STAGE II REVIEWS
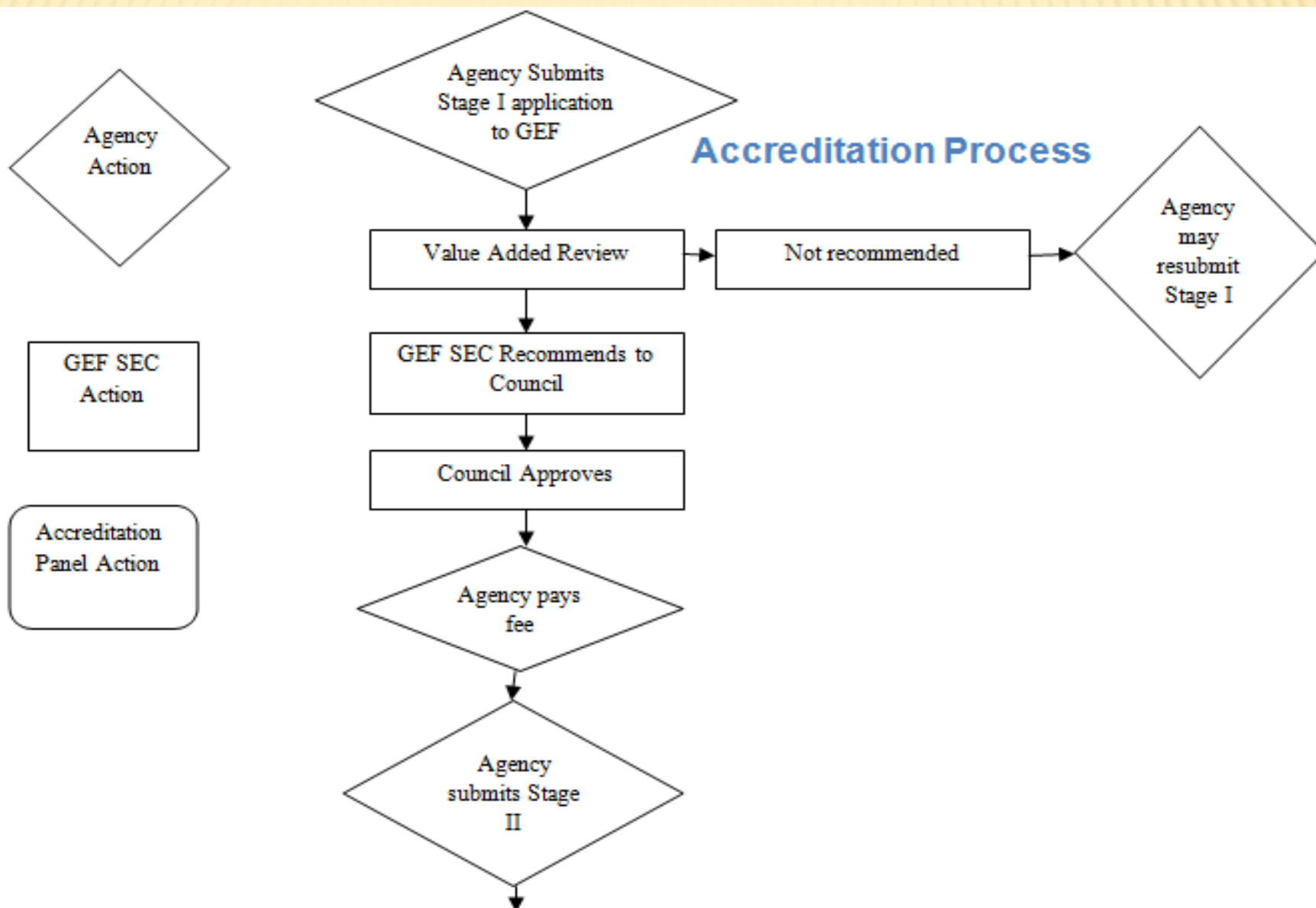# FOR ACCREDITATION
AS A GEF PROJECT AGENCY

An OVERVIEW OF THE ACCREDITATION PANEL PROCESS and ANALYSIS

GEF Council Meeting – June 2013

ACCREDITATION: THREE STAGE PROCESS

- **Stage I**: GEFSEC *Value Added Panel Review* and Council Approval

- **Stage II**: Independent *Accreditation Panel Review* – GEFSEC provides Secretariat services to the Panel and facilitates communication between the Panel and the applicant agencies

