



## **INTERNAL AUDIT DIVISION**

### **REPORT 2024/072**

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#### **Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees**

**There was a need to enhance the efficiency  
and effectiveness of private sector  
engagement**

**19 December 2024**

**Assignment No. AR2023-165-01**

# **Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of private sector engagement (PSE) at the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether UNHCR managed PSE activities efficiently and effectively in compliance with the applicable regulatory framework. The audit covered the period from January 2022 to December 2023, and the roll out of the new PSE strategy. It included a review of the following higher and medium risk areas: (a) private sector engagement strategy; (b) resource allocation; (c) partnership activities with national partners; (d) partnership activities with private sector; and (e) monitoring and reporting on private sector engagement activities.

Under its current strategy, the Private Sector Partnerships Service (PSP) has expanded private sector income and partnerships and reduced the cost of fundraising. However, gaps were identified in UNHCR's standards and approaches for allocating funds to PSE projects, including vetting and overseeing projects, as well as the coordination with national partners. PSP's implementation of PSE-related activities also suffered from a complex due diligence process which was not fully complied with; the lack of a global mapping of private sector partnerships; and omissions in the definition of performance metrics and a fragmented monitoring process. Furthermore, the systems used for hosting data and recording of key PSE activities and transactions lacked standardization and interoperability to support efficient business processes.

OIOS made six recommendations. To address issues identified in the audit, UNHCR needed to:

- Reinforce the policy framework and approach for reviewing underperforming projects under the National Growth Fund, which is a framework used by PSP for its annual planning and budgeting exercise and subsequent resource allocation within the PSP network, and develop procedures for the vetting and overseeing of projects outside this framework;
- Enhance the management of national partners by: (i) enhancing communication and coordination with national partners; (ii) defining criteria for national partners' retention rates for funds raised; (iii) strengthening controls over effective use of national partners' retained funds; and (iv) defining the methodology for market reviews to support strategic decisions on market continuity;
- Adopt a risk-based due diligence process to determine the extent of screening and approval required for a partnership, and enhance the configuration of the Synergy system for effective process implementation and adequate monitoring and reporting;
- Develop a detailed mapping of existing and potential private sector partnerships and make it available to relevant stakeholders;
- Ensure completeness of monitoring and reporting on PSE performance and compile and share lessons learned on PSE initiatives; and
- Conclude data sharing agreements with all national partners, and clarify expected functionalities of customer relationship management systems adopted by PSP and their interoperability.

UNHCR accepted all recommendations and had initiated action to implement them. Remaining actions required to close the recommendations are indicated in Annex I.

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# Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees

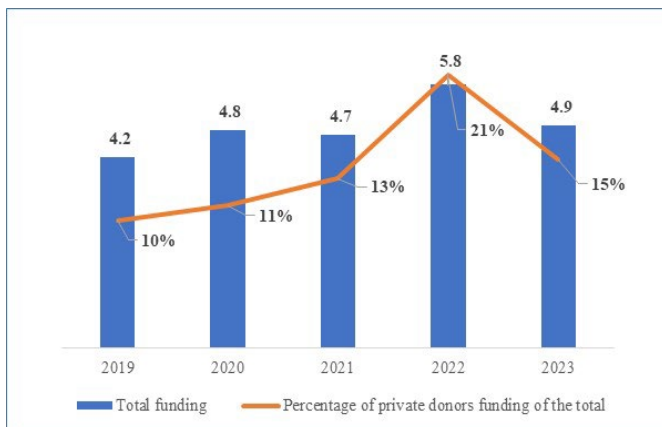
## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of private sector engagement (PSE) at the Office of the United Nations High Commissioner for Refugees (UNHCR).

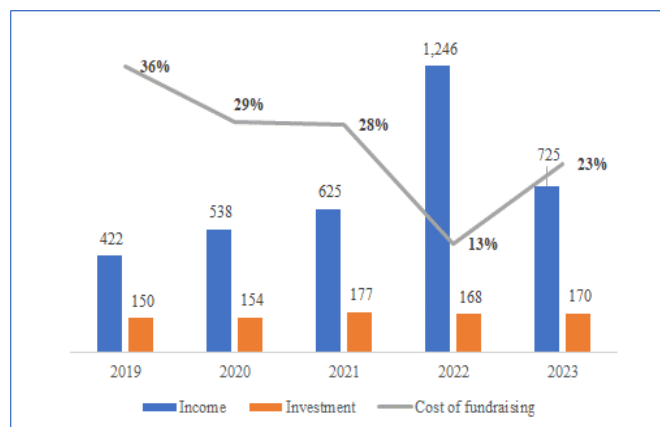
2. The Private Sector Partnerships Service (PSP), within the Division of External Relations (DER), leads, supports and oversees UNHCR’s mobilization of support and resources through PSE. The PSE strategy (2018-2025), hereinafter referred as the “\$1 billion strategy”, was set to raise \$1 billion annually from private sector contributions, against an annual investment of \$250 million. UNHCR reached \$1.2 billion in private sector contributions in 2022, \$640 million of which was for the Ukraine Emergency. It also grew its donor base from 2.7 to 3.6 million, achieving a growth rate of 34 per cent. However, this income goal was not sustained, with contributions in 2023 dropping to \$725 million and the target for 2024 being set at \$750 million.

3. Figure 1 shows an upward trend of private sector funding in the last five years. Private sector contributions totaled \$3.6 billion (15 per cent of UNHCR funding) in this period, of which 72 per cent were unearmarked or softly earmarked, hence providing more flexibility on how they could be used. The total investment in the five-year period was \$819 million, representing a 23 per cent cost of private sector fundraising, as shown in Figure 2. The cost of fundraising below is expressed as funds disbursed by UNHCR under PSP annual budgets, including operations, administrative and staff costs. Most private sector funding was raised in Europe (47 per cent), Asia (23 per cent) and the Americas (16 per cent).

