Greed and Graft at U.N. Climate Program

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On Dec. 16, 2018, Dmitry Ershov, a Russian national who once managed a multimillion-dollar environmental project for the United Nations Development Program in Russia, sat down in his Moscow study and recorded a sobering videotaped message to the project’s key international funders: The United Nations is ripping you off.

“Donors, please do not let the UNDP get away with stealing your money and covering it up for years and years,” said Ershov, sitting stiffly at a desk, addressing his camera in heavily accented English.

Ershov is one of nearly a dozen former U.N. employees, auditors, and consultants who have been flagging concerns for nearly a decade about mismanagement and alleged misappropriation of millions of dollars in international funds from the Global Environment Facility, or GEF, which are intended to reduce greenhouse gas emissions in Russia. But their concerns about irregularities in the program—which were first reported internally back in 2011—were largely dismissed or ignored for several years by their superiors in Istanbul, New York, and Washington, as well as by donor governments, including the United States.

A Foreign Policy investigation into the case—based on an extensive trove of internal U.N. documents and interviews with key players—provides further evidence to support Ershov’s claims and sheds an unflattering light on the failings of the U.N., the GEF, and the donor governments themselves to provide reliable oversight of well-meaning programs to combat environmental scourges, including the depletion of the ozone layer and global warming. A 2017 confidential audit appendix—which was shared with UNDP officials in New York and Istanbul but has never previously been made public—found “strong indicators of deliberate misappropriation” of millions of dollars in funds from the project between 2010 and 2014.

But UNDP challenged that characterization. A subsequent investigation by UNDP’s Office of Audit and Investigations “did not find evidence of misappropriation of funds, but separately after review did conclude that project management had not met expected standards,” according to a UNDP spokesperson.

The UNDP investigation offers a snapshot into a sprawling and growing international bureaucracy aimed at grappling with one of the world’s greatest challenges. It also shows how reluctant international institutions like the U.N., as well as the governments that fund them, are to investigate potential corruption under their watch and to act on the claims of whistleblowers who draw it to their attention. The U.N. has long faced [criticism](https://www.devex.com/news/the-high-price-of-being-a-un-whistleblower-92752) that it has done too little to support and protect whistleblowers. In the Russia program, UNDP investigators cleared officials accused of wrongdoing on the grounds that they did not fully understand they were violating U.N. rules designed to prevent abuse.

The disclosure is coming to light at a particularly sensitive moment for the United Nations. Secretary-General António Guterres is hosting a Sept. 23 summit of world leaders in an attempt to galvanize international efforts to stall the pace of global warming. “If we do not take action on climate change now, these extreme weather events are just the tip of the iceberg,” he told reporters earlier this month, as record-breaking heat waves roiled the United States and Europe. “And that iceberg is also rapidly melting.”

Ershov says he was pushed out of his U.N. job in October 2014 for raising concerns about conflicts of interest in the GEF program. He has spent the last four and a half years prodding the UNDP, the GEF, and donors to investigate his claims that U.N. and Russian officials had awarded lucrative contracts to friends and family for a program that produced few environmental achievements. Last month, Ershov presented representatives of the [32-member GEF Council](https://www.thegef.org/events/56th-gef-council-meeting) with a copy of his video and a statement urging them to open an independent investigation into his allegations.

But Ershov’s appeals have repeatedly been brushed aside, and he has been dismissed by senior UNDP officials as a disgruntled former contract employee who is seeking revenge against his boss for having refused to renew his contract. “We must bear in mind that Ershov has a negative opinion of our office in Moscow,” John O’Brien, UNDP’s regional technical advisor in Istanbul, wrote in a previously undisclosed Dec. 23, 2014, email. But O’Brien conceded that there were “very serious issues” with the program, noting that three independent consultants had flagged concerns about how funds were spent. “I have some concerns about where this might lead for UNDP,” he wrote.

It was not the first time he had expressed those concerns. Three years earlier, O’Brien wrote an internal memo saying the program had little to show for the $1.4 million it spent in its first year, and he proposed flagging it as a “problem project.”

