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of the United Nations System

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Review Highlights JIU/REP/2025/3
JIU/REP/2025/3 [Expanded report]
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REVIEW OF DONOR-LED ASSESSMENTS OF UNITED NATIONS SYSTEM ORGANIZATIONS AND OTHER OVERSIGHT-RELATED REQUESTS FROM DONORS IN THE CONTEXT OF FUNDING AGREEMENTS AND THE UNITED NATIONS SINGLE AUDIT PRINCIPLE

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Background

This review was included in the Joint Inspection Unit (JIU) programme of work for 2024. It builds on two JIU reports from 2017, entitled "Donor-led assessments of the United Nations System Organizations" (JIU/REP/2017/2) and "Donor reporting requirements across the United Nations System" (JIU/REP/2017/7).

This review focuses on donor oversight requirements and requests linked to voluntary contributions which go beyond the information and assurance provided as standard by JIU participating organizations.

Objectives & Purpose

The main objectives of the review, which covers all 28 JIU participating organizations, is to map donor oversight requirements and requests, understand their rationale and implications for the organizations, and assess conditionalities against relevant principles and rules, considering the perspective of the United Nations system organizations and of the donors.

The review aims to foster better understanding and cooperation among donors and UN organizations; to strengthen coherence and coordination among UN organizations; and to enhance transparency, accountability and efficiency in the use of donor funds.

What the JIU found

Category of donor requests

The review identified seven categories of donor requests.

- **Audit-type requests:** they include requests for audit, information or evidence on specific donor-funded expenditure or broader processes, such as procurement, social and environmental safeguards, as well as assessments of compliance with the donor's contractual conditions and standards. These requests are made possible through funding agreements that usually include generic access clauses for financial documents and, sometimes, specific provisions allowing donors to conduct audit-like activities such as "on-the-spot checks" or "expenditure verifications".

- **Evaluation requests:** they include requests for information or evaluations on outputs and outcomes of the activities funded by the donor. These requests are generally less contentious than audit-type requests, as they are often budgeted in the project documents and conducted under the management's responsibility. Evaluations directly performed by donors have also been found to be increasing.

- **Investigation-related requests.** Standard agreements typically include provisions for informing donors of substantiated allegations. However, a growing number of donors have also been requesting information on suspected allegations even before investigations begin, as well as progress reports on ongoing investigations.

In some cases, donors are even including clauses in the agreements whereby funding can be frozen as soon as they learn of suspected allegations. Donors are also increasingly seeking to conduct their own investigations or to join ongoing UN investigations with their own staff.

- **Risk requests.** Donor are with growing frequency requesting internal risk registers covering the entire organization or the departments involved in the implementation of the activities funded, or asking for new project risk registers aligned with their own risk frameworks and templates. Such requests, often absent from legal agreements, are typically followed by inquiries into mitigation and risk management measures.

- **Programme monitoring requests:** they relate to additional information requested by donors to assess the level of programme implementation. Increasingly, donors are asking organizations to produce multiple progress reports, with very detailed information, in many cases requesting that the information be produced using standard indicators developed by the donors themselves, which may not be the same as the indicators tracked as standard by the organization. Donors are also conducting their own detailed monitoring missions more frequently than in the past.

- **Financial reporting requests.** Many donors are increasingly asking for more detailed or more frequent financial reporting, beyond the reports produced as standard by organizations for all their stakeholders.

- **Entity-wide reviews.** This category includes donor requests to review an organization's key policies, procedures and systems against donor-set standards, usually as a prerequisite for eligibility to receive voluntary funding. These requests are being made by single member states, or by group of member states through the European Union, the international financial institutions and the climate funds, or by groups of member states through separate entities such as MOPAN.

The categories of requests that organizations are currently finding more burdensome include requests related to audit-type information, investigation-related requests and entity-wide reviews.

Impact of donor requests

Negotiating and complying with donor requests is often both costly and time-consuming, and in some cases may result in delays to the start or in the continuation of programmatic activities. Overall, almost 60 per cent of JIU participating organizations, including many of the largest ones, reported that they lacked adequate capacity to respond to these requests.