**Figure 1: Private sector funding percentage of total funding for the period 2019 to 2023**



**Figure 2: Percentage of fundraising investment against private sector income for the period 2019 to 2023**



4. UNHCR had a global market share of 5.5 per cent and aimed to reach 7 per cent of private sector fundraising in the humanitarian sector. To achieve this goal, a new PSE strategy was drafted with a target to reach \$2 billion annually (the “\$2 billion strategy”) and awaited endorsement at the time of the audit.

5. PSP was headquartered in Copenhagen and had a fundraising network of 27 operations supported by five regional offices headed by regional managers and located in Nairobi, Dubai, Bangkok, Geneva and Panama. In addition, the PSP network included nine independent national partners partially funded by PSP.

6. UNHCR relies on the following systems for managing PSE activities: (a) Workday for human resources management; (b) COMPASS for results-based management (RBM) and budgeting; (c) Cloud ERP for financial reporting; (d) Synergy for donor relationship and contributions management; and (e)

Salesforce for sales, customer service, marketing, e-commerce, analytics, and artificial intelligence. UNHCR also developed databases and Power BI reports for planning and performance monitoring. OIOS obtained data from these systems, reviewed it for completeness and accuracy, and used it to assess controls effectiveness.

7. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

8. The objective of the audit was to assess whether UNHCR managed PSE activities efficiently and effectively in compliance with the applicable regulatory framework.

9. This audit was included in the OIOS 2023 risk-based work plan considering the importance of expanding private sector partnerships effectively as a risk mitigation action for UNHCR's strategic risk related to insufficient quality funding.

10. OIOS conducted this audit from April to July 2024. It covered the period from January 2022 to December 2023 and considered 2024 data and the upcoming PSE strategy where relevant. Based on an activity-level risk assessment, the audit covered the following higher and medium risk areas: (a) private sector engagement strategy; (b) resource allocation; (c) partnership activities with national partners; (d) partnership activities with private sector; and (e) monitoring and reporting on private sector engagement activities.

11. The audit methodology included: (a) interviews with key personnel at PSP headquarters, four PSP regional offices and two national partners; (b) review of relevant documentation, including strategies, operational plans, policies, donor and partner agreements and financial and performance reports; (c) random sample testing of PSE transactions; (d) analytical reviews of UNHCR performance data extracted from the systems listed in paragraph 6; (e) administration of survey to seven headquarters divisions, one service, seven regional bureaux and several (multi) country offices, to collect their views on their contributions to PSE, and the level of coordination with PSP and the related network; and (f) benchmarking with peer United Nations organizations and other key players.

12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## **III. AUDIT RESULTS**

### **A. Private sector engagement strategy**

A plan for the implementation of the strategy was being developed

13. The \$2 billion strategy sets UNHCR's ambition to further unlock private sector opportunities to achieve: (i) wider solutions; (ii) annual income growth of \$2 billion; and (iii) increased influence for long-term impact. To support these priorities, the strategy calls for a "whole-of-organization" approach, requiring the dismantling of silos, enhancement of cross-functional collaboration, empowerment of teams and alignment of internal efforts and resources in line with the Global Compact on Refugees.

14. The strategy was well communicated, as 28 respondents (78 per cent) of OIOS survey were aware of the current and new strategies, and enthusiastic about the PSE potential for the Organization. PSP's innovative mindset and willingness to explore unconventional ideas was seen as crucial in this endeavor.

15. However, survey respondents identified additional key factors for a successful and impactful implementation of the PSE strategy, such as: (i) creation of structured communication channels with PSP; (ii) clarification of expected contributions at the global, regional and country levels; (iii) inclusion of PSE requirements in regional and country multi-year strategies; (iv) addressing capacity, skills and tools gaps; (v) the need for PSP to effectively support PSE efforts at regional and country levels, including having a presence in key locations; (vi) establishing dotted reporting lines for PSP staff stationed in the regions within the respective regional bureaux and/or (multi)country offices' structures, or regionalizing PSP positions; and (vii) reliance on the expertise of headquarters divisions.

16. The successful implementation of the PSE strategy requires a detailed implementation plan including the definition of effective avenues for coordination between stakeholders. UNHCR advised that such a plan was being developed; therefore, OIOS does not issue a recommendation. It however encourages UNHCR to fully consider the success factors mentioned by survey respondents when developing the plan.

## **B. Resource allocation**

### Need to reinforce the policy framework and approach for reviewing projects under the National Growth Fund (NGF) as well as vetting projects outside the NGF

17. The NGF is a framework used by PSP for its annual planning and budgeting exercise and subsequent resource allocation within the PSP network. The Fund is governed by the NGF policy framework comprising of a committee (the NGF Committee), the manual, resource allocation standards, and the delegation of authority for the reallocation of resources. This framework drives operational efficiency, effective risk management, profitability, and transparency.

18. The NGF policy framework requires that offices submit Project Funding Requests (PFRs) to the NGF Committee specifying the following aspects: (i) funding categories, i.e., “proven” or “breakthrough” investments;<sup>1</sup> (ii) type of funding, i.e., “budget” or “opportunity”, the former assessed as part of the PSP annual planning and budgeting exercise and the latter constituting a pool of projects assessed on an ad-hoc basis when additional funds become available; (iii) Return on Investment (ROI) benchmarks;<sup>2</sup> (iv) offices' capacity; and (v) risks and opportunities. The NGF Committee is composed of the PSP Head of Service (Chair), the chiefs of the three PSP headquarters sections, two PSP regional managers as rotational members for periods of 12 months, a Secretary, and subject matter experts as needed. It convenes several times a year to review and decide on PFRs, resource allocation, and project review needs based on performance.

19. The NGF Committee received 239 and 223 PFRs, approved 148 and 167 requests, and allocated \$107 and \$96 million in 2022 and 2023 respectively. The NGF focused largely on programmes for individual giving (IG) acquisition,<sup>3</sup> which required significant investments but were also the largest source of unearmarked, sustainable and predictable income. To a lesser extent, the NGF also aimed to grow existing individual donors' value, i.e., IG donor development<sup>4</sup> as well as partnerships and private philanthropy (PPH).<sup>5</sup> Figure 3 shows the yearly distribution of NGF operational costs, reported per programme, market type and region in 2022 and 2023.<sup>6</sup>

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<sup>1</sup> “Proven” referred to lower risk and “breakthrough” to higher risk projects.