But he was overruled.

**A Green Money Machine**

The Global Environment Facility was set up in 1991, on the eve of the 1992 Earth Summit in Rio de Janeiro, to help finance international efforts to confront the planet’s biggest environmental challenges, including climate change and the staggering loss of plant and animal species. During the past quarter-century, it has provided more than $18 billion in grants and helped mobilize more than $94 billion in co-financing for more than 4,500 programs in 170 countries, according to the group’s [website](https://www.thegef.org/about-us). Its programs are implemented by 18 national and international institutions, including the U.N. Development Program, the U.N. Environment Program, and the World Bank. In June, the GEF’s 32-member [Council](https://www.thegef.org/council_members_alternates) [decided](https://www.thegef.org/news/countries-gather-landmark-gef-council-meeting) to approve over [$850 million](https://enb.iisd.org/gef/council56/html/enbplus192num22e.html) in projects, the largest single batch of programs in its history. About $200 million of that money was earmarked for UNDP, according to a U.N. official.

Critics of the Russia program present it as a particularly egregious example of UNDP’s failure to ensure that GEF funds are properly spent. But they say the case should prod international donors into reviewing UNDP’s ability to conduct proper oversight over GEF programs throughout the developing world.

Since 2010, the GEF has spent more than $40 million promoting energy efficiency in Russia, according to U.N. sources, including $7.8 million for a so-called Standards and Labels program to reduce emissions by integrating energy efficiency technology into building equipment and household appliances. The program, which operated from 2010 to 2017, was designed to help Russia align its efficiency standards with those of Europe, which serves as a model for developing countries hoping to reduce emissions. But a final September 2017 evaluation of the Russia project, written by Roland Wong, a Canadian energy efficiency expert, and Alexei Zakharov, his Russian counterpart, concluded that after nearly seven years, and millions of dollars in investments by donor governments, the program “did not achieve any GHG [greenhouse gas] emission reductions.”

The project was managed jointly by Nataly Olofinskaya, a Russian national who led UNDP’s Moscow-based Project Support Office, and Alexei Antropov, a senior official in Russia’s Ministry of Education and Science. UNDP’s GEF unit, which was headed by Adriana Dinu, Marcel Alers, and John O’Brien, had oversight responsibility for the project.

Dinu and Alers did not respond to written requests for comment. O’Brien referred questions to UNDP’s press office.

Antropov resigned from the program in December 2016, the same month that the Russian news service [Tass](https://tass.ru/obschestvo/3851106) reported he had resigned voluntarily from his post at the Ministry of Education and Science’s Department of Science and Technology during a leadership shake-up.

The following March, both Antropov and his boss were [accused](https://www.rbc.ru/society/10/03/2017/58c1517f9a794730a08af9d2) of embezzling some 53 million rubles, about $815,000, from the department’s budget in an audit conducted by the Prosecutor General’s Office, at the request of the minister of education. It remains unclear whether he was charged with a crime.

Repeated efforts to reach Antropov at his current and former businesses by phone, WhatsApp, Signal, and email were unsuccessful.

Olofinskaya, meanwhile, was reassigned to an international post in Istanbul in 2015 as a regional technical specialist on climate change adaptation, where she continued to manage UNDP’s Russia projects, including a multimillion-dollar trust fund. Olofinskaya did not respond to requests for comment from Foreign Policy, and UNDP declined to discuss her tenure in Russia.

But in a written response to Wong and Zakharov’s findings, Olofinskaya defended her management of the program, challenging the evaluation as unfair. The final evaluation is “somewhat judgmental and imbalanced,” Olofinskaya wrote in her response. “Overall a number of statements in the report cannot be supported by facts.” She says the review focused excessively on the early years of the project, when it was confronting its most serious challenges, but didn’t give enough credit for reforms in 2015 that even the evaluators acknowledged had improved significantly. The report, she protested, “largely ignores everything that has been achieved.”