There is also a concern that the standards of a few donors are increasingly influencing the strategic plans and governance systems of the organizations and risk eroding key United Nations principles, including impartiality and confidentiality.

Some organizations have nonetheless also reported a positive impact from donor requests, regarding setting clear minimum standards to be complied with in relation to new processes and risks, such as environmental and social safeguards and data privacy standards.

Understanding donor needs for more transparency and accountability

- **Increasing volume of earmarked contributions.** Voluntary earmarked contributions have increased by 70% in the period from 2013 to 2023 and now account for 60% of total UN System revenue.[1] Earmarked contributions are governed by formal agreements that allow donors, as agreed with the recipient organization, to specify reporting and oversight or accountability conditions that are not required in the case of assessed contributions, and which are often mostly the same conditions they apply to all other recipients of their funding.

- **Misalignment of internal audit activities with donor needs.** Undertaking specific audits, upon the request of donors, generally falls out of the scope of the risk-based internal audit plans.

- **Competition for funding.** Funding challenges are contributing to greater competition among organizations, sometimes leading to the acceptance of onerous conditions as a way to secure funding.

- **Increasing donor scrutiny.** Pressure stemming from public opinion is contributing to the increase in requests, with, at times, limited understanding or trust on the United Nations oversight systems.

- **Visibility by governing bodies.** At the moment, none of the organizations seem to have a system whereby the governing body is informed, even if ex post facto, of the most significant donor reporting and oversight conditions accepted by management.

- **Limited impact of multilateral initiatives.** Initiatives such as Good Humanitarian Donorship, the International Aid Transparency Initiative, the Grand Bargain and the UN Funding compact, which should have led to the harmonization and simplification of reporting requirements, have so far had limited impact.

- **Limited evidence of implementation of relevant JIU recommendations from the 2017 JIU reports.** The review did not identify sufficient evidence of action taken or impact achieved in response to previous JIU recommendations aimed at streamlining donor reporting and accountability processes.

1. https://unsceb.org/fs-revenue-type

- **Limited impact of UN internal initiatives.** Legal experts of the UN, Heads of Internal Audit and Heads of Investigations have been working on various initiative to increase coherence between UN responses to donor conditionalities and to set minimum agreed standards. The CEB, mostly through its Finance and Budget Network, has also been active. Nonetheless, the impact has so far been limited.

Legal Analysis

The review analyzes key legal principles governing donor funding agreements, including the independence and autonomy of United Nations entities; the obligation of Member States to cooperate in good faith and to refrain from exerting undue influence on the organizations or their personnel; the exclusive international character of the organizations; their privileges and immunities; and the single audit principle.

It highlights divergent interpretations of how some of these provisions are applied in practice and reflected in funding agreements, with particular focus on the single audit principle, as set out in the financial regulations and rules (and, in some cases, the audit charters) of the participating organizations.

What the JIU concludes

The review confirmed that the trend of increasing donor monitoring and reporting requests on voluntary contributions already observed by the JIU in 2017 has continued.

The surge is driven by new requests from existing donors and from new and increasingly significant donors, including international financial institutions and climate funds.

To date, the impact of numerous multilateral and internal United Nations initiatives to streamline donor requests has been limited.

Beyond the financial impact of donor requests, there are also concerns that some donor conditions may unduly influence the systems and activities of United Nations organizations and their independence and exclusive international character.

In view of the shared interest in a more efficient and effective United Nations system, the Inspector recommends that organizations remain responsive to donors' needs while consistently upholding human rights and core United Nations principles. At the same time, organizations should continue to advocate for donors to avoid unnecessary duplications in their requests and to fully cover the costs associated with them.

The review also advocates for more transparency at Executive Board level on the type of conditions which are included in donor agreements and accepted by management.

Approach & Methodology

In accordance with JIU internal standards and working procedures, the review was conducted by means of a range of qualitative and quantitative data-collection methods.

