



GEF/C.38/Inf.10  
June 28, 2010

---

GEF Council Meeting  
June 29 – July 1, 2010  
Washington, D.C.

**BROADENING GEF EXECUTING ENTITIES:**  
ASSESSMENT OF COST BENEFITS ANALYSIS AND RISK-BASED  
EVALUATION AND ACCREDITATION OF NEW GEF EXECUTING  
ENTITIES

**Prepared for the GEF Secretariat by Grant Thornton, LLP**



Grant Thornton

Global Environment Facility

## **Broadening GEF Executing Entities**

Assessment of Cost Benefits Analysis and Risk-based  
Evaluation and Accreditation of New GEF Executing  
Entities

Final Report

June 25, 2010



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Contents

	<b>Page</b>
<b>Executive Summary</b>	<b>3</b>
<b>Section 1 – Cost Benefit Analysis</b>	<b>5</b>
GEF Administrative Expenses	5
Corporate Activities	5
Project Cycle Management – Agency Fees	6
Project Management	7
GEF Cost Analysis	10
GEF Organization and Activities	11
GEF Secretariat Organizational Chart	12
GEF Required Accreditation Activities	12
GEF Secretariat Estimated Costs	14
Agency Fee Assessment	16
Cost Benefits	17
<b>Section 2 – Accreditation Process</b>	<b>19</b>
Accreditation Entity: Firm vs. Panel	19
GEF Secretariat’s Level of Independence in the Accreditation Process	20
Application Review: Single Full Review vs. Progressive Review	24
Process to Retain Accreditation Entity	25
Source of Funding to Pay Accreditation Entity	28
Accreditation Fee Cost Assessment	29
The Accreditation Cycle	30
Step 1: Applicants Endorsement	31
Step 2: Applicants Endorsement Submission	31
Step 3: The GEF Secretariat Endorsement Verification	32
Step 4: Application Completion	32
Step 5: Accreditation Entity Selection	33
Step 6: Accreditation Entity Application Evaluation	33
Step 7: Accreditation Entity Application Assessments	34
Step 8: The GEF Council Accreditation Decision	34
Step 9: Applicant Accreditation Notification	35

Accreditation Types and Fee Structure	35
New	35
Reaccreditation	35
Reaccreditation after suspension	35
<b>Section 3 – Risk-Based Evaluation Process</b>	<b>36</b>
Evaluation Criteria	36
Strategic Evaluation Criteria	36
Performance Evaluation Criteria	37
Financial Management and Internal Control Evaluation Criteria	38
Application Form	39
Risk-Based Scoring Methodology	41
<b>Referenced Appendices</b>	<b>44</b>
<b>Appendix A – Benchmark Survey Findings</b>	<b>45</b>
<b>Appendix B – Request for Proposal Questions, Issues and Answers</b>	<b>46</b>
<b>Appendix C – Accreditation Process Workload Estimates</b>	<b>50</b>
<b>Appendix D – GEF Trustee Provided Cost Estimates</b>	<b>52</b>
<b>Appendix E – Accreditation Form</b>	<b>54</b>
<b>Appendix F – Applicant Executing Entity Tracking System</b>	<b>60</b>
<b>Appendix G – Glossary of Terms</b>	<b>61</b>

# Executive Summary

The Global Environment Facility (GEF) Secretariat retained Grant Thornton to a) perform a cost-benefit analysis to determine if the proposed benefits of additional new executing entities (EE) outweigh the incremental costs; b) recommend risk-based accreditation requirements and criteria to approve or reject an Applicant as a GEF EE; and c) provide a recommended methodology and process for the accreditation.

To conduct this work, Grant Thornton collected information, conducted staff interviews, performed benchmark interviews of like organizations, assessed processes, performed economic and break-point analysis, reviewed completed GEF projects, and developed risk-based accreditation requirements and methodology. Based on the work performed, Grant Thornton prepared a report to provide the GEF with options and recommendations on how the GEF could broaden the number of EEs with which it could collaborate directly for the preparation, execution and financing of projects. The GEF Secretariat intends to present the results of this work to the GEF Council in June 2010.