“While we agree that the project did not achieve all of its original objectives, we would like to point out the fact that we did our best to adapt to the changing context and redirect the project towards making a meaningful contribution to the enabling environment for the technical regulations reform in Russia,” she wrote.

But the program wasn’t simply ineffective—it might have been corrupt, according to the confidential appendix that Wong and Zakharov presented to the UNDP officials in New York in the fall of 2019. The appendix, which was obtained by Foreign Policy, found “strong indicators of deliberate misappropriation of a substantial part of a GEF Project worth 7.8 million” dollars. Four million dollars of that money, the auditors wrote, was “expended between 2010 and 2014 with no useful outputs to advance the objectives of the S&L Project, one of the strongest indicators of misappropriated funds.”

The consultants identified a number of problems, including the fact that tenders for contracts were routinely granted to relatives of Russian officials overseeing the project. Several of the companies that received UNDP contracts were related to officials overseeing the Russia program. For instance, Antropov’s mother, Lubov Antropova, was on the staff of an outfit called Rusdem-Energoeffect, which was responsible for implementing UNDP projects. The report did not accuse Antropova or Rusdem of wrongdoing.

UNDP staff in Moscow were “underqualified” with no energy efficiency experience, “rendering them unfit to make key decisions on the management and personnel recruitment on the S&L Project.”

The UNDP office in Moscow, meanwhile, routinely pushed out international technical advisors who raised red flags about the project’s shortcomings, according to the appendix. In addition, the program sought to secure reductions in emissions through voluntary means, and it enlisted the involvement of a major trade association, Ratek, which opposed mandatory requirements on manufacturers, to help develop energy efficiency standards.

The vast majority of reports commissioned to consultants were of little value, according to Wong, Zakharov, and other evaluators.

For instance, Ratek produced one report that included a proposal to rewrite Russia’s technical regulations to improve energy efficiency for consumer appliances. But the proposals were already publicly available in a previous report, according to Wong and Zakharov.

A spokesperson for Ratek, Anton Guskov, told *Foreign Policy* by email that the work his organization had done for UNDP was “relevant” to its efforts to improve Russia’s energy efficiency standards, which “often lag” behind those of more advanced markets. “For our industry (electronics manufacturing) it is very important to have shared requirements with other countries, above all with the European Union,” Guskov said. “That is why when drawing up recommendations we focused primarily on Europe.”

The evaluators, meanwhile, questioned why UNDP managed the project in partnership with the Ministry of Education and Science, which had no role in setting the country’s standards for energy efficiency. At the same time, UNDP didn’t collaborate adequately with other Russian institutions and ministries, including the Ministry of Industry and Trade and Rosstandart, which is responsible for setting energy standards for appliances, according to Wong and Zakharov. Olofinskaya challenged that account, however, insisting that her office had worked closely with Rosstandart.

The project was riddled with conflicts of interest, leading the evaluators to “surmise that these funds … have been embezzled for other purposes not related to the project,” the appendix stated.

UNDP Lets Itself Off the Hook

The Wong and Zakharov report prodded UNDP’s Office of Audit and Investigations into carrying out an investigation into the fraud allegations.

The investigation “detected a number of irregularities that, although do not amount to misconduct, need to be addressed in order for the same mistakes not to be repeated in the future,” Helge Osttveiten, the Norwegian director of the audit office, wrote in a May 9, 2018, memo.

For instance, he wrote, private companies that were invited to participate on a steering committee responsible for approving contracts were also allowed to bid for those contracts. UNDP “policies, rules and procedures were not duly followed,” he wrote.

But Osttveiten cleared UNDP managers, including Olofinskaya, of wrongdoing in a confidential memo, saying, “UNDP Russia failed to fully understand the above-mentioned policies, rules and procedures, which allowed the steering committee members to participate in tenders for project activities they had previously approved.”