- **Stage III**: Signing of legal agreements to formalize accreditation and begin partnership

ACCREDITATION ROADMAP

Accreditation Process

Agency Action

GEF SEC Action

Accreditation Panel Action

Agency Submits Stage I application to GEF → Value Added Review → Not recommended → Agency may resubmit Stage I

Value Added Review → GEF SEC Recommends to Council → Council Approves → Agency pays fee → Agency submits Stage II
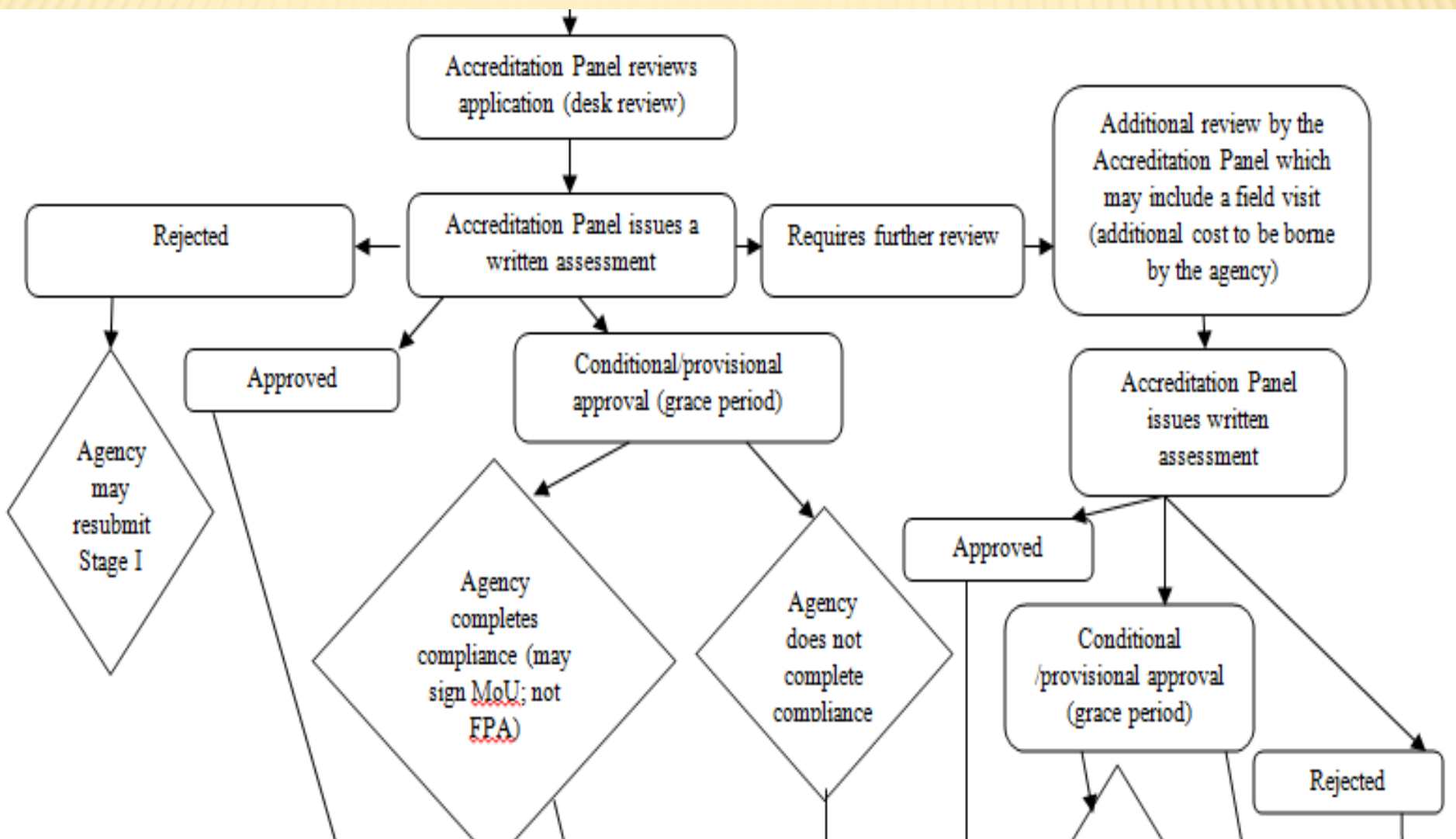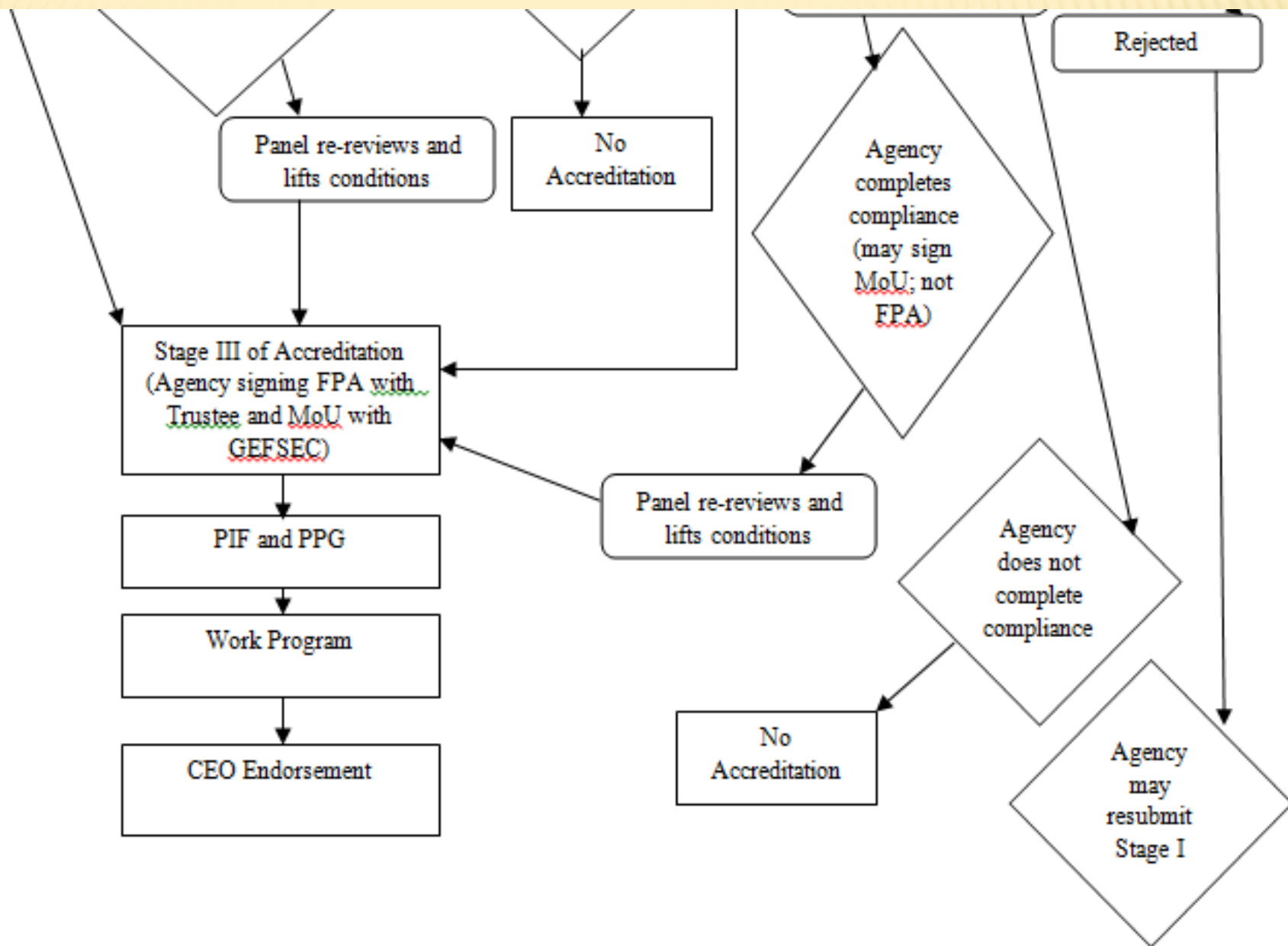
STAGE I : VALUE ADDED REVIEW CRITERIA

To Assess if applicants add value to the GEF partnership and align strategically with the GEF's objectives

1. Relevance to the GEF

2. Demonstration of Environmental and/or Climate Change Adaptation Results

3. Scale of Engagement

4. Capacity to Leverage Co-financing

5. Institutional Efficiency

6. Networks and Contacts

Accreditation Panel reviews application (desk review)