The cost-benefit analysis addressed two key questions: (a) will the expansion of GEF Agencies result in net additional costs to the GEF or can this proposed reform be accomplished in a cost-neutral manner; and (b) if there are net additional costs, are these outweighed by the expected benefits. Based on the analysis performed and our assumptions, Grant Thornton believes that incremental start-up costs and recurring annual costs will be incurred by the GEF. These costs largely arise as charges by the GEF Trustee for activities to support the initiation and induction of the new entities and the related increase in quarterly transactions. We also anticipate a small increase in costs for the GEF Secretariat to manage the accreditation of the new entities. These additional costs of the GEF Trustee and the GEF Secretariat can be offset by an agency fee policy change, and if the GEF Council approves a lower fee of 9% for new EEs, the GEF can broaden its partnership over the next four year funding period, known as the GEF Fifth Replenishment Period (GEF-5). There could be additional scope for cost savings as the GEF moves towards a two-tiered approach to project overhead costs and further reduces the project management costs of GEF EEs that are built into GEF project grants. To broaden its partnership, the GEF would need to use the savings identified via the change of the agency fee policy (and any changes in project management costs) to fund the associated costs of the GEF Secretariat and Trustee. When comparing the associated costs with other qualitative benefits, there is evidence for the GEF to proceed with expanded access provided risk is reduced by implementing stringent accreditation requirements.

The accreditation methodology was developed to reduce the inherent risk associated with the provision of funding directly to new EEs. We recommend that new EEs demonstrate capabilities in terms of compliance with GEF fiduciary standards and have an established project performance record. We envisage accreditation to be largely outsourced to a professionally capable firm of international standing, or an accreditation panel, with the GEF Secretariat playing a role in various areas of the accreditation, particularly administrative tasks. We have evaluated a number of options and provide recommendations to assist the GEF Secretariat to make

recommendations to the GEF Council. This proposed reform is based on three basic criteria: (a) the addition of EEs must demonstrate a clear value added to the GEF partnership; (b) fully meet GEF fiduciary standards; and (c) the Applicant entity will have to be endorsed by the relevant recipient country government(s). In addition, the Applicant EE seeking accreditation will pay the costs of the accreditation.

# Section 1 – Cost Benefit Analysis

This section examines the economic implications of expanded access: the current GEF structure and overhead costs, estimated workload cost and cost implications to the GEF, analysis of cost data provided by the GEF Trustee, assessment of the current GEF Agency fee structure, break-point analysis, and the anticipated benefits of expanded access.

## **GEF Administrative Expenses**

The GEF administrative expenses refer to the overheads incurred in the delivery of GEF resources towards GEF financed projects. During the period of this review, administrative expenses captured three categories of expenses.

- The first is the set of expenses related to GEF corporate activities, including those of the four central GEF entities<sup>1</sup> and GEF Agencies to meet their costs in fulfilling corporate responsibilities related to institutional relations, policy and program development/management/coordination, outreach/knowledge management/external relations, management and finance, and monitoring and evaluation;
- A second category of administrative expenses is the agency fees provided to the GEF Agencies for project cycle management, including due diligence management of a project through the entire project cycle – development, preparation, supervision, and evaluation; and
- A third category of administrative expenses is related to project management costs included in the GEF project grant, which are typically execution overhead costs of the project. It is recognized that resources to finance these costs usually flow directly to the entity executing the project.

## **Corporate Activities**

The GEF's corporate budget funds the GEF corporate activities of the four central GEF entities for the purpose of meeting GEF Council requirements. The GEF Council is the governing body of the GEF. Prior to 2006, the GEF corporate budget also funded the costs of the three GEF Implementing Agencies' (IAs) corporate activities, as shown in **Table 1**. . At its meeting in December 2006, the GEF Council agreed to create a more level playing field among the GEF Agencies and, among other things, decided to (a) eliminate the corporate budget for the GEF Agencies effective FY2008 and (b) increase the project cycle management fee for all the GEF Agencies by 1% (from 9% to 10%) to include resources for the corporate support provided by the GEF Agencies.

