accounting Standards (IPSAS) on 1 January 2014. Recommendation 6 remains open pending receipt of evidence that the agreements with major donors who provide annual funding have been amended and include provisions for their regular review.*

#### Lack of adequate requirements and related guidelines for budgeting and financial monitoring

33. The framework for budgeting and financial reporting was satisfactory for all the projects reviewed, except for the FEEI project. For the FEEI project, separate budgets were prepared and approved for the two accounts that were maintained for the project. The two accounts were maintained to

cater for the different sources of funding from the various donors. However, no system was established to prepare consolidated project budget and financial expenditure reports even though the same activity could be financed partly from each account. Further, the project budgets were not prepared using the results-based approach because this was not a mandatory requirement at ECE. The total project budget for the various activities and outputs had therefore not been reviewed and approved. The system for financial reporting was also not satisfactory. The financial reports to donors reported the budget and expenditures funded from the two accounts separately. In addition, no system had been put in place to track the cost of activities and outputs, which was essential for effective monitoring because the project was large and had several implementing partners including contractors and NPIs.

34. OIOS analysis of the expenditures reported in the financial reports to donors and a sample check of the expenditures incurred under the project showed that the expenditures were consistent with the approved budget and work plans. However, there was inadequate oversight over the budget allocations and expenditures incurred for specific outputs and activities by donors as well as by ECE governing bodies. Oversight was essential to enhance transparency and accountability of the total funds that were invested in the various activities and outputs and to provide assurance that the budget allocations were well thought through. For example, it was not clear whether the donors and the expert group were aware and approved spending totaling almost \$400,000 on expert meetings because there was no clearly documented total budget allocated to such meetings. In addition, concerns raised by some members of the ECE governing bodies about the value for money of a \$988,300 contract for the report on policy reforms and other additional costs of approximately \$400,000 incurred in producing this report would have been minimized or avoided if the total budget allocation to the activity had been discussed and approved by the donors and/or the expert group overseeing the FEEI project. These shortcomings were attributed to the absence of adequate requirements and related guidelines for the development of project budgets and financial monitoring at ECE.

**(7) ECE should establish a policy and develop guidelines and formats for result based budgeting, financial monitoring and reporting on the implementation of projects.**

*ECE accepted recommendation 7 and stated that this requirement will be reflected in the revised ECE directive on trust fund/extra budgetary related activities. Recommendation 7 remains open pending receipt of evidence that the directive on trust fund/extra budgetary related activities has been revised to include guidelines and formats for result based budgeting, financial monitoring and reporting on the implementation of projects.*

Arrangements for project evaluation were inadequate but there were on-going efforts to address them following a review of the ECE evaluation practices

35. There were deficiencies in the quality of the UNDA external evaluation report that were attributed to shortcomings in the selection of the evaluator and inadequate involvement of SED in reviewing the draft evaluation report to ensure it was of appropriate quality. The evaluation report had no clear recommendations stemming from the evaluation and the methodology was largely based on a desk review of what had been done and not done by the project. The Programme Management Unit had engaged a consultant to review the effectiveness of the evaluation processes at ECE. A final report on the review was issued in May 2013 and, based on the recommendations made by the consultant, ECE management decided to strengthen the independence of evaluations. The Member States had also requested to be provided with a copy of the ECE evaluation policy for their review and approval. As action was in progress, no recommendation was made with respect to the quality of evaluation reports.

Need to undertake a review of lessons learned with respect to networking, capacity building and policy reform related activities

36. The 2013 report on the review of evaluation processes at ECE pointed out that the use of evaluation results at ECE was limited and that in general the results were rarely used for decision-making and learning. This was true in the case of the SED projects reviewed by OIOS, particularly for outputs relating to establishment of networks, capacity building activities related to financing energy efficiency investments, and work related to improving policy reforms. These were recurring types of outputs with significant budget allocations in the projects implemented by SED and particularly those under the Energy Efficiency 21 Programme. There was also no system for collecting and analyzing the lessons learned from the different projects and, therefore, reliance was placed on the experiences and institutional memory of individual staff to use the lessons learned. As a result, there was a risk that lessons learned from the past were not being built upon and effectively utilized to improve strategies in these areas.