<sup>2</sup> The ROI is calculated over several years based on the cumulative investments (expenses) and returns (revenues) for set periods of 12, 24 and 36 months, by dividing all projected income raised from proposed projects by all expected expenditures over each period.

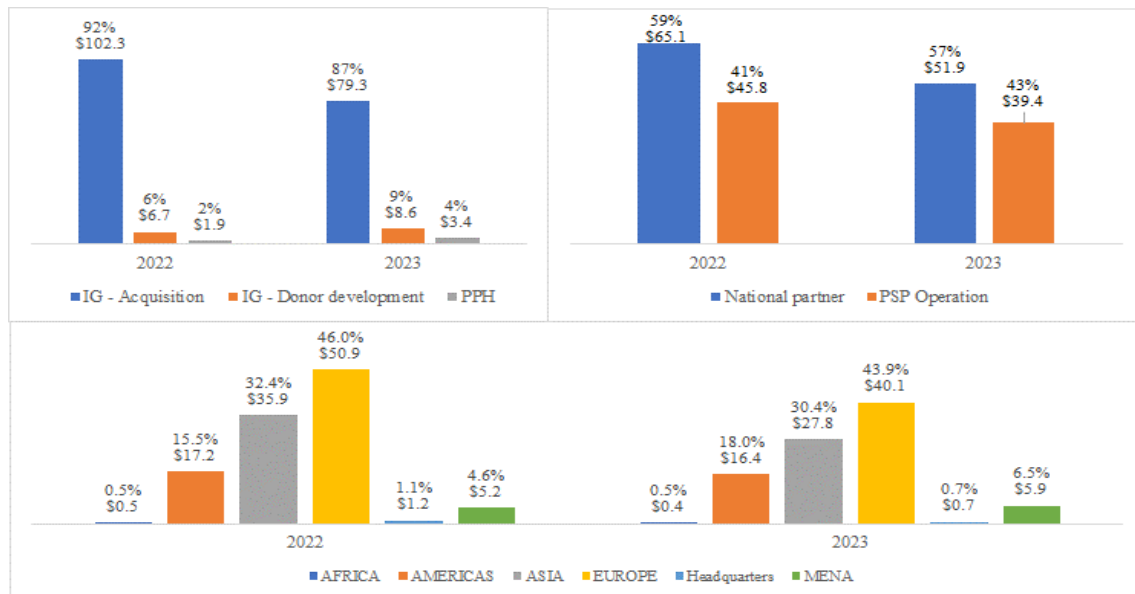
<sup>3</sup> Acquisition mail, Face to Face, digital, Direct Response Television, print advertising & inserts, and multi-channel.

<sup>4</sup> Upgrade and conversion, special appeals, middle donors, digital, legacies, and donor care and communication.

<sup>5</sup> Corporations, in-kind, foundations, major donors, and legacies.

<sup>6</sup> The operational costs at year-end constitute a more accurate measure of the NGF than the initial budget allocations.

**Figure 3: Distribution of NGF operational costs in 2022 and 2023 (\$ Million)**



20. The audit reviewed a sample of 15 approved PFRs in 2023 totaling \$18.5 million and noted that the NGF Committee applied a high degree of scrutiny on PFRs, notably in terms of: quality of proposals; adequacy of investments mix; sufficiency of donor development activities; requests for opportunities; performance forecasts' accuracy; capacity needs; and assessments against ROI benchmarks. However, the following NGF aspects required strengthening:

- Proven and breakthrough investments:** The accuracy of the classification of PFRs in the “proven” and “breakthrough” categories was questionable for emerging and start-up markets, where; (i) there was no past performance data to substantiate the classification; and (ii) the offices’ capacity in these investment areas was still being developed. Misclassification of PFRs could misrepresent adherence to the established threshold of a maximum of 20 per cent investment in the “breakthrough” category and erroneously indicate a lower risk portfolio than in reality.
- ROI benchmarks:** The benchmarks targeted IG acquisition projects and thus could not be applied to other projects with divergent ROI such as PPH and gifts in wills (legacies). For reference, the PSP network global ROI of PPH activities in 2023 was 14.9, which was much higher than the IG acquisition ROI benchmark. Further, there were no defined benchmarks for donor development projects, except for upgrades and conversions. Additionally, the decision matrix lacked clarity for projects with ROIs falling in different decision levels for different maturities, which if unaddressed, could lead to inconsistent decisions by the NGF Committee in terms of approval or rejection of PFRs. Moreover, indicators such as donor lifetime value<sup>7</sup> were not formally considered since PSP lacked relevant market data to feed into the tool that was available for this purpose.
- Project reviews:** In case of underperformance, the offices responsible for the respective markets (fundraising offices) were required to conduct reviews of the relevant NGF-funded projects to explain the shortfalls and determine their future viability. While this promoted self-learning in the fundraising offices, reviews conducted by independent parties would have provided new insights, added credibility and released fundraisers to address their core responsibilities. A mixed review

<sup>7</sup> Lifetime value is a fundraising metric used to estimate the monetary value a donor is expected to contribute over their lifetime relationship with a nonprofit. It assesses sustainability of UNHCR income as emphasized in the PSE strategy.

model could be adopted and/or independent reviews could be carried out by multi-functional and/or project control teams.

- **Follow-up on decisions:** It was difficult to ascertain the extent to which decisions made by the NGF Committee were implemented, as there was no documented follow up process. This applied to not only decisions made on PFRs and related project reviews, but also ad-hoc decisions related to the NGF methodology and processes, e.g., updates to standard templates.

21. Also, while all national partners' projects went through NGF, there was a mixed approach regarding PSP-led operations that had projects going through NGF and through the UNHCR standard annual planning and budgeting process, i.e., the RBM framework. Since PSP guidance omitted this aspect, there was no clarity on the volume and type of projects outside the NGF framework and on the level of vetting and oversight over those projects. These gaps could compromise adherence to PSE strategic priorities and performance objectives.