“[The Office of Audit and Investigations] has found that the allegations of procurement fraud were not substantiated and has therefore decided to close the case,” he concluded in the May 2018 memo, which was sent to Rastislav Vrbensky, at the time the regional director for UNDP’s operations in Europe and the Commonwealth of Independent States, a coalition of 10 Eurasian states that were part of the Soviet Union.

Osttveiten did not respond to an emailed request for comment.

Vrbensky resigned from UNDP in March, several months after his partner, Marina Olshanskaya—a former UNDP official who set up her own company, AvantGarde Energy, to implement energy efficiency projects—came under investigation for a possible conflict of interest. Olshanskaya —who is suspended from doing business with UNDP—denied any wrongdoing, saying she and Vrbensky were always open about their relationship and that he played no role in steering contracts to her company. Vrbensky furnished a letter from the Office of Audit and Investigations indicating he was not a target of the investigation. “We feel we did nothing wrong and we were always trying to be transparent,” he told Foreign Policy.

**The Whistleblower**

Ershov was hired in January 2012 as the project manager of the Standards and Labels project, where he served as a contract employee for two and a half years. The Russian expert had previously worked for multilateral organizations, including the European Union, and private companies.

The UNDP office, he said, lacked the basic ethical safeguards designed to prevent fraud and abuse.

For his part, Ershov said that Olofinskaya and Antropov interfered in the issuance of tenders, steering contracts to friends and associates and recruiting unqualified staff who would carry out their orders without question—allegations that Olofinskaya denied in her written response to the Wong and Zakharov report. Antropov could not be reached for comment.

When Ershov raised his concerns, he said, Olofinskaya retaliated, hiring staff in his department without his approval and undercutting his ability to manage his program. In October 2014, she declined to renew his contract, expressing dissatisfaction with his performance.

Facing dismissal, Ershov brought his concern to an official at UNDP’s regional headquarters in Istanbul in early October, saying he was a victim of retaliation. In the weeks following his departure, Ershov raised the stakes, asserting that the Moscow office was corrupt in an email to Andrey Pogrebnyak, the head of UNDP operations in Istanbul at the time.

Pogrebnyak largely dismissed Ershov’s concerns, implying that any irregularities were the responsibility of Russian government, which maintained authority over various operational, financial, and personnel decisions.

“I understand that possible reasons for you expressing a negative personal opinion now is because your contract was not extended,” Pogrebnyak wrote in a Dec. 24, 2014, email to Ershov. He defended the office’s decision to end Ershov’s employment, saying that “any service contract does not have an expectation of automatic renewal.” Pogrebnyak did not respond to a written request for comment.

Ershov’s appeals were also rebuffed by the UNDP’s Ethics Office, which asserted it had no mandate to investigate corruption, and UNDP’s Office of Audit and Investigations. The GEF also demurred, indicating that this was a matter for UNDP to handle.

“IF OAI has told you that they will not investigate, it is because your allegations either did not contain enough information or proof to support the claims, or that OAI questioned your veracity or motive,” Peter Liria Jr., the director of the UNDP Ethics Office, told Ershov by email on Oct. 30, 2015.

In response to an emailed question, Liria said he is “bound by confidentiality” from commenting on Ershov’s case. He said that his office lacks the authority to investigate corruption, but that he “can confirm, and would like to stress, that the [Ethics] Office takes allegations of wrongdoing very seriously.”

“The complainant is advised promptly and comprehensively on the various mechanisms available to them,” he added.

“As you were informed previously, this is not a matter for an investigation by OAI, and the case is closed,” Ellen Gardner, an investigations specialist at the Office of Audit and Investigations, added in an exasperated December 2015 reply to Ershov’s repeated pleas for an investigation.

Red Flags

But while the Office of Audit and Investigations declined to pursue Ershov’s claims of wrongdoing, its auditors were picking up signs of irregularities in its routine audits.

In September 2015, the agency’s auditors “identified deficiencies in the overall management of individual contracts,” including deviations from UNDP procurement policies and procedures that threatened “financial and reputational risks for the project.”

