**UNDP Anti-Money Laundering and Countering the Financing of Terrorism Policy (“AML/CFT Policy”)**

**I. Introduction**

**A. Background; Definitions**

1. The scrutiny of anti-money laundering (“AML”) and countering the financing of terrorism (“CFT”) (together referred to as “AML/CFT”) practices continues to intensify globally with private and public institutions taking active roles in assessing and mitigating internal and external risks.
2. United Nations Security Council Resolutions have reaffirmed the United Nations call to all states to sign, ratify, and implement the relevant international conventions criminalizing terrorism and terrorist financing. United Nations General Assembly Resolution 60/288 (2006) also encourages Member States to implement the comprehensive [international standards on combating money laundering and the financing of terrorism & proliferation](https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html) recommended by the Financial Action Task Force (FATF).
3. The objective of this policy is to affirm UNDP’s continued commitment to combating money laundering and terrorist financing, by complementing, reiterating, and cataloguing the safeguards and measures that UNDP has in place in this regard. This policy is a part of a broader set of policies referenced below aimed at ensuring that UNDP funds are used for the purposes intended, and it lays out a set of basic principles for guidance.
4. UNDP is committed to the highest ethical standards and will not tolerate the diversion of the resources entrusted to it through money laundering (as defined in para 5 below) or terrorist financing (as defined in para 6 below). Similarly, UNDP will not partner with entities that tolerate the diversion of resources through money laundering or terrorist financing. In response to these risks, UNDP’s policy and procedural framework embodies a risk-based approach to ensure the integrity of all its activities. This AML/CFT Policy sets out UNDP’s requirements in (i) establishing fundamental guiding principles and standards regarding AML/CFT, as reflected in the various procedures and controls within UNDP’s policy and procedural framework, and (ii) defining the roles and responsibilities of its management and staff in relation to AML/CFT.
5. For the purpose of this AML/CFT Policy, Money Laundering (“ML”) is generally considered as concealment of the origins of money obtained illegally, typically by passing it through a complex sequence of financial or commercial transactions. ML usually involves three stages: (i) introducing the proceeds of crime into the financial system (placement); (ii) transactions to convert or transfer the funds to other locations or financial institutions (layering); and (iii) reintroducing the funds into the legitimate economy as "clean" money and investing it in various assets or business ventures (reintegration) appearing to have been legally obtained. The FATF recommends that ML be criminalized by every country on the basis of article 3(1)(b) and (c) of the Vienna Convention[[1]](#footnote-1) and article 6(1) of the Palermo Convention.[[2]](#footnote-2)
6. For the purpose of this AML/CFT Policy, Financing of Terrorism or Terrorist Financing (“FT”) is defined as engaging with, contracting or providing support to individuals or entities that appear on the [United Nations Security Council Consolidated Sanctions List.](https://www.un.org/securitycouncil/content/un-sc-consolidated-list)

**B. Scope**

1. All UNDP personnel shall adhere to this AML/CFT Policy. This policy does not apply to UNDP personnel on letter of appointment or other contractual modality issued by UNDP for, or for services limited to, another UN entity.
2. In recognition of their sovereign authority, UNDP places reasonable reliance upon the governments with which UNDP partners to apply their laws, regulations and processes, and applicable international laws regarding AML/CFT, to ensure consistency with the principles of this AML/CFT Policy.
3. UNDP places reasonable reliance upon other UN system entities with which it partners that their rules, regulations, policies, and procedures are consistent with the principles of this AML/CFT Policy.
4. Without prejudice to and in addition to the relationships set forth in paragraphs 8 and 9 above, this AML/CFT Policy applies to all UNDP activities, and to the following situations:

a) vendor relationships in a procurement process (individuals and entities, as well as owners/controlling interests of entities);

* 1. b)  recipients of funding in a programming context (IGOs, CSOs, and private entities including owners/controlling interests of private entities); and
	2. c)  other entities with whom UNDP partners.

(the individuals and entities referred to above being known as the “Counterparties.”)