The review team also requested the advice of an external legal expert to support the review of key legal documents.

Document review: relevant JIU reports, sample of donor agreements; sample of donor assessments, reviews and verifications; relevant legal documents, decisions and reports; documents relating to United Nations and non-United Nations initiatives aimed at streamlining the process of oversight and information requests from donors, etc.

Questionnaires and surveys: Different questionnaires were sent to all 28 JIU participating organizations; 20 Resident Coordination Offices; 24 government donors and 8 non-government donors.

Interviews: Interviews were conducted with the representative from legal, finance, donor relations, partnerships, internal audit, investigations, evaluation and risk and compliance units of JIU participating organizations, their representatives in Brussels, London and Washington D.C. and other UN Secretariat departments. Selected donors and other relevant non-UN entities were also interviewed.

Quantitative analysis: Review of funding trends and patterns.

What the JIU recommends
(formal recommendations)

The review includes 7 formal and 12 informal recommendations that are expected to enhance transparency and accountability regarding donor requests, while increasing the efficiency of the overall process.

The executive heads of United Nations system organizations are called on to:

1 Publicly make available references to their key regulations and rules, together with relevant oversight charters, policies and reports, to facilitate access and analysis by relevant stakeholders. In addition, United Nations system organizations should consider creating a common webpage that could serve as a gateway to such publicly available information (by the end of 2027).

2 Ensure that all new funding agreements include either a description of the level and types of assurance provided to donors, through the organization's internal oversight, risk management, compliance, programme monitoring and other relevant functions, or a reference to publicly available explanations of such assurance mechanisms (by the end of 2027).

3 Report regularly to their respective governing body or legislative organ on the main reporting, monitoring and accountability conditions attached to voluntary non-core contributions, as well as on the contractual arrangements for cost coverage of reporting, monitoring and related activities agreed with donors (by the end of 2027).

4 Ensure that internal guidelines for negotiating voluntary contributions incorporate, where applicable and in line with the relevant financial regulations and rules, the requirement to obtain prior approval from the appropriate authority, body or organ for any exceptions to the full recovery of costs related to donor reporting, monitoring and accountability activities (by the end of 2026).

5 Ensure that internal policies clearly define what investigative information may be disclosed to donors or their investigators, including restrictions on sharing sensitive or protected information, such as data affecting privacy, the protection of witnesses and whistleblowers or the presumption of innocence (by the end of 2027).

6 Ensure that new funding agreements reflect the duty of Member States to cooperate in good faith with the organization, including respecting its independence and refraining from exerting undue influence. To this end, draft agreements should be reviewed by the legal department, especially when they contain new or non-standard language or when negotiations are particularly complex (by the end of 2027).

The governing bodies and legislative organs are called to:

7 Reaffirm that negotiations with donors shall be guided by the interests of the organizations, within the boundaries of the applicable legal framework and the overarching principles of effectiveness, efficiency, transparency and accountability in the use of donor-provided funds. They are further invited to call upon all donors to: (a) fully respect the autonomy and independence of international organizations and their privileges and immunities; (b) refrain from exerting undue influence through the imposition of oversight or reporting conditions that are incompatible with the principles of organizational autonomy and independence or that may compromise the integrity, efficiency, objectivity and independence of internal oversight mechanisms; (c) give due consideration to the standard assurance mechanisms approved by governing bodies or legislative organs; and (d) carefully evaluate the necessity and cost implications of introducing additional and bespoke reporting and oversight requirements (by the end of 2027).

Summary of informal recommendations

1. Mapping of donor requests: the Inspector suggests that, when addressing the issue of donor requests, United Nations organizations make reference to the proposed JIU standard classification, to ensure that all requests are taken into account and addressed consistently, both within and across organizations.

2. Consistency in the terminology used by donors in their requests: the Inspector suggests that United Nations organizations clarify the meaning of the terms used to ensure consistency in understanding what is available as standard and what might be provided upon request to donors.