Corporate activities, as defined by the GEF Secretariat, include:

---

<sup>1</sup> The GEF Secretariat, GEF Trustee, Evaluation Office (EO), and the Scientific and Technical Advisory Panel (STAP).

- *Policy and program development and coordination.* Activities related to the GEF inter-agency task forces, composed of the GEF Secretariat and GEF Agencies, established to develop and review the GEF operational policies and programs, focal area priorities, the project cycle, standard portfolio and project performance reviews, and preparation of the GEF business plan.
- *Management and finance.* Activities related to daily operations and finance issues, such as the management/coordination of work program submissions and pipeline entries; database management; preparation of the GEF annual report and the GEF corporate budget, audits, and the oversight of the fee system.
- *Monitoring and evaluation.* Activities contributing towards the Project Implementation Review (PIR), GEF lessons notes, thematic review/development/revision of program-level indicators, and development/dissemination of lessons learned/best practices. Monitoring and evaluation activities also include GEF Agencies engagement in the Specially Managed Project Reviews, knowledge management, and development of program studies and special evaluations.
- *Institutional relations.* Activities relating to governance of the GEF, such as preparation for and participation in the GEF Council meetings, STAP meetings and workshops, and Conferences of the Parties to the conventions that the GEF serves, and efforts towards promoting partnerships with the EEs.

### **Project Cycle Management – Agency Fees**

Project Cycle Management (PCM) is the collective management of all projects within a respective GEF Agency's portfolio and is made up of four distinct phases: Concept Development, Preparation and Appraisal, Implementation, and Completion and Evaluation. These phases are defined as follows:

- *Concept development.* Activities that include project formulation, project development, project design, and review by the GEF partners (Country, Secretariat, Council, STAP, GEF Agencies and Convention Secretariats).
- *Preparation and appraisal.* Activities that involve addressing the GEF Secretariat/Council review concerns, securing co-financing, finalizing institutional arrangements and modifying project documents to meet the GEF Agencies organizational requirements.
- *Implementation.* GEF Agency support for the actual implementation, supervision, and monitoring of a project. For some GEF Agencies this may include providing technical support and advice to assist in project execution.
- *Completion and evaluation.* Activities that include the development of the evaluation report and project completion report. The GEF provides each GEF Agency with funding (Agency Fee) to provide these services.

During the period from FY2001 – FY2005, a project type-specific flat fee was allocated to each GEF Agency. A variable premium on top of the flat fee was negotiated for global, regional, joint and other complex projects. However, as stated earlier, in FY 2006 this fee was changed to a straight 9% of the grant amount of each project, and since FY2008, the GEF Agencies have been compensated for their services through the provision of a 10% agency fee on GEF-financed projects they manage, with 9% notionally earmarked for project cycle management and 1% for engagement in corporate activities.