**C. Guiding Principles; Purpose and Objective**

1. UNDP resources may not be used to make, fund, support or permit any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. UNDP is committed to preventing, identifying, and addressing all acts of ML and/or FT involving UNDP resources, including those funds received by UNDP for its programming work. All personnel and Counterparties are prohibited from engaging in activities that may support in any way illegal practices of ML and/or FT.
2. The purpose of this AML/CFT Policy is to complement UNDP’s existing framework (see paragraph 3), to provide principles and guidance regarding AML/CFT requirements and risks, and to meet the following objectives:

a) Prevent the use, misuse and/or abuse of the UNDP’s resources due to ML and/or FT;
b) Mitigate reputational risks;
c) Protect against establishing any relationships that may support, relate to or facilitate ML and/or FT;
d) Exercise due diligence when dealing with Counterparties, their owners/controlling interests, employees, contractors, and subcontractors; and e) Ensure timely review and update of UNDP’s AML/CFT Policy.

**II. Key Provisions**

**A. Risk-Based Due Diligence**

13. UNDP has several measures designed to impose strict controls and due diligence requirements, raise awareness, and facilitate the appropriate reporting process to prevent and detect activities linked to ML and/or FT.

1. For the purpose of due diligence, UNDP has as part of its [Programme and Operations Policies and Procedures](https://popp.undp.org/) (POPP) framework, several control measures with the purpose of, inter alia, reducing the risk of ML and/or FT in its policies on, but not limited to[: Procurement Methods](https://popp.undp.org/node/11326), [Managing Partnerships](https://popp.undp.org/node/11056), [Private Sector Partnerships](https://popp.undp.org/node/11301), [Select Implementing Partner,](https://popp.undp.org/node/11526) [Harmonized Approach to Cash Transfer (HACT](https://popp.undp.org/node/10891)), and [Vendor Sanctions](https://popp.undp.org/node/11746).
2. Prior to entering into any donor, partnership, programming, or contractual arrangement, each potential Counterparty will be screened by the respective receiving business unit (vertical fund, procurement unit, BERA, BPPS, etc.) against the [United Nations Global Marketplace Ineligible Vendor Lists](https://www.ungm.org/), which include the [Consolidated United Nations Security Council Sanctions List](https://www.un.org/securitycouncil/content/un-sc-consolidated-list) (maintained by the Security Council Committee established pursuant to Resolution 1267), [World Bank's Listing of Ineligible Firms & Individuals](https://www.worldbank.org/en/projects-operations/procurement/debarred-firms), and lists of sanctioned/suspended vendors maintained by UN organizations. UNDP will refrain from engaging with any individual or entity listed thereon. Additional tools will also be utilized, as needed, during this screening process to supplement any relevant risk area not covered by the UNGM. All Counterparties will be reviewed by the respective receiving business unit on a periodic basis thereafter, in line with the standard operating procedures for other policies listed in paragraph 14.
3. Risks related to ML and/or FT must be identified and considered in the formulation, design and implementation of programming activities and engagements. This may require an assessment by the respective receiving business unit to consider how easily acts of ML and/or FT might occur and be replicated in UNDP funded activities, as part of the overall risk management approach set out in UNDP’s [Enterprise Risk Management Policy.](https://popp.undp.org/node/10716) Informed decisions by the respective receiving business unit can then be made on additional mitigating actions, including strengthened controls. Where there are concerns about the level of risk within a UNDP-funded activity, an expert in-depth analysis may be necessary to identify effective mitigation methods.

**B. Contractual Arrangements; Termination**

1. All material donor, partnership, programming, and contractual arrangements, whether for single or multiple transactions and whether for short- or long-term engagement must be established on the appropriate legal basis and documented in the appropriate written legal instrument between the parties. No payments may be authorized unless such written legal instrument is in place.
2. All donor, partnership, programming, and contractual arrangements authorized by UNDP must contain appropriate representations and warranties from UNDP’s Counterparties regarding AML/CFT, with termination clauses in case of breach of such AML/CFT representations and warranties.
3. UNDP will terminate the existing Counterparty relationship with:
a) Counterparties who do not cooperate with its AML and CFT efforts;
b) Counterparties engaged in activities prohibited under UNDP’s policies; or
c) Counterparties who are currently under any financial sanctions imposed by the United Nations.
4. Counterparties wishing to re-establish arrangements with UNDP may request rehabilitation, in line with established procedures. This requires that they can demonstrate that corrective measures have been put in place and have fully met or gone beyond the requirements of this policy. The Counterparty must provide sufficient information attesting to the medium- to long-term impacts of corrective measures, to the deterrent effects resulting from the sanctions imposed, and must show that re-establishing its eligibility will be a sound business decision and be in the best interests of UNDP.

