

50<sup>th</sup> GEF Council Meeting  
June 07 – 09, 2016  
Washington, D.C.

Agenda Item 06

**MONITORING AGENCY COMPLIANCE WITH GEF POLICIES ON  
ENVIRONMENTAL AND SOCIAL SAFEGUARDS, GENDER AND FIDUCIARY  
STANDARDS**

**Recommended Council Decision**

The Council, having reviewed document GEF/C.50/04, *Monitoring Agency Compliance with GEF Policies on Environmental and Social Safeguards, Gender, and Fiduciary Standards*, took note of the three options presented and decided to pursue Option 3. The Council requests the Secretariat to present efficient and effective implementation modalities for this option at the Spring 2017 Council Meeting.

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## INTRODUCTION

1. In June 2015, the Council reviewed the document *GEF Agency Compliance with Policies on Environmental and Social Safeguards, Gender, and Fiduciary Standards* (C.48/06). On the basis of this review, the Council determined that GEF Agencies were in compliance with these three policies.<sup>1</sup> In addition, the Council requested the “*Secretariat to provide options at the June 2016 Council Meeting on whether and how the Council would monitor Agencies on-going compliance with these policies*” (GEF’s “minimum standard policies”).<sup>2</sup>

2. These three key GEF policies are designed to support environmental, social, gender and fiduciary goals in GEF programming work, strengthen the accountability of Agencies to advance these goals, and minimize operational and reputational risks. In general, the policies provide that Agencies need to have: (i) internal policies or measures in place which meet, or are equivalent to, the criteria or standards listed in each policy; and (ii) sufficient systems and institutional capability to implement these policy requirements in the design, implementation, and monitoring-evaluation of GEF-financed projects.<sup>3</sup>

## BACKGROUND

3. When the Council adopted the GEF Policies on environmental and social safeguards, fiduciary standards, and gender, it also adopted a process to assess whether the ten GEF Agencies existing at the time were in compliance with these policies. The steps in this process to assess policy compliance by the existing Agencies, and its final conclusions, are set out in Council Document C.48/06, noted above.<sup>4</sup> These three GEF policies also served as benchmark

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<sup>1</sup> The three Policies referred to in this Council decision are (i) *Agency Minimum Standards on Environmental and Social Safeguards* (SD/PL/O3) (ii) *Gender Mainstreaming Policy* (SD/PL/O2), and (iii) *Minimum Fiduciary Standards for GEF Partner Agencies* (GA/PL/O2). They are found at [https://www.thegef.org/gef/policies\\_guidelines](https://www.thegef.org/gef/policies_guidelines).

<sup>2</sup> Although Council Document C.48/06 pertained to the compliance of the ten GEF Agencies, the Council decision, and this paper, relates to 18 GEF Partner Agencies. This includes the 8 Project Agencies that were accredited through the Accreditation Pilot. Unless otherwise noted, the term “Agencies” means the 18 GEF Partner Agencies.

<sup>3</sup> See, for example, *Agency Minimum Standards on Environmental and Social Safeguards*, paragraph 9; *Minimum Fiduciary Standards for GEF Partner Agencies*, paragraphs 12 - 16; *Gender Mainstreaming Policy*, paragraphs 10-12.

<sup>4</sup> In sum, the assessment of the compliance of the 10 existing GEF Agencies with the policies commenced in accordance with a Council decision in June 2007 (C.31/06) to approve the Policy on Fiduciary Standards. In November 2010, having reviewed the document *Accreditation Procedure for GEF Project Agencies* (C.39/08/Rev.02), the Council adopted Fiduciary Standards as well as the yet-to-be developed Safeguards Standards as the Accreditation Pilot assessment criteria. The Council approved the Gender Policy in May 2011 with provisions for the 10 Agency assessment, and the Accreditation Pilot adopted its policy requirements as part of the accreditation assessment criteria. The Council subsequently approved the Policy on Safeguard Standards in November 2011 (C.41/10.Rev.01), after which the assessment on the 10 GEF Agencies’ compliance with Safeguard Standards and Gender Policy commenced. The World Bank was exempted from the Safeguard Standards

review criteria for Stage II of the GEF Accreditation Pilot, to determine whether prospective new agencies were eligible for accreditation by GEF.<sup>5</sup>

4. As a result of the successful completion of these two assessment exercises, the Council concluded, in June 2015, that the ten GEF Agencies have satisfactorily met the requirements of the three policies (C.48/06), and eight applications successfully completed the Stage II review by the Accreditation Panel (C.48/10/Rev.01). As a result, Agencies have signed Memoranda of Understanding (MoUs) with the GEF Secretariat to ensure that if there are any policy changes, there is a system to address any inconsistencies.

#### **MONITORING OPTIONS**

5. In presenting options to monitor on-going compliance of GEF Agencies with the three GEF policies going forward, it is important to take into account at the outset what is required of the Agencies under the policies. This is noted in paragraph 2, above.