37. With respect to the establishment of networks, the networks developed through projects, including websites, were useful only during the project duration. The rationale and effectiveness of investing in project-specific websites, as opposed to already existing websites or other platforms for communication, had not been assessed in the evaluation reports. The issue of how these websites and networks would be sustained was also not addressed. With respect to capacity building, it was not evident that the training materials and outputs from earlier projects were effectively used in subsequent projects and there was a risk that efforts were being duplicated. For example, it was not evident how the FEEI project benefited from training materials and outputs produced from a similar but smaller project implemented before it. Regarding the policy reforms, the FEEI mid-term evaluation report addressed in detail concerns about the limited impact of the policy reforms work done by the contractor selected for the task. However, the lessons learned from this undertaking in terms of the future involvement of SED in this area had not been determined. The need to track the policy reforms made was also recommended in discussions during the expert meetings but no lessons learned were systematically recorded and action points for the future determined.

**(8) The ECE Sustainable Energy Division should undertake a review of lessons learned from approaches used and experiences gained in the establishment of networks, capacity building and policy advice, with a view to increasing their relevance, effectiveness, efficiency, impact and sustainability.**

*ECE accepted recommendation 8 and stated that the Division will organize a retreat to discuss among other things the modalities of the review of lessons learned from projects. Following the retreat, the Division will undertake a review of its capacity building efforts over the last two years to assess their effectiveness, impact and sustainability. Recommendation 8 remains open pending receipt of evidence that ECE has undertaken lessons learned exercises of past approaches used and experiences gained in the establishment of networks, capacity building and policy advice related work.*

There were deficiencies in the procurement of major contractors for the FEEI project

38. The FEEI project procured various contractors who played important roles in the implementation of the project. The total value of these contracts was \$3.1 million, of which \$2.5 million had actually been paid to the contractors. The audit reviewed five of the largest contracts and two smaller ones with contract values totaling \$3.0 million (or 96 per cent of the total contract value). Several control deficiencies were observed in the procurement of the contractors. These deficiencies were not related to the absence of controls but to non-compliance with the United Nations Procurement Manual and judgment errors that should have been identified if the review and approval mechanisms had been

effective. There had been changes in staff and management of the UNOG Procurement and Contracts Unit as well as improvements in the review mechanisms for technical evaluation reports and sole source requests since the above-mentioned procurement activities were undertaken in 2008-2009. Therefore, OIOS did not consider it necessary to raise a recommendation in this report to UNOG regarding controls over the procurement process.

39. However, some of the control deficiencies, such as weaknesses in the technical evaluation reports and the statement of requirements, could have been due to SED staff members not being fully conversant with the procurement processes. In addition, in one case discussed further below, the donor in question pre-selected the contactor. There was therefore a need for ECE to ensure that its project staff would be appropriately trained in the requisitioning functions and that conflict of interest situations regarding donors would be avoided in future. The absence of an effective mechanism to ensure that vendors disclosed associations that they had with members of ECE governing bodies in their submissions, as discussed earlier in the report, further increased the perception that some of the vendors had been favoured. Details of the control deficiencies for the five large contracts awarded to four organizations are discussed below:

- Investment Fund Design: \$1,250,000 contract

40. The mandatory commercial evaluation criteria, the top Dun and Bradstreet credit rating of 5A1, that was used as a basis to disqualify two of the three vendors that had passed the technical evaluation criteria, was not established upfront as required by the Procurement Manual. In addition, the winning bid did not have the required Dun and Bradstreet rating but passed the criteria on the basis of a letter of support from its parent company which the vendor was asked to provide in the course of the bid evaluation process. One other vendor who had submitted a joint bid with a larger company was not provided with the opportunity to submit such a letter of support during the process. Further, the rationale for using the top Dun and Bradstreet credit rating as mandatory criteria when the contract was for the design of the fund and the contractor was not required to invest in the fund was not clear. There were also significant variations in the technical evaluation criteria by two of the three evaluators, including a very high and a very low rating for the same criteria. These variations were not adequately addressed. As a minimum, the evaluators should have been asked to explain the rationale for the extreme ratings or the technical evaluation should have been re-done by a new team. In addition, the contract had no provisions for penalties for delays yet the timeliness of the activities under this contract was critical to the overall success of the project. Further, the project document had envisaged that the fund would be designed under the leadership of the fund manager who would be selected competitively. The rationale for procuring a fund designer instead was not explained.

