

53rd GEF Council Meeting
November 28 – 30, 2017
Washington, D.C.

Agenda Item 12

RATIONALE AND PLAN TO REVIEW THE GEF'S FIDUCIARY STANDARDS

Recommended Council Decision

The Council, having reviewed document GEF/C.53/08, *Rationale and Plan to Review the GEF's Fiduciary Standards* agrees that the 2007 GEF policy GA/PL/02, *Minimum Fiduciary Standards for GEF Partner Agencies* should be reviewed in light of evolving best practice and requests the Secretariat in collaboration with the Trustee to present the findings of such a review at the 55th Council meeting in the Fall of 2018.

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INTRODUCTION

1. The Council, at its 52nd meeting in May 2017, requested the Secretariat “to present a rationale and a plan to review the GEF's Fiduciary Standards to be presented to Council at the November, 2017 Council Meeting”¹.
2. This document responds to the request from the Council on the rationale for reviewing the 2007 policy, *Minimum Fiduciary Standards for GEF Partner Agencies*², and sets out the next steps for carrying out such a review and presenting its finding for Council consideration at its 55th meeting in the Fall of 2018.

BACKGROUND

3. At its 31st meeting in June 2007, the Council took note of the *Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies*³, prepared by the Trustee, and requested the Agencies to implement them. The Council further requested that Agencies implement the standards within one year, or put in place plans to begin implementation by a specified date; and that each Agency present a report to the GEF Secretariat on its compliance for consolidation and submission to the Council at its 33rd meeting in April 2008. Recognizing that international practices would evolve over time, the Council agreed to review the fiduciary standards every four years.⁴
4. In November 2011, the Council decided to update the fiduciary standards to address more clearly the separation of implementation and execution functions for all GEF Partner Agencies⁵⁶.

¹ Joint Summary of the Chairs, 52nd GEF Council Meeting, May 23–25, 2017

(http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.52_Joint_Summary_of_the_Chairs.pdf)

² GA/PL/02

(http://www.thegef.org/sites/default/files/documents/GA.PL_02_Minimum_Fiduciary_Standards_0.pdf)

³ GEF/C.31/6,

⁴ Joint Summary of the Chairs, GEF Council Meeting, June 12–15, 2007

(http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summary_of_the_Chairs_Final_1.pdf)

⁵ GEF/C.41/06/Rev.01, *GEF Minimum Fiduciary Standards: Separation of Implementation and Execution Functions in GEF Partner Agencies* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.41.06.Rev_01_GEF_Minimum_standards_paper_1.pdf)

⁶ Joint Summary of the Chairs, 41st GEF Council Meeting, November 8–10, 2011

(http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summaries_11.10.11_0_4.pdf)

5. Following the adoption of the minimum standards in 2007, GEF Agencies⁷ reported on their compliance with the new standards, and – where necessary – developed action plans to achieve compliance⁸. As of May 2014, all ten GEF Agencies have been fully compliant with the fiduciary standards⁹.

6. In addition to the ten GEF Agencies that could receive GEF funding in 2007, the GEF's fiduciary standards were applied in the accreditation of eight, new GEF Project Agencies¹⁰ as part of the pilot on broadening the GEF Partnership, carried out between 2011 and 2015.

7. Apart from the minimum fiduciary standards, all Agencies have financial procedures agreements (FPA) in place with the Trustee. In accordance with these agreements, Agencies undertake that the funds transferred to them under the FPAs are used for the purpose for which they have been provided. In doing so, Agencies' apply their own policies, procedures and practices, including when these exceed the GEF's 2007 minimum fiduciary standards.

8. In May 2012, the Council approved¹¹ to strengthen the financial procedures around the return of GEF funds that have not been used for the purposes provided in accordance with GEF Council decisions.

⁷ The term GEF Agency refers to the ten institutions that were entitled to receive GEF Trust Fund resources directly as of November 2010, including (a) the three Implementing Agencies, as identified in the GEF Instrument: the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and the World Bank; and (b) the seven Agencies previously granted access to GEF resources under Paragraph 28 of the Instrument: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Food and Agriculture Organization of the United Nations (FAO), the Inter-American Development Bank (IDB), the International Fund for Agricultural Development (IFAD), and the United Nations Industrial Development Organization (UNIDO).