3. Donor requests and minimum evaluation standards: the Inspector believes that participating organizations should ensure that donor-led evaluations align with the generally accepted ethical standards and principles for conducting evaluations; that they safeguard confidentiality and data protection; and that they are designed and implemented in a manner that complements, rather than duplicates, existing evaluation systems. The Inspector also believes that the lack of coordination and communication surrounding these evaluations should be addressed by participating organizations through the inclusion of appropriate provisions in funding agreements.

4. Donor sharing information on misconduct received through their own channels: the Inspector believes that all funding agreement should include a clause whereby this information is communicated to organizations in a timely manner to ensure that the organizations concerned can take appropriate action.

5. Specific issues related to information sharing on misconduct: the Inspector strongly encourages JIU participating organizations to make all possible efforts to convey these concerns to donors requesting information or activities that could jeopardize due process and the rights of victims, whistleblowers, witnesses and suspected individuals and to limit the information provided to what can be allowed under relevant formal agreements.

6. Role and responsibilities in investigations: the Inspector believes that, regardless of the terminology, more clarity on information on investigations to be shared with donors and the allocation of responsibilities between the parties is needed to uphold the principles of legal certainty and due process, while ensuring that all cases of misconduct are thoroughly investigated.

7. Definition of third party monitoring: to prevent controversy, legal uncertainty and inefficiency, and to ensure that third-party monitors are bound by the same confidentiality obligations as the donors, the Inspector suggests that JIU participating organizations develop and negotiate a framework with donors for all third-party monitoring activities.

8. Implementation of recommendations from the JIU report JIU/REP/2023/3 on accountability frameworks of UN organizations: the Inspector encourages all JIU participating organizations to implement the recommendations in the report of JIU on accountability to improve the quality of such documents, thereby facilitating the more effective management of those donor requests.

9. Engaging with donors to anticipate changes in donor requirements: the Inspector encourages JIU participating organizations to work together to closely monitor changes in donor requirements, engage in open discussions with donors about the potential impact of these changes and initiate internal discussions at an early stage, to prevent disruption of funding due to non-compliance with new requirements.

10. Tracking of direct and indirect costs of responding to additional requests from donors: the Inspector encourages JIU participating organizations to systematically track the direct and indirect cost of these activities as the initial step to ensuring they are properly identified and covered under relevant regulations and contractual provisions.

11. Monitoring and discussing consistently all categories of donor requests: the Inspector suggests that future United Nations system initiatives, including those by CEB, that address donor requests for information and oversight, involve all the relevant functions to ensure all perspectives are considered.

12. Coverage of internal audit plans: the Inspector believes that the internal audit functions of JIU participating organizations should, to the extent possible and without prejudice to their independence, consider donors' priorities when developing their audit workplans and, consequently, accommodate donor requests, provided they are included in the funding agreements and donors cover their full cost.

2024-2025 JIU Reports and Notes

Reports:

JIU/REP/2025/2, Review of policies and practices to prevent and respond to sexual exploitation and abuse in the United Nations system organizations

JIU/REP/2025/2 [Expanded report],
Review of policies and practices to prevent and respond to sexual exploitation and abuse in the United Nations system organizations

JIU/REP/2025/1, Review of management and administration in the United Nations Environment Programme

JIU/REP/2025/1 [Expanded report],
Review of management and administration in the United Nations Environment Programme

JIU/REP/2024/4, Review of the implementation of the principle of mutual recognition within the United Nations system

JIU/REP/2024/3, Budgeting in organizations of the United Nations system Part I - Comparative analysis

JIU/REP/2024/3, Budgeting in organizations of the United Nations system - Part II Reference tables

JIU/REP/2024/2, Review of consideration of and action taken on the reports and recommendations of the Joint Inspection Unit by United Nations system organizations

JIU/REP/2024/1, Review of management and administration in the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

For all reports visit: https://www.unjiu.org/content/reports

Notes:

JIU/NOTE/2024/2, Note to the International Telecommunication Union from the review of the quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations

JIU/NOTE/2024/1, Note to the United Nations High Commissioner for Refugees from the review of quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations

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