**(1) The UNHCR Division of External Relations should: (a) review the National Growth Fund (NGF) policy framework to ensure consistency in resource allocation across projects and efficiency of project reviews; (b) document actions with regard to NGF Committee decisions; and (c) develop procedures for the vetting and overseeing of projects outside the NGF.**

*UNHCR accepted recommendation 1 and stated that: (a) PSP had initiated implementation of a Quarterly Business Review (QBR) process, with the NGF and resource allocation processes being aligned to it. Development of performance standards was also underway. Concerning project reviews, the PSP Programme Manual established preliminary, in-depth, and fact-finding review levels, and for each one the NGF Committee appointed a multi-functional team with experts from the relevant market, region, and headquarters. Then, regional managers recommended on the programme's continuity and the NGF Committee decided on the review outcome. As for ROI criteria, they were the same across markets and maturity levels, although PSP would further develop the NGF criteria; (b) improved tools to track implementation of NGF Committee's decisions were being tested; and (c) while PSP had a process and guidelines for the allocation of non-NGF resources, it acknowledged that more information should be provided.*

#### Actions were taken towards workforce composition optimization

22. As of February 2024, the PSP workforce included 598 positions, of which 286 (48 per cent) were filled by affiliate workforce. There were 113 (19 per cent) vacant positions, of which 39 were filled by temporary appointments including the PSP Head of Service (D-2) since March 2023. The extensive use of temporary appointments and affiliate workforce by PSP was not in compliance with relevant UNHCR policies and could affect the overall effectiveness of operations.

23. PSP explained that the high percentage of affiliate workforce suited the need for a nimble and flexible operation and that the use of temporary appointments was due to the long recruitment process for fixed-term appointments. Indeed, 85 per cent of PSP workforce had served only for up to four years. While the new talent brought fresh perspectives and innovative approaches, it also indicated problems in talent retention and resulted in increased costs due to repeated recruitment and onboarding of new staff. PSP acknowledged problems with talent retention, which were aggravated by the enforced mobility policy.

24. PSP also informed that it was difficult to attract and retain qualified staff outside headquarters, where there was a reduced number of international staff positions available. This, combined with a large network and a sizeable geographical diversity and dispersion of PSP offices and markets, impacted the implementation of relevant controls, coordination and oversight.



25. In its 2023-2024 multi-year strategy, PSP acknowledged that internal support functions had struggled to keep pace with the growing levels of income raised in the last years and proposed the creation of 25 new positions and upgrades of 22 positions in 2024, mostly in the regions. PSP also proposed to regularize 29 long serving affiliates. Nonetheless, none of these measures were implemented due to budgetary constraints.

26. Notwithstanding continuous advocacy for necessary resources showcased by objective results achieved, there could be still opportunities for PSP to increase efficiencies and organizational optimization through: (i) better use of new technologies; (ii) further organizational realignment through increased decentralization to the field and where relevant by effectively combining technical functions that are still dispersed, e.g., data analytics/business intelligence; and (iii) identification of opportunities to pool resources and share skills across teams within and outside the PSP network.

### **C. Partnership activities with national partners**

#### Need to reinforce processes for coordination with national partners and management of use of funds

27. UNHCR had nine national partners<sup>8</sup> located in three of the five regions where it worked, covering 12 territories. National partners transferred to UNHCR \$859 and \$409 million in 2022 and 2023, respectively, which represented 65 and 59 per cent of total private sector income.<sup>9</sup> The relation between UNHCR and national partners is governed by: (i) a five-year recognition agreement that defines the general terms of the cooperation; (ii) Annual Partnership Agreements (APAs) defining the annual plan, budget, targets, financial arrangements and reporting schedule; and (iii) annual Project Funding Agreements, setting out UNHCR's disbursement schedule and PFRs detailing project activities, costs and income forecasts, as well as funding requested from UNHCR through the NGF.

28. OIOS reviewed adherence to the existing agreements, the level of coordination with national partners, their performance vis-à-vis the one of PSP-led markets and UNHCR oversight over partners' activities. Related audit observations are summarized below.

#### **Coordination with national partners**

29. All six respondents to the audit survey coexisting with national partners in their duty stations indicated a medium to extensive level of coordination. However, four respondents indicated that coordination was ineffective, which they attributed to: (i) uncertainty over priorities and responsibilities for financial vs non-financial contributions; (ii) lack of consensus on who should be the voice of UNHCR in the country and whether national partners should carry out advocacy for protection and solutions; (iii) coordination at the country level not complemented by regional bureaux and PSP at headquarters' interventions; and (iv) inadequate information on channels to settle disagreements. Unless addressed, these challenges could create unwarranted confusion thereby impacting the effectiveness of PSE interventions and UNHCR's public image.

#### **Performance management for national partners and PSP-led markets**

30. National partners received: (i) UNHCR funding provided through the NGF; and (ii) the funding retained from the contributions that they collected. Except for one of the national partners, maximum

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<sup>8</sup> National partners are independent, non-governmental organizations established in accordance with the laws of the relevant country to fundraise from the private sector on behalf of UNHCR.

<sup>9</sup> These figures reflect income reported by the partners in their year-end reports. Differences between these figures and those in Cloud ERP are due to differences in exchange rates applied.

retention rates were stipulated in the recognition agreements and revised annually in the APA. However, PSP lacked criteria for setting retention rates, namely their relationship with market costs, market maturity levels and NGF investments. Consequently, though the total retained amount was 21 per cent of funds raised, retention rates ranged from 8 to 50 per cent among the nine partners in 2023. Higher retention rates resulted in lower partner profitability, and they were not accompanied by lower UNHCR investment, as would have been expected.

31. Despite having raised more funds than PSP-led markets, the global ROI for national partners was 3.3, slightly lower than the one for PSP-led markets, i.e., 3.4 in 2023. This was due to a slightly higher cost of fundraising at 31 per cent compared to PSP's 29 per cent. In the case of a national partner, the cost of fundraising surpassed income by 14 per cent.

