



GEF/C.55/09
November 29, 2018

55th GEF Council Meeting
December 18 – 20, 2018
Washington, D.C.

Agenda Item 08

UPDATING THE MINIMUM FIDUCIARY STANDARDS ON ISSUES RELATED TO ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

Recommended Council Decision

The Council, having reviewed document GEF/C.55/09, *Updating the Minimum Fiduciary Standards on Issues Related to Anti-Money Laundering and Combating the Financing of Terrorism*, approves, with immediate effect, the minimum requirements for Agencies on anti-money laundering and combating the financing of terrorism contained in Annex I of this document and requests the Secretariat to include those minimum requirements in an updated version of the Minimum Fiduciary Standards for GEF Partner Agencies (GA/PL/02).

The Council requests Agencies to certify that they meet the approved minimum requirements, or present a time-bound action plan to achieve compliance, no later than April 30, 2019. The Council requests the Secretariat to compile Agencies' certifications and any action plans for the Council's review and decision at its 56th meeting in the Spring of 2019.

TABLE OF CONTENTS

Introduction 1
Background 2
Proposed Minimum Requirements on AML-CFT 2
Annex I: Minimum Requirements for Agencies on Anti-Money Laundering and Combating the
Financing of Terrorism 4

INTRODUCTION

1. The Council, at its 54th meeting in June 2018 and having reviewed document GEF/C.54/09/Rev.01, *Identification of Issues Related to Anti-Money Laundering and Combating the Financing of Terrorism*¹, “[took] note of the issues identified [and requested] the Secretariat, in collaboration with the Trustee, to present for Council consideration at its 55th meeting in the Fall of 2018 a proposal to update the Minimum Fiduciary Standards to close any immediate gaps related to anti-money laundering and combating the financing of terrorism (AML-CFT) in accordance with the principles stated in Paragraph 14 of [the] document”².

2. Paragraph 14 of the above document suggested the following principles:

“(a) requirement that Agencies have standard practices and procedures, on anti-money laundering and combating the financing of terrorism;

(b) compliance with any decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions; and

(c) requirement that Agencies inform the Council if funds are not being used or have not been used for the implementation of a project or of any illegal or corrupt practice”³.

3. Pursuant to the Council’s decision, this document presents for the Council’s consideration minimum requirements for Agencies on AML-CFT (Annex I). If approved, the proposed requirements would be included in an updated version of the *Minimum Fiduciary Standards for GEF Partner Agencies (GA/PL/02)*⁴ with immediate effect. Agencies would be required to certify that they meet the approved minimum requirements or present a time-bound action plan to achieve compliance, no later than April 30, 2019.

¹ (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.09.Rev_.01_AML-CFT_0.pdf)

² *Joint Summary of the Chairs, 54th GEF Council Meeting, June 24–26, 2018* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54_Joint_Summary_of_the_Chairs_0.pdf)

³ GEF/C.54/09/Rev.01, *Identification of Issues Related to Anti-Money Laundering and Combating the Financing of Terrorism* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.09.Rev_.01_AML-CFT_0.pdf)

⁴ (http://www.thegef.org/sites/default/files/documents/GA.PL_.02_Minimum_Fiduciary_Standards_0.pdf)

BACKGROUND

4. As described in the June 2018 Council paper, existing policies, procedures, practices and systems constitute three lines of defense against money laundering and the financing of terrorism:

- (a) The Trustee's screening of donors in connection with any contributions to GEF-managed trust funds;
- (b) The Trustee's screening of Agencies in connection with any transfers from GEF-managed trust funds; and
- (c) Agencies' screening and/or due diligence of third party recipients in connection with project-level transfers.

5. Given that the World Bank's comprehensive screening procedures apply to 4.a and b above, the paper did not find a need to strengthen relevant policies or procedures in this respect. With respect to 4.c, however, the paper suggested a need to further review the related risks and present, as necessary, a proposal to update the Minimum Fiduciary Standards for Agencies to close any immediate gaps related to AML-CFT.

6. Following the Council's decision in June, and as part of a broader review of the GEF's Minimum Fiduciary Standards, the Secretariat circulated in September a questionnaire to the Agencies on the evolution of their respective policies, procedures and systems related to the fiduciary standards, including AML-CFT. As of November 2018, 16 of 18 Agencies had responded to the questionnaire. Of those, 15 Agencies indicated that they have in place "a policy/ procedure/ standard practice approach on AML-CFT". In many cases, key elements of Agencies' relevant policies and procedures are restricted from public access, but many Agencies provided references to publicly available documents that describe their AML-CFT frameworks.

PROPOSED MINIMUM REQUIREMENTS ON AML-CFT

7. In light of the further stocktaking carried out by the Secretariat, there is no evidence of a significant gap in terms of the ability of the GEF Partnership to effectively address risks related to money laundering and/or the financing of terrorism. Still, to ensure a reasonable degree of consistency across Agencies, and to clearly articulate the GEF's standard with respect to AML-CFT, the Secretariat, in collaboration with the Trustee, has developed the minimum requirements contained in Annex I.

8. The requirements underscore the need for Agencies to systematically screen individuals and/or entities for risks related to money laundering and the financing of terrorism, and effectively respond to any risks identified. Consistent with language included in many Agencies' financial procedures agreements with the Trustee, the minimum requirements also refer to UN Security Council resolutions.

9. To ensure a timely roll-out of the minimum requirements, the Secretariat proposes that Agencies present a signed certification of compliance with the minimum requirements, or a time-bound action plan to achieve compliance, no later than April 30, 2019. The Secretariat would compile Agencies' certifications and any action plans for the Council's review and decision at its 56th meeting in the Spring of 2019.

ANNEX I: MINIMUM REQUIREMENTS FOR AGENCIES ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

1. Considering best practice in anti-money laundering and combating the financing of terrorism in a manner consistent with each Agency's mandate and as appropriate to each Agency's unique governmental, non-governmental, or intergovernmental status, and as applicable depending on each Agency's privileges and immunities, Agencies demonstrate that they have in place the necessary policies, procedures, systems, and capabilities to:

- (a) Systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism;
- (b) Effectively address risks when identified, based on standard decision-making procedures;
- (c) Prevent GEF funds being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.

2. Agencies notify in a timely manner the Council, through the Secretariat and with a copy to the Trustee, if GEF funds are not being used or have not been used for the purpose for which they have been provided, including any illegal or corrupt practice.