⁸ See e.g. GEF/C.33/Inf.06, *Report on the Compliance of the GEF Agencies on the Implementation of Recommended Minimum Fiduciary Standards* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.33.Inf_06_Fiduciary_Standards_1.pdf); and GEF/C.35/05, *Status of the GEF Agencies with Respect to Minimum Fiduciary Standards* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.35.5_Fiduciary_Standards_4.pdf); GEF/C.38/10, *Agency Progress on Meeting GEF's Minimum Fiduciary Standards* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.38.10_Agency_Progress_on_Meeting_Fiduciary_Standards_0_4.pdf)

⁹ GEF/C.46/Inf.05, *Agency Progress on Meeting the GEF Fiduciary Standards* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.Inf_05%20Agency%20Progress%20on%20Meeting%20the%20GEF%20Fiduciary%20Standards_April%2022%202014.pdf)

¹⁰ These are: Conservation International (CI), the Development Bank of Latin America (CAF), Development Bank of Southern Africa (DBSA), Foreign Economic Cooperation Office, Ministry of Environmental Protection of China (FECO), Brazilian Biodiversity Fund (FUNBIO), International Union for Conservation of Nature (IUCN), West African Development Bank (BOAD), World Wildlife Fund (WWF-US).

¹¹ GEF/C.42/04, *Clarifying the Responsibilities of the GEF's Key Actors with respect to the Use of GEF Resources* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.42.04_Clarifying_the_Responsibilities_of_the_GEF%27s_Key_Actors_with_respect_to_the_Use_of_GEF_Resources_4.pdf)

RATIONALE FOR REVIEWING THE GEF'S MINIMUM FIDUCIARY STANDARDS

9. Given the relatively recent completion of the accreditation pilot and the assessment of GEF Agencies' compliance, the policy on minimum fiduciary standards has not yet undergone a comprehensive review, but such a review may now be reasonable with a view for the GEF to remain consistent with current, international standards and practices. The main rationale being:

- (a) Notwithstanding a few updates to the policy and financial procedures, the core of the GEF's minimum fiduciary standards date from 2007 and there may be a need to carry out a comprehensive review to assess the extent to which the GEF's policy and financial procedures remain on par with international best practice.
- (b) In its 2017 *Review of the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards*¹², the Independent Evaluation Office (IEO) recommended that the GEF improve safeguards monitoring and reporting to ensure a "flow-through" of monitoring information on safeguards implementation. Similarly, there may be a need to review whether the GEF needs better monitoring and evaluation processes that adequately assess and report on the effectiveness of its fiduciary standards.
- (c) Some Council members have noted that the GEF's policies do not explicitly address anti-money laundering actions or measures to combat the financing of terrorism (AML/CFT). Many international institutions have rules related to AML/CFT and such issues would be reviewed in the context of procurement standards and risks under appraisal standards. However, as best practice evolves many international institutions have taken greater steps to address this matter, and the GEF may wish to determine whether further work is needed.
- (d) In addition to the above, input received from civil society stakeholders has highlighted that the GEF's minimum fiduciary standards lack a clear requirement for Agencies to include – in their contractual agreements with executing partners – specific provisions regarding anti-corruption requirements, and that there may be inconsistencies across Agencies' policies pertaining to whistleblower protection.

NEXT STEPS: A CONSULTATIVE PROCESS TO REVIEW THE GEF'S MINIMUM FIDUCIARY STANDARDS

¹² GEF/ME/C.52/Inf.08 (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.52_Inf.08_Safeguard_May_2017.pdf) -

10. For the reasons described in Paragraph 9 above, the Council may wish to request a review of the policy on *Minimum Fiduciary Standards for GEF Partner Agencies*¹³.

11. If the Council decides that a review is needed, it could request the Secretariat in collaboration with the Trustee to initiate a review by an independent expert, such as an international public accounting firm¹⁴. The review should provide for robust consultation with all Agencies and other stakeholders, including civil society, and it should assess the evolution of industry standards both within and beyond the GEF Partnership. Accordingly, the Trustee and the Secretariat believe that adequate time should be allowed, and that the findings of the review be presented for Council consideration by its 55th meeting in the Fall of 2018.

¹³ GA/PL/02

(http://www.thegef.org/sites/default/files/documents/GA.PL_02_Minimum_Fiduciary_Standards_0.pdf)

¹⁴ The 2007 policy was approved by the Council based on a proposal developed by the Trustee, in consultation with GEF Agencies, and with the assistance of a major international public accounting firm.