Additional review by the Accreditation Panel which may include a field visit (additional cost to be borne by the agency)

Rejected

Accreditation Panel issues a written assessment

Requires further review

Agency may resubmit Stage I

Approved

Conditional/provisional approval (grace period)

Accreditation Panel issues written assessment

Agency completes compliance (may sign MoU; not FPA)

Agency does not complete compliance

Approved

Conditional /provisional approval (grace period)

Rejected

Panel re-reviews and lifts conditions

No Accreditation

Rejected

Agency completes compliance (may sign MoU; not FPA)

Stage III of Accreditation (Agency signing FPA with Trustee and MoU with GEFSEC)

PIF and PPG

Work Program

CEO Endorsement

Panel re-reviews and lifts conditions

Agency does not complete compliance

No Accreditation

Agency may resubmit Stage I

STAGE II REVIEW PROCESS

Began in mid-June 2012

Conducted by the <u>Independent Accreditation Panel</u> consisting of

- Barbara Scott – Jamaica: Project/Activity Processes and Oversight.
- Mario Epstein – Brazil: Audit, Financial Management and Control Framework and Investigations.
- Sherif Arif – Egypt: Environmental and Social Safeguards and Gender Mainstreaming.

Panel's goal: **To assess if applicants are in compliance with all of the GEF Fiduciary Standards as well as applicable GEF Environmental and Social Safety Standards, including Gender Mainstreaming.**

Only those applicants that are determined by the Panel to be in full compliance with the GEF's standards may move on to Stage III of the accreditation process and sign legal agreements to become a GEF Project Agency.

A KEY OBJECTIVE of the Panel

Identify the critical elements which should be addressed by applicants or should be in place to ensure that institutional capacity, systems and procedures are sufficiently robust to guarantee (i) **effective and efficient use of GEF resources, (ii) sustainability and impact of the activities to be supported by these resources and (iii) accountability in the management of these funds.**

PANEL'S WORK

- Works remotely in general and meets in Washington, DC periodically.

- Conducts initial desk reviews of all applicants first and then, undertakes further reviews and field visits when necessary.

- Initial desk reviews take about 10-15 business days (or 1 calendar month) to complete on average.

- Conducts final interviews with qualified applicants at the applicants' HQ.

- Panel prepares a detailed report after each review, field visit and interview.

Further Review	Applicant did not meet the minimum requirements of one or more of the core E&S standards and/or scored below 5 for core and non core standards	A period of 3-6 months is provided to meet the minimum requirements of the E&S and gender mainstreaming standards
Conditional Approval	Applicant met the fiduciary standards but did not reply or did not meet the meet all the minimum requirements of the E&S standards and gender mainstreaming	An additional period of up to 12 months is provided to meet the minimum requirements of the E&S and gender mainstreaming standards
Approval	Applicant met all the minimum requirements of the E&S standards and gender mainstreaming	The Panel conducts interviews with senior management and key staff who are involved in meeting the fiduciary and safeguards requirements for accreditation and to observe the operations of the entity.
	Applicant was interviewed by the Panel members to validate and verify the responses on the Stage II application form and the documents submitted in support of these responses	The Panel identifies gaps and recommends in a memorandum that these gaps be addressed within seven days
	Applicant responds satisfactorily to the recommendation of the Panel provided in the interview	The Panel prepares the final assessment report
Accreditation of Stage II	The Panel recommends that the Applicant be approved to move on to the Stage III of the accreditation	No further action is required

STAGE II APPLICATION FORM

Available on-line at
http://www.thegef.org/gef/content/stage-ii-application-form

Consists of 5 sections and 140 questions:

- Section A: Audit, Financial Management and Control Framework (34)

- Section B: Project/Activity Processes and Oversight (29)

- Section C: Investigations (10)

- Section D: Minimum Standards on Environmental and Social Safeguards (60)

- Section E: Gender Mainstreaming (7)

SCORING MECHANISM

a) To be considered as qualified, the Applicant must obtain a score equal to or above 5 on all questions.

b) If the Applicant gets a score equal to or above 5 on most questions but not on all, in the first assessment, it may be approved in the future, if after a reassessment it gets scores equal to or above 5 on all questions.

