



Enhed:
TILSKUD

Dato:
13-06-2024

Sagsnummer:
2020 - 5578/ 2706663

23/00440

C-sag:
C1834

Suspicion of irregularities in UNOPS' S3i initiative

Reference is made to the previous report dated 27 May 2022 regarding suspicions of irregularities in the United Nations Office for Project Services (UNOPS) Sustainable Investments in Infrastructure and Innovation (S3i) initiative. UNOPS is a UN agency dedicated to implementing infrastructure and procurement projects for the UN system, governments and other partners. UNOPS is financed by management fees from the projects it implements. The S3i investments made by UNOPS came from a reserve of accumulated management fees. Denmark has not provided funds for the S3i initiative, but has paid management fees to UNOPS as the operational partner in various projects. In 2023, Denmark's direct engagement with UNOPS totalled DKK 146.2 million.

In the spring of 2022, following a number of internet blog posts by a former UN employee, allegations of corruption in the S3i initiative were widely reported centering on how a majority of the S3i investment loans (58.8 out of 63 million USD) were provided to a single holding group, Sustainable Housing Solutions (SHS), and its related and/or affiliated entities.

Following the allegations, the UNOPS Executive Board (EB) commissioned two independent third-party reviews of UNOPS and the S3i initiative. Finalised in November 2022, the reviews pointed, among other things, to management failures and a failure of oversight mechanisms. It was also noted that the selection of S3i partners did not comply with UNOPS' full set of administrative and financial rules. The reviews included extensive recommendations to UNOPS regarding the S3i initiative as well as UNOPS' mandate, governance, management, organisational culture, ethics, compliance and financial and risk management.

In response to the recommendations, UNOPS launched an EB-endorsed comprehensive response plan which, at the EB session in early 2024, was independently verified to be approx. 80 per cent implemented. This includes enhancement of risk management and ethics functions and the closing of the S3i office. Implementation of the majority of remaining recommendations will continue until the end of 2024. Efforts to recover funds related to the S3i are still ongoing with the UN Office of Legal Affairs in the lead.

In January 2023, the former Chief Executive of the S3i was separated from service with UNOPS following an internal accountability process in accordance with the United Nations legal framework.

Investments by the Danish Investment Fund for Developing Countries (IFU) in a project in which the S3i initiative had also invested, were not impacted by the S3i-case.

Following the S3i case, the EB requested UNOPS to reimburse to each affected donor the excess reserve accumulated in the period 2018-2021, as management fees were found to have been set too high in the period. Denmark's share of the total excess reserve (USD 123,792,317) amounting to DKK 676,664 (0.08 per cent) has been fully repaid to the Ministry of Foreign Affairs. UNOPS has made good progress in addressing the problems in the organisation. The Ministry of Foreign Affairs will continue to follow UNOPS' implementation of the response plan.

A follow-up report will be issued when there are further developments in the case.