6. In line with these requirements, the discussion which follows sets out options for monitoring whether the GEF Agencies: (i) continue to have internal policies in place which meet, or are equivalent to, the standards/criteria listed in each of the three policies; and (ii) continue to have sufficient systems and institutional capability to implement these policy requirements in the design, implementation, and monitoring-evaluation of GEF projects.

7. In addition, given that Council recently has made a determination that the Agencies are in compliance with the three policies, it is suggested for purposes of efficiency that any additional monitoring of compliance in the future would focus on whether something has *changed* in the Agencies' policies or systems-capability that could put them out of compliance.

#### **Option 1: No additional monitoring**

8. Under this option, no further monitoring would be carried out on Agency compliance with the GEF policies beyond normal review and monitoring of information provided under the existing system. This includes information submitted by Agencies relating to projects and relating to cases from their grievance resolution systems. The basis for this approach is that:

- (a) The Agencies have just completed an extensive review process to determine that they meet the requirements of the three GEF policies.
- (b) As part of this process, the Agencies have been determined to have their own internal systems in place to review and maintain compliance with their own

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assessment "because the GEF safeguard standards are derived from a version of the WB's safeguard standards it is understood that the World Bank already meets the standards."

<sup>5</sup> The steps in this process, and its conclusions, are set out in Council Document *Progress Report on the Pilot Accreditation of GEF Project Agencies* (C.48/10/Rev.01)

policies, including policies relating to safeguards, gender and fiduciary standards which are needed to maintain compliance with the three GEF policies. These Agency systems include their own internal audit systems, independent evaluation systems, and independent accountability and grievance mechanisms.

- (c) As part of the regular project cycle, Agencies submit project proposal information to the Secretariat for review. They also prepare reports on the status and implementation of GEF-supported projects which are compiled by the Secretariat and presented to Council in Annual Monitoring Reports (AMR). This does not, however, generally include reporting on compliance with GEF policies, except for an existing requirement in paragraph 12 of the GEF Policy on Safeguards which provides as follows: *“GEF Partner Agencies will report annually, as part of their submissions for the Annual Monitoring Review (AMR), on cases that have been reported to their respective resolution systems and how they are being addressed.”* Reporting on these cases, and how they are being resolved, can provide one basis to assist the Council in knowing about and understanding potential issues of policy non-compliance, especially in relation to environmental and social safeguards and gender mainstreaming
- (d) The GEF IEO also provides an avenue to evaluate Agency performance, in line with its mandate.

9. In addition, as a result of the accreditation process, the MOUs between GEF Agencies and the GEF Secretariat include a process by which any changes in Agency policies or procedures which may be inconsistent with GEF policies and procedures are addressed.<sup>6</sup>

**Option 2: Option 1 + Agency reporting on relevant policy changes aligned with replenishment cycle**

10. This option includes and builds on Option 1. Under this option, all Agencies would be required to provide to the Council through the Secretariat, once per replenishment cycle,<sup>7</sup> a certification with supporting documentation, as appropriate, that there has been no change to Agency policies and procedures that would put them out of compliance with the three GEF policies. This certification would be signed by the Agency representative, certifying their compliance, and would focus on the question of whether anything had changed in terms of

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<sup>6</sup> This is reflected in the following provisions of a number of the MoUs between Agencies and the GEF: “2.01 All provisions of this MOU will be interpreted and carried out in accordance with GEF Policies and Procedures and ‘Agency’s’ Policies and Procedures. 2.02 If any decisions or guidance referred to under section 2.01 are inconsistent with the policies or procedures of the GEF or ‘Agency’, the Secretariat and ‘Agency’ will promptly take all appropriate actions to resolve any such inconsistency.”

<sup>7</sup> Given that the process to review agency compliance with the GEF policies was completed last year, it is suggested that this new reporting requirement would take effect in GEF-7, with reporting in the final year of the cycle.

Agency policies, systems or capacity that could affect their consistency with the three GEF policies.

11. In case an Agency cannot certify compliance, the Agency would need to establish a concrete time-bound action plan to achieve compliance, which it sends to the Secretariat for review and approval by the Council.

**Option 3: Options 1 and 2 + Expert review of Agency reporting**

12. This option consists of existing measures and Agency reporting, as set out in options 1 and 2 above, complemented by the hiring by the Secretariat (and for fiduciary standard hiring in consultation with the Trustee) of an expert or experts to conduct a desk-based assessment of Agency reporting and compliance action plans and provide an assessment for consideration by the Council.<sup>8</sup> These experts would have no other work for the GEF Secretariat<sup>9</sup>.

13. This approach of a desk-based review was also used during the earlier process of assessing Agency compliance, and would be tailored to the monitoring task at hand. In particular, the expert(s) would focus on whether any changes that had occurred in Agencies' policies or systems-capabilities that raised issues of compliance, and could take into account the level of experience and history of the Agencies in addressing any inconsistencies.

