

# **CREWS Implementing Partners Financial Mechanisms**

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1. CREWS projects are implemented by the World Bank (WB/GFDRR), World Meteorological Organization (WMO) and the United Nations Office for Disaster Risk Reduction (UNDRR). Implementing Partners are responsible for managing and monitoring the use of funds transferred to them by the Trustee (World Bank) for the purposes intended, including carrying out Projects in accordance with (i) the *CREWS Governance Document* and applicable decisions of the Steering Committee and (ii) their own policies and procedures. In this context, an Implementing Partner is responsible to assess, plan, and communicate any uncertain events or conditions that could have a negative effect on a project's objectives or threatens to interfere with an operation or the Implementing Partner's obligations under its *Financial Procedures Agreement*. An Implementing Partner is expected to notify the Steering Committee, through the Trustee and Secretariat, subject to its policies and procedures including with respect to disclosure of information, at any time it becomes aware of a materially adverse condition.
2. At the 8<sup>th</sup> CREWS Steering Committee meeting held in Geneva on 10 May 2019, some of the Contributing Members raised an issue of the *"perceived liability gap in the current CREWS Governance Document under paragraph 19, responsibilities of the Trustee and the Secretariat..."* and requested for clarification of the roles and responsibilities of parties in the CREWS initiative and available mechanisms that would be applicable if CREWS project funds are not used as intended by the Implementing Partners.
3. In response to this and upon the request of the Steering Committee, the Trustee prepared the note on *"Clarifying the Financial Management Responsibilities of the CREWS Key Partners with respect to the use of CREWS Resources"* (CREWS/SC.9/infdoc.4) presented and discussed at the 9<sup>th</sup> CREWS Steering Committee held in Geneva on 07 November 2019. In the note, it was clarified that the Trustee's role in the monitoring the use of CREWS funds is fulfilled by and limited to, receiving required financial reports from the agencies, and suspending commitment and disbursement to Ips in protracted non-compliance with the requirements under the FPAs. The CREWS Implementing Partners are accountable to the Steering Committee for the CREWS-financed activities pursuant to the CREWS Governance Document. The Financial Procedures Agreement (FPAs) signed between the Implementing Partners and the Trustee explicitly notes in its provisions that the resources are expected to be returned by an IP in case of its non-compliance with the obligations. Should there be evidence for non-compliance, it is expected that this would be resolved consensually between the Implementing Partner, Secretariat and Steering Committee.
4. Following the discussions above, at the 10<sup>th</sup> CREWS Steering Committee held in Madrid, Spain on 05 December 2019, the Steering Committee requested all Implementing Partners to *"provide, in writing, through the CREWS Secretariat, information regarding the frameworks and controls they have in place regarding their financial management responsibilities related to the CREWS initiative."*
5. CREWS Implementing Partners policies and procedures for financial controls are noted below:

### WMO

- (i) WMO Financial Regulations adopted by the Seventeenth Congress and in application since 1 January 2016: specifies regulations and rules regarding a) overall authority and responsibility for internal controls, b) role and responsibility of certifying officers and approving officers, c) appropriate controls and processes regarding establishment and maintenance of obligations and recording of expenditures, d) procurement and the process and related controls over entering into contracts and contract management and e) management of property and equipment. These regulations and rules are further expanded with specific policy and process guidance in specific Standing Instructions.
- (ii) Internal Oversight Office: ensures the a) regularity of the receipt, custody and disposal of all funds and other financial resources; b) conformity of expenditure with the appropriations or other financial provisions voted by Congress or approved by the Executive Council, or with the purpose and rules related to trust funds and special accounts; c) compliance of all financial and other management activities with the established legislation; d) timeliness, completeness and accuracy of financial and

other administrative data; e) effective, efficient and economical use of all resources; investigates all allegations or presumptions of fraud, waste, mismanagement or misconduct and for conducting inspections of services and organizational units.