**C. Monitoring; Reporting; Investigations**

1. All credible allegations of activities believed to contravene the principles set out in this AML/CFT Policy will be assessed and investigated, as appropriate, in accordance with the [Charter](https://www.undp.org/sites/g/files/zskgke326/files/2022-05/UNDP-OAI-Charter-ENG-2022.pdf.pdf) of the UNDP Office of Audit and Investigations (“OAI”), the OAI [Investigation Guidelines](https://www.undp.org/sites/g/files/zskgke326/files/2022-02/UNDP-OAI-IS-Investigation-Guidelines-ENG-2022.pdf) and the UNDP [Legal Framework for Addressing Non-compliance with UN Standards of Conduct](https://popp.undp.org/node/11696), when applicable.
2. All UNDP arrangements with Counterparties shall be monitored by the respective receiving business unit and any newly acquired information relevant the AML/CFT risk assessment of such Counterparty will be reported in accordance with the established processes and requirements of UNDP’s [Enterprise Risk Management.](https://popp.undp.org/node/10716)
3. OAI may assess and conduct investigations into allegations of fraud and other financial irregularities, including allegations of ML and/or FT, committed by Counterparties deemed to be detrimental to UNDP. All investigations undertaken by OAI are confidential and information will only be disclosed to individuals with a legitimate ‘need to know’ basis. Individuals wishing to protect their identity may report suspected acts of ML and/or CFT anonymously via the hotlines found on the [OAI investigations website](https://www.undp.org/accountability/audit/investigations).
4. All suspicions and/or allegations of ML and/or FT are taken seriously. Upon receipt of an allegation, OAI will assess the case and determine if an investigation is warranted, and, if so, conduct an investigation in accordance with its [Charter](https://www.undp.org/sites/g/files/zskgke326/files/2022-05/UNDP-OAI-Charter-ENG-2022.pdf.pdf) and the OAI [Investigation Guidelines](https://www.undp.org/sites/g/files/zskgke326/files/2022-02/UNDP-OAI-IS-Investigation-Guidelines-ENG-2022.pdf).
5. OAI will provide periodic briefings on risks facing the Organization and “lessons learned” from investigations to relevant management in UNDP.

**D. Protection Against Retaliation (“Whistleblower” protection)**

26. UNDP does not tolerate any form of retaliation against whistleblowers, including in relation to a member of UNDP personnel who has reported allegations of wrongdoing or cooperated with a duly authorized audit or investigation in accordance with this AML/CFT Policy. For more information on individuals afforded protection against retaliation, please refer to the UNDP [Protection Against Retaliation Policy.](https://popp.undp.org/node/11366)

**III. Responsibilities**

**A. Compliance Function**

27. The Compliance Function of the Budget, Performance and Compliance unit within BMS is responsible for monitoring the implementation, and maintenance of UNDP’s AML/CFT Policy, including the review of business units’ application of AML/CFT procedures, as required.

**B. Record Keeping**

28. The respective receiving business unit will keep all records created or obtained in relation to due diligence of Counterparties and documentation regarding contractual or other arrangements with Counterparties in accordance with the [UNDP Policy on Record Retention, Data Security and Contingency.](https://popp.undp.org/node/11416)

**C. Internal Audit Function**

29. OAI will regularly assess AML/CFT risks within the operations of UNDP and risk-based reviews of relevant business areas will be performed to determine compliance with the AML/CFT regulatory

requirements. To the extent possible, and without compromising the independence of either function, Compliance Function and OAI will endeavor to share information as necessary and appropriate in order to ensure the common goal of organization-wide AML/CFT compliance.

**IV. Final provisions**

30. From time to time, UNDP will review and examine this AML/CFT Policy and maintain an effective implementation of the AML/CFT Policy for the UNDP’s activities, as necessary.

1. United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988. [↑](#footnote-ref-1)
2. United Nations Convention Against Transnational Organized Crime, 2000.
 [↑](#footnote-ref-2)