- Development of a website and internet communication network of energy efficient managers: \$497,230 contract

41. The statement of requirements for the bid was too broad, as evidenced by the fact that even the winning bid was a consortium of five companies. There was a risk that the broad statement of requirements and some other requirements, such as the contractor having knowledge of United Nations policies and procedures, could have limited the competition. Only three out of the 25 vendors that were invited to participate submitted bids and only one of the three passed the technical evaluation. Furthermore, the Procurement Manual had provisions that in some circumstances, in order to ensure that the organization is achieving a best value for money outcome, it may be prudent to open the financial bids of a non-compliant bidder to undertake further due diligence. It would have been useful for the UNOG Procurement and Contracts Unit to have used this provision in this case, since only one vendor was considered and the procurement requirements were not easily comparable with other similar procurement cases. In addition, the selected vendor was an NPI that also received \$10,000 to prepare national websites

for the project. Since part of the vendor's role was to support and supervise the NPI, the contractor was effectively supervising itself, which was not appropriate.

- Inter-fuel substitution study: two contracts totaling \$240,000

42. There was no competitive bidding in this case because the vendor was pre-selected by the donor. SED indicated that the vendor was the only one who was able to assess information to undertake the study. The waiver from competitive bidding was appropriately requested and approved. However, the details of how the contract was derived were not recorded in the appropriate section of the standard form used for requesting the procurement of institutional contractors. Therefore, there was no transparency in the way the contract amounts were derived. There was also a conflict of interest because the donor was associated with the selected vendor. Such arrangements where vendors were pre-selected by the donor and the amounts were agreed upon upfront prevented the UNOG Procurement and Contracts Unit from carrying out transparent and competitive procurement. Some staff of SED as well as the mid-term evaluation report for the FEEI project also indicated that the rationale for having this study under the FEEI project was not clear since it appeared to be unrelated to the primary focus of the project.

- Regional analysis of policy reforms to promote energy efficiency and renewable energy investments: \$988,300 contract

43. OIOS did not identify any specific deficiencies in the procurement process for this contract. Five companies submitted bids out of which two passed the technical evaluation. The reasons why the other three companies did not pass the technical evaluation were appropriately documented in the technical evaluation report and in the report to the UNOG Committee on Contracts. The winning bid also received a high score from all three members of the technical evaluation team. Further, there was a difference of only \$33,000 between the quotations of the two companies that passed the technical evaluation and, therefore, there would have been no significant difference if either bid had been selected.

44. However, there was a high risk that the vendor's quotations could have been influenced by their knowledge of the budget that SED had allocated to the policy reforms review work, since the project document, including the budget details, was sent to all vendors. Unlike the budgets for the investment fund designer and the website development activities, which were not reflected in the project document, the budget of \$1.1 million allocated for the policy reforms review work was easily identifiable in the project document submitted to the potential vendors. Concerns had also been raised about the value for money for this contract. In the view of OIOS, these concerns reflected more a weakness in the budgeting for the project, as noted earlier in the report, because the overall budget allocations were not clearly reviewed and approved. Concerns that the parent company of the winning bid was blacklisted by the World Bank was also brought to the attention of OIOS and may have contributed to negative perceptions about the selected vendor. However, the blacklisting occurred after the contractor was procured and could not have been reasonably foreseen and considered during the procurement process.