For instance, auditors reviewed 20 contracts, totaling more than $400,000, and concluded that consultants’ tasks were ill-defined, with no articulation of anticipated “deliverables and milestones.” There was no requirement that consultants prepare reports on their activities, or even show up at the office for work. “By not complying with recruitment policies and procedures, there may be no assurance that the recruitment process was fair, competitive, and transparent, or that the most qualified candidate was selected,” the report said.

In the end, the auditors rated the UNDP Moscow office’s performance “partially satisfactory,” noting that “internal controls, governance and risk management processes were generally established and functioning, but needed improvement.”

A Problem Project

But inside UNDP, officials had been voicing concerns about the integrity of the Russia program since its earliest days.

O’Brien, the man who served as UNDP’s regional technical advisor, raised concerns back in 2011 in internal memos that the program had little to show for the $1.4 million it spent in its first year, and he had little confidence it would achieve its goals moving forward, according to internal UNDP documents.

When UNDP’s Moscow office requested a large increase in its 2012 budget, up to $3.9 million, O’Brien said “no.” Instead, arguing that it should be flagged as a “problem project,” he said that “serious questions about the project remain unanswered.”

“I believe that the risk of the project not delivering on its outcomes is currently very high,” he wrote in a Dec. 15, 2011, note to file. “The project has spent or is about to have spent so far $1.4 million dollars with very little visible or defined results so far.”

But he was overruled by Olofinskaya and the senior GEF representative Adriana Dinu, who worried that a reduction in funding would antagonize the Russian government, whose support was crucial for UNDP activities in the country. A poor review, or a cutoff of aid, had “the potential to affect the relationship with the government at a very sensitive and critical time,” Dinu wrote in an email.

Frank Klinckenberg, a Dutch technical expert hired by the U.N. in June 2011 to help the program adopt international energy efficiency standards, raised concerns about the program back in the fall of that year.

“The project seems to lack direction and leadership,” Klinckenberg wrote in a Nov. 10, 2011, letter to his superiors, including Olofinskaya, according to an excerpt of the review.

Klinckenberg seemed particularly puzzled by the program’s focus, noting that it was making little effort to align Russia’s energy standards with those of EU members, a stated goal of the Russian government.

“Overall, the project strategy is baffling,” he wrote, recommending a strategic overhaul of the program.

But Klinckenberg was constrained in how far he could go in pressing for change. His salary was paid by the Russia project office he was charged with reviewing. And he could be fired at will. In fact, Klinckenberg was “likely” forced out of his job “for identifying serious concerns,” according to Wong’s and Zakharov’s confidential 2017 audit appendix.

Klinckenberg declined an emailed request for comment.

Another outside consultant, Jeroen Ketting, was hired in January 2013 to evaluate the project. Ketting, a Dutch expert on European energy standards, also found the program wanting and drafted a report that rated it “moderately unsatisfactory.”

Ketting was threatened with “big problems” if he didn’t revise his conclusion and provide a more favorable evaluation, according to Wong’s and Zakharov’s findings. His paycheck, which was due in May 2013, was delayed by Olofinskaya’s office until August 2013. He was paid only after he agreed to change the project rating to “moderately satisfactory,” according to the special appendix.

Ketting also declined an emailed request for comment.

It would be more than two and a half years before UNDP hired another international technical advisor. And it only made the hire after its request to extend the program for two years was rejected, pending its willingness to hire an international advisor.

Yuri Pashyk, a Belarusian national who was hired in June 2014, found even more serious shortcomings, alleging that the U.N. program was rife with conflicts of interest.

Pashyk concluded that 29 out of 33 reports produced by the project office from June 2010 through June 2014 “were of marginal relevance or completely useless,” according to the audit. The vast majority of contracts went to a handful of companies.

Pashyk told *Foreign Policy* that UNDP’s Russia office threatened to withhold his payment unless he provided a more favorable account of the project’s work. “You should very well think about your conclusions,” Pashyk recalled Gennady Smaga, a UNDP staffer, telling him. Smaga, he added, said that Olofinskaya and others “are not happy with your work and this can influence the payment for your work.” Pashyk’s contract was not renewed in 2015.

