



Title	Proactive Investigations by the Social and Environmental Compliance Unit
Date of Original Issue	XXXX 2017

Introduction

This document describes OAI/SECU’s approach to proactive investigations to identify possible failures to implement UNDP’s social and environmental commitments. It identifies risk and prioritization factors that will be used in methodologies to identify projects for possible proactive investigations of noncompliance. The Director of OAI will review and approve all proactive investigations.

Background

1. In 2010, the Administrator re-enforced OAI’s mandate to conduct proactive investigations, and in response, OAI established a methodology for pursuing and conducting proactive investigations related to financial or other irregularities. Through this SOP, OAI SECU provides the foundation for an additional methodology that will formalize the process through which projects are selected for proactive investigations related to UNDP’s social and environmental commitments.

Rationale for proactive investigations

2. Experience has shown that it is not effective to rely exclusively on requests for investigations as the driver for investigations. Among other challenges, communities often lack awareness of UNDP commitments and standards, the existence of accountability mechanisms and how to use them, as well as cultural factors, and a limited capacity and resources to formulate a complaint. These challenges create situations in which a UNDP project that is harming a community will not be reported and SECU may not receive requests that merit an investigation and a response by the UNDP Administrator.
3. Proactive investigations are defined as investigations intended to identify and respond to significant potential or actual harm to an individual or community resulting from an existing (but yet unidentified) failure of UNDP to meet its social and environmental commitments.
4. The ability to investigate matters without first having to receive a request is intended to:
 - Allow SECU to respond to high risk projects before harm occurs to individuals or communities, as well as damage to project success and UNDP’s reputation;
 - Address the situation in which, for a variety of reasons (e.g. cultural, lack of knowledge, etc.), impacts are not likely to be reported;
 - Serve as an effective deterrent to avoiding compliance with these commitments;
 - Build a more comprehensive and balanced portfolio of compliance cases at the corporate level across regions and development sectors
 - Strengthen UNDP’s credibility with donors.

5. The aim of this procedure is to introduce a data-led component to the identification of projects and/or programs for which SECU should conduct investigative work without awaiting the receipt of a request for an investigation.
6. This approach to proactive investigations proposes that SECU focus on investigating possible shortcomings in compliance with social and environmental commitments in UNDP projects and processes that have been categorized as ‘high risk’ based on the elements below.

Current Risk Assessments

7. Separate risk based assessments are being conducted for UNDP and/or SECU to identify environmental and social risks/issues associated with a given project. These assessments include:
 - The Social and Environmental Screening Procedure (SESP);
 - Various forms of Environmental and Social Assessments, e.g., EA, ESIA, SESA, etc. prepared in response to results of the SESP
 - Quality Assurance
 - Risk logs
8. The approach to proactive investigations is designed to be consistent with these risk assessments, using their results and many of the same risk indicators, as appropriate.

Scope

9. The proactive investigations model will consider only the types of projects and issues for which requests for compliance review can be made.

Methodology

10. OAI/SECU will employ risk assessment methodologies that consider the following risk factors using an objective and weighted ranking system. The weightings within the model are to be determined by the Lead Compliance Officer in coordination with the Director of OAI and the Director of Investigations:

Risk Factors	
1	Presence of High Risk Project/Programme Activities
2	OAI/SECU Investigations/Information
3	Budget Data
4	Governance Indicators
5	Human Rights and Environmental Risk Indicators

The specific weighting of the risk factors, as well as the selection process and proactive target ranking system will be appended to this SOP after they are developed and tested.

Presence of High Risk Project/Programme Activities

11. UNDP’s Social and Environmental Screening Procedure (SESP) provides a tool for

characterizing risks associated with project activities. For example, the SESP reflects the considered judgment that projects involving indigenous peoples, land tenure, critical biodiversity habitat, extractives, resettlement, and the like, often involve greater risks. Risk logs provide the results of the SESP. Additional assessments performed in response to the initial screening of a project can also be a valuable source of information. It is important to note, however, that the SESP and assessments are not always robust and, in fact, may be the subject of complaints to SECU. Additional sources of information include results of the Quality Assurance Process, results of Executive Snapshot, and other project descriptions. Issues raised in complaints to other accountability mechanisms can also be used to inform the identification of types of risky activities for which to search.