**(9) ECE should ensure that: (a) project staff are appropriately trained in requisitioning functions; and (b) situations are avoided where donors pre-select vendors.**

*ECE accepted recommendation 9 and stated that mandatory training will be organized for all ECE project staff in early 2015. Recommendation 9 remains open pending receipt of evidence that ECE has established requirements for project staff to be trained in requisitioning functions and for project managers to avoid situations where donors can pre-select vendors.*

### The audit clause in the grants agreements needed to be strengthened

45. In the FEEI project, grants totaling approximately \$700,000 were given to eleven NPIs. The grants were approved by the ECE Grants Committee, in accordance with the ECE guidelines for processing grants. A standard budget for all the grants was agreed upon and the NPIs were required to provide financial information on the use of the grants in their final reports. The grants were paid in installments and there were appropriate clauses to regulate that the final installment was only payable upon submission of a financial expenditure report certified as correct by the NPI concerned. Although there was a clause that the grant was subject to the audit requirements of the organization, the grant agreement did not require the NPIs to provide audited financial statements. As a result, none of the NPIs submitted audited financial statements to ECE. This deficiency was attributed to the fact that the ECE grant template did not include mandatory clauses on external audits or the provision of audited financial statements. Audited financial statements would have been essential in providing additional assurance that the funds were used in accordance with the grant agreement. This was particularly important because the grants represented a significant portion of the total project budget. The fact that the budgets were standard for each country irrespective of the cost of living also raised the possibility of the allocated budgets not being fully utilized.

**(10) ECE should establish a mandatory requirement for grants above a certain threshold to always include a provision for external audit and for the grantees to submit audited financial statements within six months after the end of the time period covered by the grant.**

*ECE accepted recommendation 10 and stated that the Guidelines for the Grants Committee of ECE will be reviewed in consultation with the United Nations Controller's office. Recommendation 8 remains open pending receipt of evidence that ECE has established mandatory requirements for submission of audited financial statements for large grants above a defined threshold.*

## **IV. ACKNOWLEDGEMENT**

46. OIOS wishes to express its appreciation to the Management and staff of ECE for the assistance and cooperation extended to the auditors during this assignment.

*(Signed)* David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	ECE should establish appropriate arrangements for the preparation, review and quality control of project planning documents, including: (a) a mechanism for their independent review; (b) a requirement for reviewers to use the ECE Guide to Project Managers as a basis for quality review; and (c) a requirement for project managers to undertake project management training.	Important	O	Receipt of evidence that the arrangements for preparation, review and quality control of project planning documents have been strengthened.	30 June 2015
2	ECE should establish a practice of agreeing and documenting the responsibilities, funding arrangements and other coordination issues with co-implementing agencies at the time of the preparation of project documents.	Important	O	Receipt of evidence that ECE has established appropriate requirements for agreements with co-implementing agencies to be established and documented before projects are implemented.	30 September 2014
3	ECE should establish a practice of including the decision-making authority and reporting requirements to Sectoral Committees and the Executive Committee in its project documents.	Important	O	Receipt of evidence that ECE has established requirements for documenting the decision-making authority and reporting requirements to its governing bodies.	30 September 2014
4	ECE should establish a formal policy and mechanisms to prevent potential conflict of interest situations involving members of its governing bodies.	Important	O	Receipt of details of mechanisms put in place by ECE to prevent potential conflicts of interest involving members of ECE governing bodies in future	31 December 2014
5	ECE should ensure that the Gas Centre governance and working arrangements, reporting requirements, work plans, annual budgets and long-term plans or strategies are reviewed and formally approved by	Important	O	Receipt of evidence that the Gas Centre governance and working arrangements, as well as the reporting requirements have been formally approved.	31 December 2014

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by ECE in response to recommendations.