32. National partners required significant investment in their early stages, not only on fundraising activities, but also in building the organization's capacity. However, if investments in markets did not pay off after a reasonable period, PSP was reluctant to consider exit strategies or change their market approach. Additionally, PSP did not use available performance data to conduct global market reviews to determine national partners' financial viability and continued strategic interest.

33. The above was applicable also for PSP-led markets. For instance, the Africa market had not been profitable since its inception. From 2018 to 2023 it always reported costs significantly higher than the income raised, i.e., \$12.1 vs \$5.3 million. PSP explained that this market had significant potential for non-financial partnerships and advocacy. Nonetheless, considering the ambitious targets for private sector fundraising coupled with the challenging budgetary situation, investment allocation required increased scrutiny, and non-financial partnership opportunities to possibly be explored by non-PSP led operations.

### **Local refugee programmes implemented by national partners**

34. In 2023, four national partners specified in their APAs a retained amount of \$5.1 million for local refugee programmes. However, the partners did not provide details of the intended activities nor reports covering the programmes implemented by them, hence this information was not available with PSP, which indicated gaps in PSP verification of partners' plans and activities. PSP explained that agreements with national partners allowed them to allocate a portion of their funds to local refugee programmes. This was to safeguard partners' independence and was the reason why PSP had not requested details on these programmes in the past. However, without proper guidance and oversight by UNHCR, there were risks of misuse of resources or misalignment with UNHCR's mandate of activities implemented by national partners.

**(2) The UNHCR Division of External Relations should enhance the management of national partners by: (a) defining roles and responsibilities to strengthen communication and coordination between UNHCR and national partners; (b) establishing criteria for national partners' retention rates; (c) introducing measures for overseeing use of funds retained by national partners for local refugee programmes; and (d) developing a methodology for market reviews to support strategic decisions on market continuity.**

*UNHCR accepted recommendation 2 and stated that it will: (a) develop guidance to further enhance communication channels between UNHCR, PSP/Non-PSP entities, and national partners. This guidance will clarify the roles of the National Partner Liaison team and regional managers in relation to national partners, ensuring better coordination; (b) expand existing criteria on retention rates for national partners and reflect it in key policies and guidance; (c) issue standards and guidance regarding the use of local funds and will request information to national partners on how these funds are spent in future reports; and (d) set out the methodology for market reviews.*

## D. Partnership activities with private sector

The due diligence process in place to review and approve partnerships was not complied with

35. PSP and national partners are required to follow the UNHCR Administrative Instruction on due diligence criteria and procedures for PSE when establishing new partnerships with donors and reassess those partnerships during their duration, to safeguard UNHCR reputation and brand value. Corporations, foundations, trusts, High Net Worth Individuals, Goodwill Ambassadors, other honorary title holders, business coalitions, research institutes and private academic institutions, all need to go through due diligence regardless of the value of the partnership.

36. The due diligence process is a two-step approach that is comprised of: (i) step 1 - partner/donor screening, including partner information gathering, and identification of inclusionary/exclusionary criteria and other risks by the submitting office/partnership focal point and Due Diligence Unit; and (ii) step 2 - partnership proposal review and approval by approvers with delegated authority, or through a Private Partnerships Board (PPB). PPB is required to approve partnerships with an expected value above \$1 million per proposal, of any amount if there are specific risks involved, or when the recommendation of delegated approvers differs from that of the Due Diligence Unit, which centralizes the process. In 2023, the Due Diligence Unit assessed approximately 2,000 requests utilizing the Synergy system<sup>10</sup> to support the process.

37. The audit reviewed the process for a sample of 30 contributions received in 2022 and 2023 totaling \$91.2 million and noted the following:

- No due diligence request, i.e., step 1 and/or step 2, was submitted for 12 contributions (40 per cent);
- For another 6 contributions (20 per cent), due diligence requests were submitted post-facto, after the respective contribution agreements had been signed;
- For 24 contributions (80 per cent), the due diligence step 2 was not carried out; and
- For 1 contribution, step 2 approval was provided by an official without the appropriate delegated authority.

38. The omissions above were not identified because there was insufficient monitoring and reporting of exceptions, and Synergy lacked in-built controls to enforce policy compliance, e.g., workflow functionalities and definition of user accesses consistent with the levels of delegation of authority.

39. Also, PPB was convened only once in 2022, when it assessed two partnerships, and twice in 2023, when it assessed six partnerships. This fell significantly short of the 52 partnerships above \$1 million concluded in 2023. PPB also did not monitor partnership decisions taken by different approvers nor any decisions that differed from the recommendation of the Due Diligence Unit, as required.

40. The audit also noted the following additional issues, which were explained by an outdated policy: (i) a validity of 12 months for step 1 screenings was introduced but was omitted in the policy; (ii) lack of clarity on what a step 1 screening approval with special considerations meant for the setup of the partnership; (iii) lack of specification of the validity of step 2 approvals; and (iv) the PPB composition was outdated.

41. Compliance with the due diligence process was adversely impacted by knowledge gaps within the PSP network, pressure to conclude partnerships quickly and meet income targets, and staffing shortages

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<sup>10</sup> Synergy is the system UNHCR uses for donor relationship and contributions management.

within the Due Diligence Unit. While PSP had delivered training to sensitize the PSP network on the process requirements, the gaps reported above indicated the need for UNHCR to revamp its due diligence and adopt a risk-based approach, thereby improving its efficiency and effectiveness. For instance, instead of having a two-phased process for all partnerships, UNHCR could adopt a one-step screening for low-risk partnerships meeting specific criteria and/or for longstanding donors and the two steps approach for those medium/high risk partnerships meeting other suitable criteria. These criteria could include partnership value, complexity, duration, and risks.