SCORE	MEANING
1	No relevant data/information or evidence provided to perform an evaluation.
2 – 2.9	The Applicant does not meet requirements – capacity/procedures/systems/safeguards are not in place.
3 – 3.9	The Applicant does not meet requirements – weak capacity/systems/procedures/safeguards.
4 – 4.9	The Applicant meets the minimum requirements but capacity/systems/procedures/safeguards need to be strengthened within the given period of receiving accreditation.
5 – 5.9	The Applicant meets most requirements, minimal strengthening needed of capacity/systems/procedures/safeguards.
6	The Applicant meets all requirements

SCORING SHEET

A scoring sheet (with scores from 1-6) was developed for every question under each standard. The Passing score for every question is 5 and above

D1. Environment Policies and Environment Assessment

Note: Criteria with an Asterix (*) should have a minimum score of 5 for Accreditation in Environment Policies and Environment Assessment

	Elements	Supporting documentation	Requirements for corresponding scores	Scores	Justification for the Scores
1*	1.Environment Policies	1 * Official copy of the system used such as policies, structure, guidelines, on environment and/or sustainable development	No system available on environment	1	
			Limited guidelines only provided	2	
			Major Gaps in the System (policies/ strategies) not reflecting sustainable development	3	
			System (Policy/Strategy) officially adopted	4	
			System (Policy/Strategy) officially adopted and procedures in place for implementation	5*	
			System (Policy/Strategy) fully adopted and 1-2 projects/ programs in place for implementation	6	
2*	Environment and Social Impact Assessment (ESIA)	Established ESIA Systems *	No system (policy and /Strategy) Available on environment assessment	1	
			Limited Guidelines provided	2	
			Major gaps in the EIA systems	3	
			System available and ESIA general procedures available	4	
			System available and ESIA procedures and generic content of ESIA report available	5*	
			Policy/Strategy available and ESIA procedures , generic content of ESIA report available and copy of an outline of an ESIA report available	6	
3	EA Screening	3 Copy of screening methodology or procedures	No screening methodology or procedures	1	
			General but not specific procedures	2	
			Major gaps in methodology and procedures	3	

PANEL ASSESSMENT REPORT

o Shared with the Applicant at the end of every Panel review

o Inclues:

- A General Assessment of the Applicant
  - ★ Summary of the GEF standards met
  - ★ Standards which are inapplicable to the Applicant and why

- Detailed Assessment for Every Standard

  - ★ Strengths and weaknesses of the Applicant on every question
  - ★ Additional Explanation requested or Evidence to be provided by the Applicant

- General and specific minimum requirements for meeting the GEF's Standards and Safeguards
- Scoring Table with comments, explaining and justifying the scores given to the Applicant

SECTION A: AUDIT, FINANCIAL MANAGEMENT AND CONTROL FRAMEWORK

Conducted by Mario Epstein(D.Sc., J.D.)

A.1. External Financial Audit:

a)Did the Applicant appoint an **independent external audit** firm that works according to recognized international auditing standards ?

b)Does Applicant have an **independent audit committee** to oversee the work of the external audit firm ?

c)Are the **results from the audit considered** in a timely, appropriate, and comprehensive manner **by the administration and the Board**?

	In full compliance:	Not in full compliance:
APPLICANTS	5	6

A.2. Financial Management and Control Framework

a) Has the Applicant a **documented Control Framework** that includes roles for management, internal auditors, the board of directors?

b) What are the procedures in place for identifying internal controls and assessing **controls details annually in core financial management areas**?

c) Does the Agency has **separated its project implementation and execution** duties? Are duties segregated where incompatible?

d) Has the Applicant a **risk-based process** to provide reasonable **assurance** to management regarding **reliability of financial reporting** and financial management frameworks?

	In full compliance:	Not in full compliance:
APPLICANTS	5	6

A.3. Code of Ethics

a) Has the Applicant a **documented Code of Ethics** which defines ethical standard and describes disciplinary and enforcement actions for violations? **Is it aligned with the GEF's standards**?

b) How are **conflicts of interests** reviewed and resolved under the Applicant's policy?

c) How the Institution prevents **internal conflicts of interest and co**rruption?

d) Does the Applicant actively **promote ethical behavior** throughout the organization?

	In full compliance:	Not in full compliance:
APPLICANTS	6	5

A.4. Internal Audit

a) Is the Applicant's **internal audit function independent and or**ganized, with documented terms of reference?

b) Is the internal audit activity carried out **in accordance with internationally recognized standards**?

c) Has the Applicant a documented **annual audit planning process**, including a risk-based methodology for preparing the audit?

d) Does the officer designated to **head the internal audit** function **report** to a higher level within the organization?

e) **Auditors adhere to ethical principles of integrity, objectivity, confidentiality and competency**?

f) Does Internal auditors **monitor the response** to his/her recommendations?