## STATUS OF AUDIT RECOMMENDATIONS

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	the relevant ECE governing body.				
6	ECE should regularly review and update the funding agreements it has with its main donors.	Important	O	Receipt of evidence that the agreements with major donors who provide annual funding have been amended and include provisions for their regular review.	31December 2014
7	ECE should establish a policy, develop guidelines and formats for result based budgeting, financial monitoring and reporting on the implementation of projects.	Important	O	Receipt of evidence that the directive on trust fund/extra budgetary related activities has been revised to include guidelines and formats for result based budgeting, financial monitoring and reporting on the implementation of projects.	30 September 2014
8	The ECE Sustainable Energy Division should undertake a review of lessons learned from approaches used and experiences gained in the establishment of networks, capacity building and policy advice, with a view to increasing their relevance, effectiveness, efficiency, impact and sustainability.	Important	O	Receipt of evidence of evidence that ECE has undertaken lessons learned exercises of past approaches used and experiences gained in the establishment of networks, capacity building and policy advice related work.	30 September 2014
9	ECE should ensure that: (a) project staff are appropriately trained in requisitioning functions; and (b) situations are avoided where donors pre-select vendors.	Important	O	Receipt of evidence that ECE has established requirements for project staff to be trained in requisitioning functions and for project managers to avoid situations where donors can pre-select vendors.	30 June 2015
10	ECE should establish a mandatory requirement for grants above a certain threshold to always include a provision for external audit and for the grantees to submit audited financial statements within six months after the end of the time period covered by the grant.	Important	O	Receipt of evidence that ECE has established mandatory requirements for submission of audited financial statements for large grants above a defined threshold.	31December 2014

# **APPENDIX I**

## **Management Response**



UNITED NATIONS  
ECONOMIC COMMISSION FOR EUROPE

The Executive Secretary

*Under-Secretary-General*

MEMORANDUM

**CONFIDENTIAL**

To: Mr. Gurpur Kumar  
Deputy Director  
Internal Audit Division, OIOS

Ref: ECE/PMU/2014/103

Date: 10 April 2014

From: Michael Møller  
Acting Executive Secretary

A handwritten signature in blue ink, appearing to read 'Michael Møller', is written over the printed name of the sender.

cc: Mr. Scott Foster  
Ms. Zamira Eshmambetova  
Ms. Leslie Cleland  
Ms. Anna Halasan

Subject: **Draft report on an audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe (Assignment No.AE2013/720/01)**

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With reference to your memorandum of 25 March 2014, I am pleased to forward the UNECE comments on the above-mentioned report as well as the management response to the recommendations contained therein.

Enclosures: the UNECE comments  
the UNECE management response

## Management Response

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ECE should establish appropriate arrangements for the preparation, review and quality control of project planning documents, including: (a) a mechanism for their independent review; (b) a requirement for reviewers to use the ECE Guide to Project Managers as a basis for quality review; and (c) a requirement for project managers to undertake project management training.	Important	1 (a) – No  1 (b,c) - Yes	PMU Division Directors	30 June 2015	<p><b>Recommendation 1(a):</b> Given that the Programme Management Unit (PMU) has been already understaffed and overstretched, it is not in the position to support independent review of all (XB and RB) project documents. It will continue to provide quality assurance for projects funded from the regular budget and rely on the review of projects funded from extra-budgetary resources on the Divisions unless ECE member states agree to establish an additional RB post or donors agree to fund an extra-budgetary post in the PMU.</p> <p><b>Recommendation 1(b):</b> Guidelines provided by UN Headquarters and donors, as well as the ECE Guide for Project Managers will be used for quality assurance of project documents.</p> <p><b>Recommendation 1(c):</b> A requirement for mandatory project management training will be included in e-Performance plans of all project managers.</p>