**(3) The UNHCR Division of External Relations should: (a) reassess its due diligence process by adopting a risk-based approach for determining the extent of screening and approval required for a partnership, while updating the due diligence policy to reflect the changes and address omissions; and (b) enhance the configuration of the Synergy system for effective implementation of the revised process and adequate monitoring and reporting.**

*UNHCR accepted recommendation 3 and stated that: (a) the risk-based criteria for Step 2 had been outlined in the upcoming Administrative Instructions on the due diligence criteria and procedures; and (b) a system configuration will be implemented to ensure adequate support from Synergy.*

#### Need to conduct a detailed mapping of existing and potential private sector partnerships

42. The PSE strategy requires that UNHCR clearly identify the different types of partnerships, define related roles and responsibilities and put in place processes to enable agile and effective relationship building. In this regard, UNHCR needs comprehensive information on existing and potential partnerships, i.e., a global partnerships mapping. However, UNHCR lacked a global mapping of existing and potential partnerships, detailing inter alia their scope and respective focal points. Hence it did not ensure the optimal use of such partnerships by relevant stakeholders within and outside the PSP network.

43. In terms of potential partnerships, audit survey respondents noted that there was unexplored potential, for instance in areas such as waste management, climate, refugee inclusion, faith-based giving, artificial intelligence tools for case management, and capitalizing on the International Finance Corporation/UNHCR Joint Initiative and on its numerous private sector partners. In the absence of an accessible mapping of partnerships, there was no information of any ongoing efforts to strengthen partnerships in these fields or to identify such areas for further development in the future, thereby ensuring opportunities were not lost and concerted action was taken.

**(4) The UNHCR Division of External Relations should develop a detailed mapping of existing and potential private sector partnerships and make it available to relevant stakeholders.**

*UNHCR accepted recommendation 4 and stated that existing digital systems, Synergy and Synergy Hub, and existent frameworks would support the whole organization in mapping existing and potential new private sector partnerships. PSP would continue to build on these in collaboration with stakeholders across UNHCR.*

## **E. Monitoring and reporting on private sector engagement activities**

#### Need to ensure completeness of monitoring and reporting on PSE

44. PSP needs to ensure regular monitoring and reporting of the PSP network's performance, against the PSE strategy standard key performance indicators (KPI) and relevant trends. Monitoring and reporting requirements are further detailed in the PSP Programme Manual and in the NGF Manual, including the monitoring timelines, types of reports and related roles and responsibilities.

45. PSP prepared an annual report that provided an overview of the Service’s achievements in terms of income, costs, and other KPIs. It also compiled an annual report on NGF activities and performance, which however: (i) reported only on IG acquisition performance, omitting donor development and PPH projects worth \$19.7 million of NGF investment in 2022 and 2023; and (ii) was disconnected from the quarterly business reviews within UNHCR’s RBM framework.

46. Furthermore, the current monitoring and reporting framework in PSP was not suitable to compile and report on all types of contributions from the private sector, including non-financial contributions and/or those raised outside PSP. The audit identified a wide range of initiatives on non-financial partnerships at national partners and other UNHCR offices. These initiatives included the provision of pro bono expert services in areas such as sustainable supply chain, legal services, risk management, payment gateways, and platforms for refugee employment and entrepreneurship. A national partner also made use of an extensive network of volunteers for support in several administrative and specialized functions for cost reduction, e.g., translations. Such initiatives were not being identified, recorded and assessed in terms of their value, which meant that UNHCR contributions from the private sector and performance were understated.

47. As a result, the PSE monitoring and reporting framework did not (i) ensure completeness of data reported, (ii) showcase PSE initiatives and success and draw lessons learned, and (iii) assess the global impact and effectiveness of PSE. In this regard, the new PSE strategy called on the need for UNHCR to develop relevant metrics and reporting, building up on the existing RBM framework, including by identifying and agreeing on KPIs to track progress on both financial and non-financial contributions.

**(5) The UNHCR Division of External Relations should ensure completeness of monitoring and reporting on private sector engagement (PSE) performance by: (a) integrating it with the Results-Based Management framework for all programmes and income streams; (b) defining relevant systems and metrics suitable for reporting on financial and non-financial partnerships; and (c) compiling and sharing lessons learned on PSE initiatives.**

*UNHCR accepted recommendation 5 and stated that: (a) PSP will continue to identify relevant indicators for donor development and PPH programmes to ensure monitoring and reporting on the full scope of income results; (b) efforts were underway to develop the approach, methodology and tools to support systematic tracking, valuation, and reporting on non-financial contributions; and (c) PSP had started collecting good practices on PSE that would be accessible by all colleagues. Further, in addition to availability of guidance/toolkits, webinars had already been organized and were planned on a range of topics. PSP was also developing a corporate partnerships eLearning course that will include good practices drawn from different partnerships and country contexts.*

Need to conclude data sharing agreements, and clarify expected functionalities for customer relationship management systems adopted by PSP

48. The PSP data strategy (2021-2025) refers to systems and tools required to support managers to monitor the implementation of strategies, report on performance, and provide high quality information to inform decision making and long-term investment strategies. Its goals include creating a common data language, democratizing data, and delivering centralized data products.

49. PSP developed several business intelligence tools that supported forecasts for planning and monitoring of the performance of the PSP network throughout the year. An example of such a tool was the Donor360 database, which was a central data platform hosting fundraising data for approximately 20 PSP markets, and that was used to analyze LTV and compare IG trends across markets. This tool, however, lacked data from all markets and such data was difficult to collect since it was self-reported by the different fundraising offices, which also used different systems and platforms and disparate data languages. Data

Sharing Agreements (DSA) supporting sharing of standard data sets for analytical purposes were also missing for four of the nine national partners, which could prevent these partners from sharing relevant data with UNHCR.

50. As for the tools available for recording of key activities and transactions, the audit noted that:

- Since different markets were at different maturity levels in terms of systems use and data standards, DER developed Salesforce Unicorn, a custom-built customer relationship management (CRM) package that could be used by the different markets for recording of key activities and transactions. However, it was being used only by two PSP operations and four national partners.
- DER had recently deployed Synergy, but the system was still undergoing significant development, and it was only used at headquarters.
- Since Synergy was not available and there was no integration between Salesforce Unicorn and Synergy, DER had developed the Synergy Hub for markets to submit information to Synergy. This meant that for PPH, teams had to enter transactions twice, i.e., on their own CRM system and on the Synergy Hub. This was a burden for which there was no solution in the short to medium term.

