



Food and Agriculture
Organization of the
United Nations

Office of the
Inspector General

Audit of FAO's management of the Green Climate Fund portfolio



AUD1124

17 October 2024

This document is comprised exclusively of the executive summary of the audit report.

Permanent Representatives accredited to FAO and institutional resource partners of FAO may be granted access to the full report upon written request to the Inspector General, in accordance with paragraphs 59-61 of the [Charter of the Office of the Inspector General](#).

EXECUTIVE SUMMARY

WHAT WAS AUDITED?

The Office of the Inspector General (OIG) conducted an audit of FAO's management of the Green Climate Fund (GCF) portfolio in accordance with its risk-based audit plan for the 2024–2025 biennium. The objectives of the audit were to assess and provide reasonable assurance on whether the FAO's GCF portfolio had: (i) adequate and effective governance to mitigate GCF portfolio management risks, and (ii) adequate and effective policies, procedures and tools in place for the identification, formulation, approval and monitoring of GCF projects in line with GCF requirements and FAO guidelines. The audit covered the period between January 2022 and February 2024.

WHY IT MATTERS?

The GCF portfolio is crucial for FAO's climate action work. The Organization is helping countries access GCF funding to address climate change, leveraging its expertise to align projects with global, regional and local priorities. Through the Office of Climate Change, Biodiversity and Environment (OCB) and its GCF team, FAO supports countries and stakeholders in accessing GCF funding and responding to the challenges of climate change, biodiversity loss and environmental degradation by providing a cross-organizational coordination role. Since 2018, total financing of GCF-funded FAO projects increased six-fold from USD 200 million to USD 1.2 billion.

WHAT WERE THE KEY OBSERVATIONS?

The GCF is a relatively new funding mechanism with complex procedures. Despite operational challenges, since 2018, OCB's GCF team has significantly increased its project portfolio. Recent key achievements include regaining accreditation, improving internal coordination and securing a substantial grant after the re-accreditation.

Overall, the Organization was in the process of fine-tuning its strategy, internal policies and procedures in response to the growing GCF portfolio, while ensuring adherence to the stringent and changing GCF requirements. Some of the gaps identified included:

- The FAO GCF engagement strategy was not fully up to date following new GCF developments, and risks related to the GCF portfolio have not been formally identified and tracked (Moderate risk).
- The roles and responsibilities of the GCF team had not been formally clarified and communicated to key internal stakeholders. Terms of reference were in the process of finalization at the time of audit (Moderate risk).
- Pipeline management criteria have not been established; the resources used in the pipeline management process have not been assessed; and the timeliness of the process was not adequately tracked (Moderate risk).
- While Country Offices are responsible for project monitoring, the GCF team had assumed an overall coordination and support to monitoring role, though its extent and metrics had not been clarified (Moderate risk).
- There were delays to the financial closure process for Readiness projects because of the manual input of financial data in GCF reporting portal (Moderate risk).
- GCF fee management was complex and needed improvement to ensure more timely and effective processes related to fee planning, distribution and monitoring (Moderate risk).

To address the issues identified in the audit and enhance the efficiency and effectiveness of FAO's GCF portfolio governance and project management processes, OCB has committed to implement the following series of improvements:

- Finalize updating the FAO GCF engagement strategy. Ensure that all key risks related to GCF portfolio are formally documented in the risk log of OCB.

- Develop and disseminate clear roles and responsibilities of the GCF team to key internal stakeholders, including on coordination and support to monitoring of the project implementation.
- Establish criteria for the entry and prioritization of GCF projects into the FAO pipeline process. Begin tracking time and resources allocated to the pipeline management, including for the preparation of the proposal packages for GCF.
- Explore opportunities to automate financial data entry in the GCF portal and to streamline the financial closure process.
- Enhance the GCF fee management and monitoring processes.

CONCLUSION

Relevant structures, policies and procedures are in place and operating as intended. Opportunities for improvement, if any, do not hinder the achievement of the established governance, risk management and internal control objectives. The audit identified six risks rated as moderate.

FAO management has developed a suitable action plan to address the issues raised, and OIG will follow up on its timely implementation.



Mika Tapio
Inspector General
17 October 2024