	In full compliance:	Not in full compliance:
APPLICANTS	4	7

A.5. Financial Disclosure

a) Has the Applicant **a policy processes for the administration** and review **of financial disclosure interests** of defined parties?

b) Has the Applicant a documented **financial disclosure policy** that covers identified parties and defines conflicts of interest arising from personal financial interests that require disclosure?

c) How does the financial disclosure policy specify **prohibited personal financial interests**?

d) Is there a way to **disclose personal financial interests an**nually?

	In full compliance:	Not in full compliance:
APPLICANTS	5	6

SECTION C: INVESTIGATIONS

Conducted by Mario Epstein

C.1.Investigation Function

(Assess the Applicant's capacity for independent and objective investigation of allegations of fraudulent and corrupt practices in agency operations.)

a) Has the **Investigations Function publicly available terms of reference** that outline the purpose, authority, and accountability of the function?

b) Is the investigations function **headed by an officer who reports to an oversight body**, such as a committee of the board of directors or a comparable body?

c) Does the investigations function have **published guidelines for processing cases**?

d) Does the investigation function have a defined process for **periodic reporting of cases**?

	In full compliance:	Not in full compliance:
APPLICANTS	5	6

C.2. Hotline and Whistle Blower Protection

a) Does Applicant **provide avenues for reporting suspected ethics violations** and **protections for individuals reporting** such violations?

b) Is there an **accessible hotline or comparable mechanism** to take in reports of suspected unethical, corrupt, fraudulent or similar activity?

c) Does the **intake function** maintain a level of **autonomy from the investigations function**?

d) Are there procedures for the **periodic review of denounces**?

e) Does the Applicant's **whistleblower** protection policy specify **who is protected** and define the standard of protection from retaliation?

f) How does the Applicant ensure **confidentiality and/or anonymity**, as requested, of whistleblowers, informants and witnesses?

	In full compliance:	Not in full compliance:
APPLICANTS	5	6

CHALLENGES

a) Many Applicants present evidence not always related to the item under analysis.

b) Some Applicants present old external audits, they have no audit committee and no internal audit system.

c) Several external auditors' audits are not in accordance with International Auditing Standards.

d) External audit not always considered in a timely, appropriate, and comprehensive manner by the administration and the board.

e) Not all Applicants separate their project implementation from the execution duties.

f) Some Applicants have weak internal controls in core financial management areas.

g) Some Applicants have a poor Financial Disclosure Policy, with no conflicts of interests procedures.

h) In many Applicants, the investigation function is not headed by an officer, with functional independence.

i) In many Applicants the Hotline and Whistle Blower Protection policy are not (easily) available to external people. There is no easy way to denounce wrongdoing and/or keep anonymity.

j) In some Applicants, Whistleblower Protection Policy does not say who and how on is protected from retaliation.

OPPORTUNITIES

The accreditation process helped agencies to implement more structured and rigorous: processes and policies in the following areas:

a) External audits in accordance with International Auditing Standards.

b) Audit committee and internal audit system.

c) Review of the external and internal audits in a timely, appropriate, and comprehensive manner by the administration and the board.

d) Separation of project implementation from the execution duties.

e) Internal controls in core financial management areas.

f) Financial Disclosure Policy and conflicts of interests procedures.

g) Code of Conduct and Code of Ethics.

h) Investigation function.

i) Hotline and Whistle Blower Protection policy.

SECTION B: PROJECT/ACTIVITY PROCESSES AND OVERSIGHT

Conducted by Barbara Scott

B.1. Project Appraisal Procedures – Key Considerations

1. Does the agency understand the principles of project cycle management and have a working project cycle in place?

2. Does the agency adopt a results based management approach using a logic model in the design of projects?

3. Does the agency have capacity to carry out analysis of projects to ensure that projects which are selected for funding are likely to meet their development objectives?

4. Can the agency assess the capacity of executing agencies to execute projects and can it provide oversight to these agencies?

PROCUREMENT –KEY CONSIDERATIONS

1. Does the agency have a Procurement Policy which is aligned with international standards and practices and involves procedures and processes which (a) ensure accountability; (b) minimize the risk of breaches (c) can be used as a standard by executing agencies in carrying out procurement so that they can be held accountable ?