51. There was a roll out plan for Salesforce Unicorn for markets willing to use it, and the further roll out of Synergy was still being planned. However, a clearer picture of systems' architecture, functionalities and potential interoperability to support process efficiencies was needed for the systems' buy-in among the PSP network and to guide a more informed roll out.

**(6) The UNHCR Division of External Relations should: (a) conclude data sharing agreements with all national partners; and (b) clarify expected functionalities of customer relationship management systems adopted by the Private Sector Partnerships Service and their expected interoperability.**

*UNHCR accepted recommendation 6 and stated that: (a) PSP had prioritized the signature of DSA with the four remaining national partners, ensuring alignment with data protection standards; and (b) CRM functionalities had been outlined based on strategic needs, and ongoing integration efforts focused on enhancing efficiency through system interoperability.*

#### IV. ACKNOWLEDGEMENT

52. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	C/ O <sup>13</sup>	Actions needed to close recommendation	Implementation date <sup>14</sup>
1	The UNHCR Division of External Relations should: (a) review the National Growth Fund (NGF) policy framework to ensure consistency in resource allocation across projects and efficiency of project reviews; (b) document actions with regard to NGF Committee decisions; and (c) develop procedures for the vetting and overseeing of projects outside the NGF.	Important	O	Submission of evidence of: (a) review of the NGF policy framework/criteria addressing identified gaps; (b) documentation of the implementation status of NGF Committee decisions; and (c) vetting and oversight of projects outside the NGF.	31 March 2026
2	The UNHCR Division of External Relations should enhance the management of national partners by: (a) defining roles and responsibilities to strengthen communication and coordination between UNHCR and national partners; (b) establishing criteria for national partners' retention rates; (c) introducing measures for overseeing use of funds retained by national partners for local refugee programmes; and (d) developing a methodology for market reviews to support strategic decisions on market continuity.	Important	O	Submission of guidance and/or procedures implemented to: (a) clarify roles and responsibilities and communication channels between UNHCR and national partners; (b) define criteria for national partners' retention rates; (c) oversee use of funds retained by national partners for local refugee programmes; and (d) establish the methodology for market reviews.	31 July 2026
3	The UNHCR Division of External Relations should: (a) reassess its due diligence process by adopting a risk-based approach for determining the extent of screening and approval required for a partnership, while updating the due diligence policy to reflect the changes and address omissions; and (b) enhance the configuration of the Synergy system for effective	Important	O	Submission of: (a) the new Administrative Instructions on due diligence addressing the gaps identified; and (b) evidence of enhancements to the Synergy system and to monitoring and reporting arrangements.	31 December 2025

<sup>11</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>12</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>13</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>14</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>11</sup> / Important <sup>12</sup>	C/ O <sup>13</sup>	Actions needed to close recommendation	Implementation date <sup>14</sup>
	implementation of the revised process and adequate monitoring and reporting.				
4	The UNHCR Division of External Relations should develop a detailed mapping of existing and potential private sector partnerships and make it available to relevant stakeholders.	Important	O	Submission of evidence of the detailed mapping of existing and potential partnerships made available to stakeholders.	31 December 2025
5	The UNHCR Division of External Relations should ensure completeness of monitoring and reporting on private sector engagement (PSE) performance by: (a) integrating it with the Results-Based Management framework for all programmes and income streams; (b) defining relevant systems and metrics suitable for reporting on financial and non-financial partnerships; and (c) compiling and sharing lessons learned on PSE initiatives.	Important	O	Submission of evidence of the enhancements in the monitoring and reporting on PSE to ensure integration with the RBM framework, introduction of metrics for reporting on financial and non-financial partnerships and compilation and sharing of lessons learned on PSE activities.	31 March 2026
6	The UNHCR Division of External Relations should: (a) conclude data sharing agreements with all national partners; and (b) clarify expected functionalities of customer relationship management systems adopted by the Private Sector Partnerships Service and their expected interoperability.	Important		Submission of: (a) evidence of the conclusion of DSA with the remaining four national partners; and (b) information on functionalities and expected interoperability between CRM systems.	31 December 2026



# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of private sector engagement at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>15</sup> / Important <sup>16</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR Division of External Relations should: (a) review the National Growth Fund (NGF) policy framework to ensure consistency in resource allocation across projects and efficiency of project reviews; (b) document actions with regard to NGF Committee decisions; and (c) develop procedures for the vetting and overseeing of projects outside the NGF.	Important	Yes	PSP Head of Service  Chief of Section, Operations and Investment Management (OIMS)	31 March 2026	<p>(a) In 2024, PSP initiated implementation of a Quarterly Business Review (QBR) process, an initiative designed to enhance PSP's organizational performance and strategic alignment. Through this mechanism, PSP fosters a culture of problem solving and enhanced accountability, establishing Key Performance Indicators (KPIs) and to closely monitor performance. The NGF and resource allocation process are being aligned to the QBR to ensure integrated, streamlined, and strengthened processes. Elaboration of performance standards is also underway, with a timeline that aligns with the full reset of the NGF process.</p> <p>The PSP Programme Manual establishes three levels of review (preliminary, in-depth, and fact-finding); for each commissioned review, the NGF Committee appoints a multi-functional team composed of experts from the market, the relevant Region, and HQ. The reviews are formally submitted by Regional Managers, who recommend on</p>

<sup>15</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>16</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical <sup>15</sup> / Important <sup>16</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						<p>the programme's continuity. Finally, the NGF Committee is responsible for deciding on the final outcome.</p> <p>PSP will further develop on the NGF criteria as recommended.</p> <p>(b) Furthermore, PSP acknowledges the relevance of clearly documenting NGF Committee's decisions; improved tools to track actions decided upon by the Committee, and the related implementation are now being tested.</p> <p>(c) In addition, PSP has a process and guidelines in place for Chiefs of Section, Regional Managers, and markets to allocate non-NGF resources, PSP acknowledges that more information should be provided to clarify how non-NGF resources are allocated to PSP operations and NAPs. PSP will work on developing these documents for further clarity and documentation.</p> <p>Draft Annual Plans – which encompass both NGF and non-NGF funds – are carefully reviewed both at the regional and HQ level, to ensure adherence to said thresholds and standards.</p> <p>PSP's Global Leadership Team (GLT) is in charge of setting planning principles and parameters, and to validate the whole planning process, encompassing non-NGF budget too.</p>