- (iii) Submission of annual financial statements prepared in accordance with the International Public Sector Accounting Standards, showing: a) financial position, b) financial performance, c) changes in net assets/equity, d) cash flow, e) actual amounts in comparison to the approved budget, f) notes, comprising a summary of significant accounting policies and other explanatory notes and yearly commitments by the Secretary General to ensure continuous improvement of the system of internal controls and addressing identified weaknesses.
- (iv) External Auditing (by the Auditor General of one of the WMO's Member States) of all financial statements, including all trust funds and special accounts, to ensure that a) financial statements are in accord with the books and records of the Organization, b) financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives, c) securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count, d) internal controls are adequate in the light of the extent of reliance placed thereupon, e) satisfactory procedures have been applied to the recording of all assets, liabilities, surpluses and deficits.
- (v) WMO manages CREWS project resources with similar principles, financial regulations and controls as for its regular and other trust fund budget. CREWS-funded projects are administered through trust funds, under the responsibility of Project Managers and Department Directors of implementing offices, who shall draw to the attention of the Assistant Secretary General any proposed commitments or expenditure which are not consistent with the purpose intended or with financial or staff regulations, rules and procedures.
- (vi) CREWS Secretariat activities are administered through a dedicated trust fund, managed by WMO with similar principles, financial regulations and controls as for its regular or other trust fund budget. The trust fund is under the responsibility of the Director, Cabinet Office of the Secretary General, who shall draw to the attention of the Assistant Secretary General any proposed commitments or expenditure which are not consistent with the purpose intended or with financial or staff regulations, rules and procedures.

#### World Bank

The World Bank Group has established a set of legal and other tools to help prevent and combat fraud and corruption in Bank Group projects and programs. Collectively known as the "sanctions regime", these tools are both administrative and operational in character.

- (i) The Sanctions Process: The Bank Group maintains a formal process for sanctioning firms and individuals that have been found to have engaged in fraud and corruption in Bank Group-financed projects. This process is intended to provide the accused party, known as the "Respondent", with basic due process before any decision is made as to whether the Respondent will be sanctioned and, if so, which sanction is appropriate. Bank Group Management has developed and issued detailed Sanctions Procedures that govern the sanctions process.
- (ii) Sanctionable Practices: The Bank Group has agreed with other multilateral development banks (MDBs) that certain defined forms of fraud and corruption should be sanctionable and has agreed on harmonized definitions of such sanctionable practices. These harmonized sanctionable practices include corrupt practice, fraudulent practice, collusive practice and coercive practice. In addition, the Bank Group also may sanction a firm or individual for having engaged in an "obstructive practice" in connection with an investigation by the Bank Group's Integrity Vice Presidency (INT) or the exercise of the Bank's inspection and audit rights. Collectively, these practices are referred to "sanctionable practices."

- (iii) Investigation and Preparation of a Statement of Accusations and Evidence: INT is charged with, among others, investigation allegations and other indications that sanctionable practices have occurred in connection with Bank Group-financed projects. If, after investigations, INT believes that there is sufficient evidence that a firm or individual has engaged in a sanctionable practice, INT will submit a Statement of Accusations and Evidence to the relevant Evaluation and Suspension Officer (EO).
- (iv) Early Temporary Suspension: The Bank Group has a special mechanism for suspending firms and individuals from eligibility during the investigation phase. The relevant, EO, upon request by INT, may impose a temporary suspension on the subject of an INT investigation prior to the commencement of formal sanctions proceedings if the EO finds that there is already sufficient evidence that the subject has engaged in at least one sanctionable practice. Firms may petition the EO for the lifting of the suspension and provide rebutting evidence.
- (v) Sanctions Proceedings: The core of the sanctions process lies in formal sanctions proceedings, which consist of the following two tiers – 1) a first review of the Statement of Accusations and Evidence by the relevant EO for sufficiency of the evidence and; 2) In cases where the Respondent wishes to contest the Eos final determination, the Respondent may trigger a second tier review by filing a Response with the World Bank Group’s Sanctions Board, a body composed of three Bank staff and four non-Bank staff, which considers the case de novo and takes the final decision on an appropriate sanction, if any.
- (vi) Range of Sanctions: The EO, or, if a case is contested, the Sanctions Board, decides on the appropriate sanction(s) to be imposed in a particular case. Their decisions are discretionary and may be guided by, among other things, the non-prescriptive Sanctioning Guidelines. These Guidelines are intended to provide predictability and consistency while ensuring that both the EO and the Sanctions Board retain the ability to reflect the unique circumstances of each particular case in their decisions.
- (vii) Sanctions Board Statute: The functioning of the Sanctions Board is governed by a Sanctions Board Statute, which, among other things, lays out the process for appointing and removing the members of the Sanctions Board, and appends a Code of Conduct for Sanctions Board members. The external members of the Sanctions Board (which include its Chair) are appointed by the Executive Directors of the Bank Group, on nomination by the President of the Bank Group, while the internal members are appointed by the President. The Code of Conduct requires, among other things, that Sanctions Board members consider each case fairly, impartially and with due diligence, disclosing and avoiding any conflicts of interest.
- (viii) Settlements: Settlements are subject to a number of procedural and substantive safeguards to ensure fairness, transparency and credibility, including established criteria for entering into settlements and a number of procedural “checks and balances”. Among other things, the Bank Group General Counsel clears all settlement agreements, in agreement with the General Counsel of IFC or MIGA in cases involving IFC or MIGA projects. Settlements are also subject to review by the relevant EO to confirm that the agreed sanction, if any, is broadly consistent with the World Bank Sanctioning Guidelines. The settlement is then reflected in a sanction imposed by the relevant EO.
- (ix) Corporate Groups: The Sanctions Procedures provide that affiliates of Respondent(s) may be sanctioned, and that sanctions may be applied to the successors and assigns of sanctioned parties. Flexible principles help guide the application of sanctions to affiliates of the Respondent(s) and successors and assigns. The Sanctions Procedures afford parent and/or other affiliated entities due process, so they may defend themselves against charges of culpability or responsibility for the Respondent’s wrongdoing, with substantially the same procedural rights as Respondents themselves.
- (x) MDB Cross-Debarment: The Bank Group also imposes sanctions based on a debarment decided by another MDB. Under an Agreement for Mutual Enforcement of Debarment Decisions signed in April