2. Are guidelines in place for all types of procurement and for all categories, especially international procurement and does the agency have the capacity to carry out procurement ?

3. Does the agency have systems/tools to assess executing agencies ability to carry out procurement ?

4. Can the agency monitor procurement during project implementation to ensure there are no breaches ?

5. Is there a policy of transparency where bids and contract awards are placed in the public domain ?

MONITORING – KEY CONSIDERATIONS

1. Does the agency have a monitoring policy which is consistent with the GEF's monitoring policy?

2. Are M&E plans prepared as part of project design?

3. Are there systems and procedures for tracking progress during implementation, toward results and determining risks using key indicators?

4. Is there higher level, managerial oversight of project implementation?

EVALUATION – KEY CONSIDERATIONS

1. Does the agency have an evaluation policy which is consistent with the GEF evaluation policy?

2. Does the policy and organizational structure ensure maximum independence in undertaking evaluations?

3. Does the evaluation function report to the board or a similar higher level managerial entity?

4. Are evaluation reports widely circulated and used to influence decision making at the agency level?

CHALLENGES : PROJECT/ACTIVITY PROCESSES AND OVERSIGHT

- ✖ 1. Many agencies do not have the capability to do technical and economic appraisals of projects and institutional assessments of executing entities.

- ✖ 2. Several agencies do not have well developed procurement systems which can guide executing entities in their procurement – especially procedures related to international competitive bidding.

- ✖ 3. Some agencies understand the concept of project supervision but do not practice a results based management approach to project design and implementation where emphasis is laid on the use of logic models and indicators for tracking results.

- ✖ 4. Few agencies have in place a Monitoring and Evaluation framework which is fully consistent with that of the GEF.

OPPORTUNITIES

- 1. The accreditation process helped agencies to implement more structured and rigorous project review and approval mechanisms

- 2. Agencies have developed more comprehensive procurement procedures and have committed to training staff in their application.

- 3. In general, systems and processes are being strengthened to better align with those of donors.

SECTIONS D AND E:
GEF STANDARDS ON ENVIRONMENTAL AND SOCIAL (E&S) SAFEGUARDS AND GENDER MAINSTREAMING (GM)

Conducted by Sherif Arif, PhD

THE GEF'S E&S AND GM STANDARDS:

* Eight standards for Environment and Social E&S) Safeguards and one standard for Gender Mainstreaming (GM)

* Stage II form includes a series of questions related to these standards to which each Applicant needs to respond and should provide supporting evidence and documentation, totaling 67 questions.

* These GEF standards are divided into:

  + Mandatory Core standards: All Applicants must demonstrate their ability to comply .These standards are: Environment Assessment, Natural Habitats, Accountability and Grievance Mechanism and Gender Mainstreaming.

  + Non Core standards : Applicants also need to comply unless they can demonstrate that one or more of these standards are "inapplicable" to them such that they would not have cause to apply them because of the types of projects they implement as part of their regular business. These standards are: Involuntary Resettlement, Indigenous People, Pest Management, Physical and Cultural Resources, and Safety of Dams

CHALLENGES AND OPPORTUNITIES OF THE E&S AND GM REVIEW PROCESS - 1

Challenges

- Stage II Review has subjected Applicants to very strict standards as opposed to other methods such as the more flexible principles used by the Word Bank Operational Policy (OP 4.0) « Use of Country Systems »

- Unfamiliarity of the Applicants with the GEF E&S Standards related to separate policies, procedures and documents .

- Inadequate answers and very few evidence provided by Applicants to support their answers .

- Lack of Applicants' institutional arrangements and staff skills and experience in Environment and Social Safeguards.

- Delays due to delayed response from some of the Applicants and to need for translation of many key and, at times, lengthy and complicated documents.

Opportunities

- Stage II reviews led to institutional reforms in the Applicants' line of business

- Helped elevate the image and standards of the Applicants in the international arena for environmental and social protection and gender mainstreaming

- Harmonized platform on E&S and GM will facilitate access to donors support not only for GEF but for other internationlal funding such as climate change

- Recognition by the Applicants which were interviewed to date that the interaction and dialogue with the Panel members and the GEF Secretariat through out the process proved to be very constructive and provided Applicants with added value and understanding of the accreditation process