Rec. no.	Recommendation	Critical <sup>15</sup> / Important <sup>16</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						Finally, throughout the year, reallocations of non-NGF funds follow a dedicated procedure and compliance is verified by HQ teams.
2	The UNHCR Division of External Relations should enhance the management of national partners by: (a) defining roles and responsibilities to strengthen communication and coordination between UNHCR and national partners; (b) establishing criteria for national partners' retention rates; (c) introducing measures for overseeing use of funds retained by national partners for local refugee programmes; and (d) developing a methodology for market reviews to support strategic decisions on markets continuity.	Important	Yes	Chief National Partnerships Liaison Officer,  PSP Head of Service  Chief of Operations and Investments Section	31 July 2026	<p>(a) PSP welcomes the recommendation to develop practical guidance to further enhance communication channels between UNHCR, PSP/Non-PSP entities, and National Partners (NAPs). This guidance will clarify the roles of the National Partner Liaison team and Regional Managers in relation to NAPs, ensuring better coordination and clearer delineation of responsibilities.</p> <p>(b) PSP will ensure that in addition to the existing criteria on retention rates for NAPs, it is expanded and more clearly reflected in key policy and guidance documents, and further refined wherever needed.</p> <p>(c) PSP accepts the recommendation and will issue standards and guidance for NAPs regarding the use of local funds and will request information on how these funds are spent in future reports. This will help ensure that NAPs activities remain aligned with UNHCR's mandate.</p> <p>(d) Based on current practice, PSP will set out in writing the methodology for market reviews that support strategic decisions on market continuity.</p>

<b>Rec. no.</b>	<b>Recommendation</b>	<b>Critical<sup>15</sup>/ Important<sup>16</sup></b>	<b>Accepted? (Yes/No)</b>	<b>Title of responsible individual</b>	<b>Implementation date</b>	<b>UNHCR comments</b>
3	The UNHCR Division of External Relations should: (a) reassess its due diligence process by adopting a risk-based approach for determining the extent of screening and approvals required for partnerships, while updating the due diligence policy to reflect the changes and address omissions; and (b) enhance the configuration of the Synergy system for effective implementation of the revised process and adequate monitoring and reporting.	Important	Yes	PSP Head of Service	31 December 2025	(a) The risk-based criteria for the Step 2 - Partnership Proposal approval – has been outlined in the updated DD AI that is under final review.  (b) A system configuration will be implemented to ensure adequate support from Synergy
4	The UNHCR Division of External Relations should develop a detailed mapping of existing and potential private sector partnerships and make it available to relevant stakeholders.	Important	Yes	PSP Chief of Private Partnerships & Philanthropy	31 December 2025	Through existing digital systems, Synergy & Synergy Hub, and frameworks that guide the acceptance and formalization of contributions, as well as the Administrative Instructions (AI) on DD, UNHCR has a system in place that can support the whole of organization in ensuring it maps existing and potential new private sector partnerships.  PSP continues to build on the frameworks and resources that support and maintain a detailed mapping of existing and potential private sector partnerships in collaboration with all stakeholders across UNHCR. Development of the detailed mapping is due for completion by the 31 December 2025 whilst its maintenance is an ongoing process.
5	The UNHCR Division of External Relations should ensure completeness of monitoring and reporting on private sector engagement (PSE) performance by: (a)	Important	Yes	Chief of Private Partnerships	31 March 2026	PSP appreciates the focus that is placed on Results-Based Management (RBM) and have initiated steps to implement:

Rec. no.	Recommendation	Critical <sup>15</sup> / Important <sup>16</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	<p>integrating it with the Results-Based Management framework for all programmes and income streams; (b) defining relevant systems and metrics suitable for reporting on financial and non-financial partnerships; and (c) compiling and sharing lessons learned on PSE initiatives.</p>			<p>&amp; Philanthropy</p>		<p>(a) PSP will continue its work aimed at identifying relevant and measurable indicators for donor development and PPH programmes, to ensure that both monitoring and reporting cover the full scope of its income results.</p> <p>(b) In addition, efforts are underway to develop the approach, methodology and tools that will enable the organization to systematically track, value, and report on non-financial contributions by the private sector. Support from an external consultancy will be sought in 2024-2025 to develop a full framework, aligned with RBM and GCR indicators, including benchmarking against similar frameworks adopted by other UN agencies and NGOs.</p> <p>(c) PSP has started collecting good practices of private sector engagement, to be made accessible to all colleagues via the PSP SharePoint site. Additionally, webinars have already been organized and are planned on a range of topics e.g. business trends, leveraging business influence, advocacy, and Environment, Social and Governance (ESG), in addition to guidance/toolkits. PSP is also developing a corporate partnerships eLearning course that will include examples and good practices drawn from different partnerships and country</p>

Rec. no.	Recommendation	Critical <sup>15</sup> / Important <sup>16</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						contexts. Collection and sharing of good practices will be an ongoing effort moving forward, leveraging different communication, knowledge management and capacity building tools.
6	The UNHCR Division of External Relations should: (a) conclude data sharing agreements with all national partners; and (b) clarify expected functionalities of customer relationship management systems adopted by the Private Sector Partnerships Service and their expected interoperability.	Important	Yes	Chief of Supporter Engagement Section	31 December 2026	(a) PSP has signed data-sharing agreements (DSA) with five NAPs and will sign DSA with the remaining four NAPs, ensuring alignment with data protection standards. Timely execution is prioritized.  (b) CRM functionalities have been outlined based on strategic needs, and ongoing integration efforts focus on enhancing efficiency through system interoperability. A governance structure is in place for oversight and decision-making.