14. The independent expert review would provide an additional means for the Council to be able to see that the requirements of the GEF policies are still being met. This option would be more costly than Options 1 and 2 due to the element of hiring a qualified expert to conduct the review. The scope of the exercise, on the other hand, would be focused and tailored as set out herein.

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<sup>8</sup> The Secretariat could hire a firm or one or more experts to undertake this assessment, taking into account lessons from previous experience. In the case of the Fiduciary Standards, the Trustee hired PricewaterhouseCoopers LLP, on behalf of the Council to assess the ten GEF Agencies. (See Council Document GEF/C.35/5, *Status of the GEF Agencies with Respect to Minimum Fiduciary Standards*. This proved to be efficient and effective. As reported in Council Document GEF/C.45/10, *Review of GEF Agencies on Environmental and Social Safeguards and Gender Mainstreaming*, the Secretariat hired two consultants to assess these same Agencies on safeguards and a third on gender mainstreaming. (See Council Document GEF/45/10, *Review of GEF Agencies on Environmental and Social Safeguards and Gender Mainstreaming*.) (It was felt that a single firm might not have the requisite expertise to assess the Agencies, particularly on safeguards.) The GEF Accreditation Panel reviewed all applicants for accreditation against these standards and requirements. Based on prior experience, hiring a firm would likely be the more efficient approach, depending, of course, on finding a firm that could undertake an assessment regarding all three policies

<sup>9</sup> In this way making them more independent.

15. In case of non-compliance, as in Option 2, the Agency would need to establish a concrete time-bound action plan to achieve compliance, which it then sends to the Secretariat for review and approval by the Council.

#### COMPLIANCE REASSESSMENT WHEN POLICIES ARE UPDATED

16. Independently of which option is chosen to monitor compliance with the three GEF policies, it may also be appropriate to review Agency compliance if and when any of the three GEF policies themselves are updated. If the three GEF policies are updated and changed in a significant way, then this would raise directly the question of whether the Agencies are in compliance with the policies as revised. In this event, a follow-up process would be initiated to reassess compliance with Agencies. The scale of such an exercise would be determined at the time of its launching.

17. The idea that the three GEF policies would be updated over time is more than hypothetical; in fact, it was built into the original policies:

- (a) *GEF Safeguards Policy*: In November 2013, the Council requested that the GEF Independent Evaluation Office (IEO) begin an assessment of GEF Safeguard Standards after the conclusion of the Accreditation Pilot, and that the Secretariat present a revised policy for Council consideration taking into account the findings of the IEO evaluation and any guidance from the Council (GEF/C.45/10). It is also important to note in this regard that new World Bank Safeguard Policies/Standards are being prepared and will likely be considered by the Bank's Board of Directors in the near future. This is particularly relevant as the GEF Safeguards Policy itself is based to a large extent on the now existing World Bank Safeguard Policies. The Secretariat, therefore advises, that any revision to the GEF's standards await the finalization of this process.
- (b) *GEF Fiduciary Standards*: In June 2007, upon approval of the Fiduciary Standards, the GEF Council recognized that "*international practices will evolve over time*", and so it was recommended that "*the Council review the standards periodically, such as every four years.*" (GEF/C.31/06). The Secretariat and Trustee are not aware of new international practices that make the current standards inconsistent with the GEF's operating needs and therefore do not see a need for updating the Fiduciary Standards of the GEF at this time. We will continue to monitor the new international practices for any necessary updates of Fiduciary Standards by the Council in the future.
- (c) *GEF Gender Policy*: The GEF Gender Equality Action Plan includes a commitment to update the Gender Policy by 2018. Together with the GEF Gender Partnership, the Secretariat is focusing on various actions to implement this Action Plan, including, as one initial step, developing GEF operational guidelines to support mainstreaming of gender aspects across the GEF project cycle.



## **ADDRESSING NON-COMPLIANCE**

18. In the event of Agency non-compliance, as described in Options 2 and 3 above, Agencies would need to establish a concrete time-bound action plan towards compliance, in discussion with the Secretariat and approval by the Council. This approach could build upon the past experience in developing and implementing action plans in the initial round of assessing whether existing agencies met the minimum standards in the three GEF policies, noted above. In the event of lack of compliance with GEF minimum standards that is not addressed in a timely manner, for example through implementation of a time-bound action plan, the Council would discuss what consequences might be appropriate.

## **RECOMMENDATION**

19. The three options described above are, in effect, tiered upon each other - so that Option 2 includes Option 1 and Option 3 includes Options 1 and 2. The determination of which of these options to choose depends, in large part, on the extent to which Council determines that additional reporting and other review measures are needed beyond those already in place to provide assurance of ongoing compliance by the Agencies with the GEF policies.

20. The GEF Secretariat recommends Option 3 as the preferred option, with the understanding that the modalities for implementing this option could be further developed by the Secretariat if considered appropriate by Council. This would allow time to take into account any relevant lessons from experience with the new Agencies in the GEF partnership, as well as other developments and practice in the field. This option will provide an additional means, through independent expert review, for the Council to be able to see that the GEF policy requirements continue to be met.