2010, each participating MDB informs the other participating MDBs of its debarments of over one year, and, subject to an “opt out” provision, the other participating MDBs enforce each of those debarments. Such “cross-debarments” by the Bank Group of other MDBs’ debarments are not subject to the sanctions process, but are implemented by the Bank Group as a matter of course. Decisions by the Bank Group to opt out of a specific debarment decision are taken by Bank Group Management, based solely on legal or policy considerations, and are expected to be highly exceptional.

- (xi) Voluntary Disclosure Program: The Bank Group also maintains a voluntary disclosure program (VDP) that allows firms not under active investigation to come forward and disclose past misconduct to the Bank Group. VDP participants are required, among other things, to institute a robust, monitored compliance program to prevent future misconduct. In exchange, the Bank Group agrees not to seek sanctions for disclosed misconduct and to keep the participant’s identity confidential. If, however, the participant breaches its VDP obligations, it is subject to a ten-year mandatory debarment.
- (xii) Corporate Procurement: Bank Group corporate procurement is conducted by the General Services Department (GSD). GSD’s World Bank Vendor Eligibility Policy prescribes standards and procedures for determining whether a vendor is “non-responsible”, a debarment determination that is made by the Director of GSD. A vendor that is found to be non-responsible is, indefinitely or for a specified period of time: (1) ineligible to receive Bank Group contract awards or to bid on Bank Group solicitations; (2) excluded from conducting business with the Bank Group as agents or representatives of other vendors; and (3) precluded from having discussions with the Bank Group concerning the awarding of contracts.
- (xiii) For more information, please see <https://projects.worldbank.org/en/projects-operations/project-detail/P161406?lang=en>.

#### UNDRR

- (i) UNDRR is a UN Secretariat entity led by the Special Representative of the SG (SRSG) for Disaster Risk reduction. The SRSG has delegation of authority from the SG for the implementation of the UN Financial Regulations to ensure effective and efficient stewardship of the Organization’s resources and the exercise of economy. Under the recent delegation of Authority and accountability framework for monitoring the delegation of authority, the Secretary-General has provided heads of entities, including UNDRR, with enhanced authority to administer the Staff Regulations and Rules and the Financial Regulations and Rules in order to assist them in delivering programmatic results. During the course of mandate implementation, managers are expected to comply with the Organization’s regulatory framework and ethical standards and monitor and evaluate their programmes to assess whether they are delivering the intended results. As the first line of defense, the UNDRR SRSG is also expected to proactively identify and manage risks and implement corrective actions to address and control deficiencies. Please refer to the enclosed annex on Accountability Architecture of the United Nations Secretariat.
- (ii) Based on the above, UNDRR is subject to all UN Secretariat Financial Regulations, Rules and Policies. These cover among others the contributions and other income, the budgets, the custody of funds, the utilization of funds and accounting. For example, in the case of utilization of funds, full separation is in place between certifying officer and approving officer roles for any financial transaction recorded in Umoja in accordance with UN financial regulations and rules. The finance team of UNDRR has the certifying officer roles. Certifying officers are responsible for managing the utilization of resources, including posts, in accordance with the purposes for which those resources were approved, the principles of efficiency and effectiveness, and the Financial Regulations and Rules of the United Nations. The approving officer role is delegated to UN Office in Geneva including disbursement/cash pool management process that is centralized by UN Treasury. Approving officers approve the commitments, disbursements and expenses relating to contracts, agreements, purchase