Smaga denied having applied any pressure on Ershov to revise his findings.

“I did not threaten him,” Smaga replied by email. “In my opinion, Mr Pashyk’s conclusion about the project was not completely objective.”

“There was no corruption in the project,” Smaga said. “All work carried out for the project was done strictly in accordance with project documentation. All questions regarding the work plans and their acceptance were decided collectively at meetings of the working group and at the coordination committee and were logged in the minutes.”

Pashyk said he was the only outside evaluator who combined experience in the field, fluency in Russian, and a willingness to plow through thousands of pages of contracts that revealed much of what the project was doing was of little value in promoting energy-efficient standards and reducing greenhouse gas emissions.

In a Skype interview, Pashyk said through an interpreter that he did not witness any money changing hands, but “based on the analysis of the project documents, of the scheme of management control of the project, I can make a conclusion that the corruption was in place.”

Pashyk cited the case of Alexander Naumov, a Russian businessman, as particularly egregious. Naumov, he said, served multiple roles, designing projects, evaluating their viability, and selecting the consultants and businesses that received contracts, including companies run by himself and family members. “He was present at every level,” Pashyk said. “If we compare him to a country, he was the parliament, the government, and the national bank.”

Naumov, an engineer who had previously worked in Russia’s Ministry of Construction, Housing, and Utilities, served on the National Interagency Coordination Board, which helped advise UNDP on projects worth pursuing. His daughter, Elena Naumova, served as the managing director of a Russian company, Termek, which was awarded contracts to produce four studies that “were rated as irrelevant or insufficient,” according to the Wong and Zakharov appendix. His son, also called Alexander Naumov, served as Termek’s chief engineer.

For instance, Termek received $95,000 in 2012 to conduct research on the energy consumption of ventilation and air conditioning, a topic that had “already been exhaustively researched,” according to the special appendix.

“Conflicts of interest were evident through the companies that the project hired for consultancies between 2010 and 2014,” according to the Wong and Zakharov report. “Several of these companies were set up by Mr. Naumov and headed by his children to produce irrelevant reports.”

Naumov died in April 2015, according to U.N. officials. His daughter, Elena, and son, Alexander, did not respond to email, WhatsApp, and Viber requests for comment.

The Donors Give UNDP a Pass

Ershov and other whistleblowers have reached out to key donors, including the United States, Canada, and Norway.

But these governments have largely deferred to UNDP to get its own house in order.

In January, Canadian and Norwegian authorities informed one of the whistleblowers that they were satisfied that UNDP had conducted a proper investigation into alleged corruption in the program.

The U.S. State Department’s Office of Inspector General, which had also been approached by a whistleblower, referred the case to the U.N.’s chief oversight body, the Office of Internal Oversight Services, to look into the case.

But when Ershov approached the Office of Internal Oversight Services with his corruption claims, it kicked the case back to UNDP’s investigators, who had rejected Ershov’s plea to investigate the case years earlier. Sarah Breen, a spokeswoman for State’s Office of Inspector General, declined to comment on the exchange but said “we are currently assessing this complaint further.”

New Zealand and the Netherlands have continued to press UNDP to demonstrate its can effectively monitor its environmental programs. But it remains unclear whether they have sought to hold anyone account for the Russia program. A spokesperson for the New Zealand Ministry of Foreign Affairs and Trade told *Foreign Policy* by email that Wellington had received a complaint about the Russia program and that it has written to UNDP to “seek assurances” it has addressed concerns raised by the Office of Audit and Investigations in its investigation, as well as “assurances that UNDP senior management have sufficient oversight of high risk and poor performing projects.”

For Ershov and others, the donors’ reaction was a depressing reminder that rooting out corruption was a low priority.

“There are rich countries which are sending huge amounts of money to provide this support” for environmental programs, Pashyk said. “In the end, this money disappears like water in the sand.”