OAI/SECU Investigations/Information

12. OAI and SECU investigation and information gathering can also assist SECU in identifying various types of risks, including not only operational but also reputational risks. Considerations from OAI Investigations include:
 - Information gathered from discussions internally including with BPPS, Regional Bureaus and CO personnel;
 - Results from other accountability mechanisms, including the multilateral financial institutions;
 - Information gathered from open sources including media reports, e.g. using Arachnys
 - Information gathered from discussions with external parties such as implementing partners.

Budget Data

13. Various sources of budget data, including not only financial data, e.g., country office budget, size of project budget, but also source of funding for the project budget, e.g., FCPF, GEF, can provide initial filters, ensuring a focus on projects that are likely to pose greater harm to communities and reputational risk. Additionally, budget allocations based on project themes are informative. UNDP categorizes its projects broadly into “Responsive Institutions”, “Inclusive & Sustainable Growth”, “Democratic Governance”, “Crisis Prevention & Recovery”, “Climate Change & Disaster Resilience”, “Development Impact & Effectiveness”, and “Gender Equality”. SECU’s historical experience, and the experiences within the development community, have shown certain categories of development activity raise social and environmental issues more than others. The budget allocations within these categories can provide a useful and objective approach to target refinement.

Governance Indicators

14. Governance indicators can reflect country capacity and political willingness to meet social and environmental standards. One such set of indicators is provided by the World Bank through its annual World Governance Indicator (WGI). This indicator defines Governance as the set of traditions and institution by which authority in a country is exercised. The WGI captures the political, economic and institutional dimensions of governance for 213 economies over the period 1996–2013 by six aggregate indicators; (i) voice and accountability; (ii) political stability; (iii) government effectiveness; (iv) regulatory standards; (v) rule of law; and (vi) control of corruption – and include factors related to social and environmental concerns.

The aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The individual data sources

underlying the aggregate indicators are drawn from a diverse variety of survey institutes, think tanks, non-governmental organizations, and international organizations. The WB indicator is considered more comprehensive than the Transparency International Corruption Index.

Human Rights and Environmental Risk Indicators

15. Closely related to governance indicators are Human Rights and Environmental Risk Indicators. Some such indicators include the Maplecroft Human Rights Risk Index, the Early Warning System for Bank Projects, and the Yale Environmental Performance Index.

Other Indicators

16. In addition to the above, additional factors may influence the selection of projects for proactive investigations. OAI/SECU has the discretion to initiate a proactive investigation for which any of the following additional factors are relevant:
 - In-country discovery by OAI investigators or auditors who are on-site and see indications of social and environmental non-compliance (which may or may not relate to the initial investigation). Investigators and auditors are encouraged to identify such potential leads, including, for example, through information reports, and to inform the Lead Compliance Officer who can evaluate them for prima facie evidence that may lead to an investigation;
 - Information from credible sources that provides UNDP with knowledge to support a request for a proactive investigation;
 - Opportunities for joint investigations in areas of common interest with other agencies (e.g. multilateral development banks and bilateral aid agencies);
 - Information indicating that a proactive investigation would likely find evidence of violations of UNDP's social and environmental commitments, and that an investigation would prove useful to relevant stakeholders, including UNDP project implementers;

Periodic updates

17. To keep the risk assessment results relevant and appropriate, risk factors and methodologies will be subject to review, as deemed necessary by the Lead Compliance Officer. A note-to-file on any updates made will suffice, unless there are significant changes that will require an update of this SOP, approved by the Director OAI.
18. This SOP is effective immediately.

Helge S. Osttveiten
Director, OAI