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	ECE should establish a practice of agreeing and documenting the responsibilities, funding arrangements and other coordination issues with co-implementing agencies at the time of the preparation of project documents.	Important	Yes	Executive Officer	30 September 2014	This requirement will be reflected in the revised ECE Directive No. 13 on Trust Fund/Extra-budgetary Related Activities.
3	ECE should establish a practice of including the decision-making authority and reporting requirements to Sectoral Committees and the Executive Committee in its project documents.	Important	Yes	PMU Director  Division Directors	30 September 2014  In progress	This requirement will be reflected in the revised ECE Directive No. 13 on Trust Fund/Extra-budgetary Related Activities.  In addition, detailed information about all projects will be provided “in real time” at the password protected EXCOM website in response to request from Member states “to strengthen the transparency and accountability on the use of resources for technical cooperation” contained in the outcome document of the review of the 2005 ECE reform (E/ECE/1468).
4	ECE should establish a formal policy and mechanisms to prevent potential conflict of interest situations involving members of its governing bodies.	Important	Yes	Executive Office	31 December 2014	This requirement will be reflected in the revised ECE Directive No. 13 on Trust Fund/Extra-budgetary Related Activities.
5	ECE should ensure that the Gas Centre governance and working arrangements, reporting requirements, work plans, annual budgets and long-term plans or strategies are reviewed and formally approved by the relevant ECE governing	Important	Yes	Sustainable Energy Division Director	31 December 2014	The activities of the Gas Centre are prepared and approved by the members of the Gas Centre and its Executive Board. Its programme and activities are reported to the Group of Experts on Gas. As of 1 January

## Management Response

## Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	body.					2014, its activities, as those of other subsidiary bodies of the Committee on Sustainable Energy (CSE), are also reported quarterly, to the CSE Bureau. The activities of the Gas Centre will be also coordinated with those of the Group of Experts on Gas.
6	ECE should regularly review and update the funding agreements it has with its main donors.	Important	Yes	Executive Officer	31 December 2014	All funding agreements have been reviewed prior to the deployment of IPSAS on 1 January 2014.
7	ECE should establish a policy and develop guidelines and formats for result based budgeting, financial monitoring and reporting on the implementation of projects.	Important	Yes	Executive Officer	30 September 2014	This requirement will be reflected in the revised ECE Directive No. 13 on Trust Fund/Extra-budgetary Related Activities.
8	The ECE Sustainable Energy Division should undertake a review of lessons learned from approaches used and experiences gained in the establishment of networks, capacity building and policy advice, with a view to increasing their relevance, effectiveness, efficiency, impact and sustainability.	Important	Yes	Sustainable Energy Division Director	30 September 2014	The Division will organize a retreat, to discuss among other things, the modalities of the review of lessons learned from projects. Following the retreat, the Division will undertake a review of its capacity building efforts over the last two years, to assess their effectiveness, impact and sustainability.
9	ECE should ensure that: (a) project staff are appropriately trained in requisitioning functions; and (b) situations are avoided where donors pre-select vendors.	Important	Yes	Executive Officer	30 June 2015	Mandatory training will be organized for all ECE project staff in early 2015.
10	ECE should establish a mandatory requirement for grants above a certain threshold to always include a provision for external audit and for the grantees to	Important	Yes	Executive Officer	31 December 2014	The Guidelines for the Grants Committee of UNECE will be reviewed, in consultation with the UN Controller's Office.

Management Response

Audit of selected projects in the Sustainable Energy Division of the Economic Commission for Europe

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	submit audited financial statements within six months after the end of the time period covered by the grant.					

## Comments

of the United Nations Economic Commission for Europe  
on the draft report of the Office of Internal Oversight Services  
on an audit of selected projects in the Sustainable Energy Division  
(assignment No. AE2013/720/01)

### Comments on the OIOS report:

**Para 7.** The audit was requested by ECE subsequent to a written request from a member state and was included in the 2013 internal audit work plan for ECE because of the risk that inefficient and ineffective project management practices could prevent SED from achieving its objectives. SED had also not been previously audited.

*Please amend as follows, to ensure factual accuracy:* The audit was requested by ECE subsequent to a written request from a member State. **It** was included in the 2013 internal audit work plan for ECE because of the **potential** risk that inefficient and ineffective project management practices could prevent SED from achieving its objectives”.

**Para 14.** Except for sentence 1 and sentence 4, all other sentences contain recommendations. Please either remove them from this section or reformulate as **audit results** as announced in the heading.

**Para 17.** ... The UNDA project was not submitted to EXCOM because ECE did not require projects funded by regular budget resources to be approved by EXCOM. The UNDA project was, however, reviewed by the United Nations Department of Economic and Social Affairs (DESA), which was responsible for overseeing all projects funded by UNDA”.