orders and other forms of undertaking after verifying that they are in order and have been certified by UNDRR certifying officers.

- (iii) Regarding procurement process, UNDRR fully applies the regulations, rules and policies of the UN Secretariat that are applicable to the procurement process as set out in the various Secretary-General's bulletins including the United Nations Financial Regulations and Rules and Secretary-General's bulletin on the delegation of authority/accountability framework in the administration of the Financial Regulations and Rules. The approval of procurement transactions is centralized by UNDRR finance team for contract not exceeding \$10 thousand. Procurement for contracts exceeding \$10 thousand is delegated to UN Office in Geneva. In addition, many organizational units/committees are involved in UN Office in Geneva and in UNHQ to approve procurement request and provide monitoring/guidance services depending on the requested amount to be procured.
- (iv) The financial policy and operations also cover fraud prevention, internal controls and risk management. In this regard, UNDRR continues to be part of all UN Secretariat projects and initiatives on Risk Management and Internal Controls that will contribute to enhance governance and improve effectiveness of internal controls within the Organization.
- (v) As a UN Secretariat entity, UNDRR is subject to the external and internal audit by UN Secretariat Board of Auditors (BOA) and by the Office of Internal Oversight Services. All reports are publicly available. The Financial data of UNDRR are consolidated in the volume of the UN Secretariat IPSAS financial statements that are audited by the Board of Auditors. The individual IPSAS financial statements of UNDRR are also issued by UNHQ and published on an annual basis following finalization of external audit.
- (vi) The strategic framework of UNDRR has an important component on strengthening the organizational performance of the Organization which includes enhanced effectiveness, efficiency and quality of operational performance. Progress against strategic framework output indicators is continuously monitored and periodically published. For more details, please refer to the 2019 UNDRR annual report available in the following link: <https://www.undrr.org/publication/undrr-annual-report-2019>
- (vii) The accounting Enterprise Resource Planning (ERP) system used by all UN Secretariat entities provides accurate, complete and reliable information in a timely manner thanks to IT general and applications controls that are in place and the reports available for financial monitoring and reporting.
- (viii) In addition to the standard structure and controls in place for financial management, the accounting structure recently implemented by UNDRR represented a significant step to fully achieve effective result-based management. The change involved the use of additional dimensions in the ERP system to track more closely the nature of the expenditures incurred.
- (ix) Financial and HR transactions are processed and approved by a central team in Geneva in charge of finance, budget, procurement and HR transactions that is independent from the team in charge of programmatic implementation. This team is led by the Chief of Resource Planning and Management Section (RPMS). Any expenditure to be spent by the project implementation team has to be submitted to RPMS team with the supporting documents for approval (travel request, procurement, financial authorization, consultancy, HR recruitment...). This also covers any request for recruitment and consultancy arrangements as part of the implementation of the project. The same team will initiate and directly coordinate with UN Office in Geneva for any transaction that needs procurement or payment approval. In RPMS, a team is dedicated for programme and project implementation monitoring which continuously monitor project proposals to the donors, set up budget structure in line with the donor agreement and project document and project implementation monitoring.
- (x) Specifically, the contribution received from CREWS is an extra budgetary contribution supported by a contribution agreement between UNDRR and CREWS and is subject to all entity level and operational

controls mentioned above. The funds received, related budget and expenditures are recorded in a separate trust fund account called grant in the ERP system. This ensures closely and separate monitoring at any point of time of the status of the budget and funds available for spending. This also facilitates the issuance of the financial reports including income actual expenditures and commitments using a dedicated reporting tool within the ERP system to automatically generate all the financial reports. In this regard, budget control is in place and activated when the budget is recorded so that the team in charge of programmatic implementation does not exceed any budget line. In addition, cash availability control ensures that no payment could be made if the finance team does not make available the cash recorded in the grant.