*Please amend as follows, to ensure factual accuracy:* “The UNDA project was not submitted to EXCOM because it **was approved by the General Assembly, one of the main governing bodies of the UN**”.

**Para 21.** In 2010, ECE established a Project Review Group for projects funded by UNDA and issued a Guide to Project Managers that contained best practices in project formulation and implementation...

*Please amend as follows, to ensure factual accuracy:* “In 2010, **the ECE Secretariat** established a Project Review Group for **the review of** projects funded by UNDA and issued a Guide to Project Managers that contained best practices in project management...”

**Para 34.** The Executive Board of the Gas Centre was composed of representatives from all member companies that financed its operations. ...

*Please amend as follows, to ensure factual accuracy:* “The Executive Board of the Gas Centre was composed of representatives from **the companies** that financed its operations...”



**Para 39:** ECE accepted recommendation 6 and stated that the recommendation was already under implementation. The ECE Executive Office had undertaken a review of all contributions as of 1 January 2014 and, as part of this exercise, had also reviewed all funding agreements and conventions with the main donors...

*Please amend as follows, to ensure factual accuracy:* "ECE accepted recommendation 6 and stated that the recommendation was already under implementation. **As part of the implementation of the International Public Sector Accounting Standards (IPSAS) which began on 1 January 2014**, the ECE Executive Office had reviewed all funding agreements and conventions with its main donors **and plans to take further actions to ensure they are compliant with IPSAS requirements...**"

#### **Comments on the OIOS recommendations:**

**Recommendation 2:** ECE should establish a practice of agreeing and documenting the responsibilities, funding arrangements and other coordination issues with co-implementing agencies before project documents are signed.

*Please amend as follows, to ensure clarity of the recommendation on the timing:* "ECE should establish a practice of agreeing and documenting the responsibilities, funding arrangements and other coordination issues with co-implementing agencies **at the time of the preparation of the project documents**".

**Recommendation 3.** ECE should establish a practice of including the decision-making authority and reporting requirements of its governing bodies in project documents, ensuring they are appropriate, and having the reporting requirements endorsed by the relevant ECE Sectoral Committee.

*Please amend as follows, to reflect accountability of the Secretariat to the ECE governing bodies and ensure clarity of the recommendation:* "ECE should establish a practice of including the decision-making authority and reporting requirements to Sectoral Committees **and EXCOM in its project documents.**"

**Recommendation 5.** ECE should ensure that the Gas Centre governance and working arrangements, reporting requirements, and long-term plans or strategies are reviewed and formally approved by the appropriate ECE governing body.

*Please amend as follows, to reflect accountability of the Gas Centre to ECE governing bodies:* "ECE should ensure that the Gas Centre governance and working arrangements, reporting requirements, **work plans, annual budgets** and long-term plans or strategies are reviewed and formally approved by the **relevant** ECE governing body".

**Recommendation 6.** ECE should regularly review and update the funding agreements it has with its main donors.

*Please amend as follows, to reflect ECE accountability to EXCOM:* "ECE should regularly review and update the funding agreements it has with its main donors **and inform EXCOM**".

**Recommendation 7.** ECE should establish a policy for projects to be prepared in a results-based format and develop guidelines for budgeting and financial monitoring of projects that the ECE Executive Office and ECE Divisions should use as a basis for project planning and reporting.

*Please amend as follows, to ensure clarity of the recommendation: "ECE should establish a policy, develop **guidelines and introduce a specific format for results-based** budgeting, financial monitoring **and reporting on the implementation** of projects to **ECE member states**".*

**Recommendation 8.** The ECE Sustainable Energy Division should undertake a review of lessons learned from past approaches used and experiences gained in the establishment of networks, capacity building related to financing energy efficiency investments, and policy reforms work, with a view to making them more strategic and the results more sustainable.

*Please amend as follows, to include UN criteria for evaluation: "The ECE Sustainable Energy Division should undertake a review of lessons learned from approaches used and experiences gained in the establishment of networks, capacity building and policy advice, with a view **to increasing their relevance, effectiveness, efficiency, impact and sustainability**".*