**Table 1** provides an analysis of the corporate budget and the PCM or GEF Agency fee for the period FY2006 to FY2010.

GEF Costs	FY06 (Estimated)	FY07 (Estimated)	FY08 (Estimated)	FY09 (Estimated)	FY10 (Estimated)
<b>Corporate Budgets of GEF:</b>					
GEF Secretariat	\$ 10,954,000	\$ 11,964,000	\$ 11,760,000	\$ 13,093,000	\$ 14,184,000
STAP	\$ 1,931,000	\$ 1,931,000	\$ 1,296,000	\$ 1,815,000	\$ 2,108,000
Trustee	\$ 1,495,000	\$ 1,540,000	\$ 2,103,000	\$ 2,495,000	\$ 2,913,000
Office of Evaluation	\$ 2,822,000	\$ 2,907,000	\$ 3,461,000	\$ 4,644,000	\$ 4,019,000
<b>Sub-total</b>	<b>\$ 17,202,000</b>	<b>\$ 18,342,000</b>	<b>\$ 18,620,000</b>	<b>\$ 22,047,000</b>	<b>\$ 23,224,000</b>
<b>Corporate Management Fees</b>					
World Bank	\$ 3,250,000	\$ 3,250,000	\$ -	\$ -	\$ -
UNDP	\$ 2,932,000	\$ 2,932,000	\$ -	\$ -	\$ -
UNEP	\$ 2,875,000	\$ 2,875,000	\$ -	\$ -	\$ -
<b>Sub-total</b>	<b>\$ 9,057,000</b>	<b>\$ 9,057,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Special Initiatives</b>					
GEF Secretariat	\$ 1,555,000	\$ 2,814,000	\$ 368,000	\$ 984,000	\$ 2,949,000
STAP	\$ -	\$ -	\$ -	\$ -	\$ -
Trustee	\$ -	\$ 250,000	\$ 314,000	\$ -	\$ 150,000
Office of Evaluation	\$ 275,000	\$ 203,000	\$ -	\$ -	\$ -
<b>Sub-total</b>	<b>\$ 1,830,000</b>	<b>\$ 3,267,000</b>	<b>\$ 682,000</b>	<b>\$ 984,000</b>	<b>\$ 3,099,000</b>
<b>Agency Fees</b>	<b>\$ 47,680,000</b>	<b>\$ 84,370,000</b>	<b>\$ 59,480,000</b>	<b>\$ 63,570,000</b>	<b>\$ 52,875,000</b>
<b>Grand Total<sup>2</sup></b>	<b>\$ 75,769,000</b>	<b>\$ 115,036,000</b>	<b>\$ 78,782,000</b>	<b>\$ 86,601,000</b>	<b>\$ 79,198,000</b>
<b>Total Administrative Expenses<sup>34</sup></b>	<b>\$ 75,769,000</b>	<b>\$ 115,036,000</b>	<b>\$ 78,782,000</b>	<b>\$ 86,601,000</b>	<b>\$ 79,198,000</b>
<b>Total Grants</b>	<b>\$ 566,640,000</b>	<b>\$ 949,530,000</b>	<b>\$ 581,200,000</b>	<b>\$ 673,890,000</b>	<b>\$ 528,953,000</b>
<b>Administrative Expense Percentage to Total Grants</b>	<b>13%</b>	<b>12%</b>	<b>14%</b>	<b>13%</b>	<b>15%</b>

Table 1 – GEF Administrative Expenses (FY2006 – FY2010)<sup>5</sup>**Project Management**

Besides the GEF corporate expenses and the GEF Agency Fees, the GEF also provides grants to fund projects, including project management expenses. Project management expenses relate to administrative

<sup>2</sup> Amount reported in Table 4, Total Administrative Expenses

<sup>3</sup> Excludes Project Level Overhead

<sup>4</sup> Amount reported on Grand Total

<sup>5</sup> Compiled from budget documents for the year indicated; information provided by the GEF Corporate budget office

costs of project execution. The resources to finance these costs are not intended for the GEF Agencies and often flow directly to the entity executing the project (hereafter referred to as EE), except in those rare instances where the GEF Agency both implements and executes the project. Grant Thornton reviewed the reports on the GEF website in the course of their *Review of Administrative Expenses Allocated to GEF Implementing Agencies, March 14, 2008* and at that time concluded that the reports did not contain sufficient information to perform the analysis and determine the extent of these expenses. We note, however, that the GEF Secretariat has issued guidance to the GEF Agencies that these costs be kept below 10% and exercises due diligence in this regard.

During the course of this review, Grant Thornton examined 8 completed projects and related documents in the GEF Project Management Information System (PMIS) to determine the impact of such costs on the project grant, and the ensuing benefits to the GEF. A summarized table of the projects examined is provided in **Table 2** followed by our observations.

GEF ID	GEF Agency	Country	Project Name	GEF \$M	EE Type	EE	GEF Share Project Admin	CEO Endorsed Total Project Cost	Executing Entity	Achievement of Objectives
449	UNDP	Peru	Photovoltaic-Based Rural Electrification in Peru	3.90	Government	Ministry of Mines	0.11m	10.9m	Executive Bureau of Projects of the Ministry of Energy and Mines, Peru	Marginally unsatisfactory
640	World Bank	Malawi	Mulanje Mountain Biodiversity Conservation Project	6.70	Govt/NGO	Ministry of Fisheries/Mulanje Conservation Trust	\$0.58m for trust administration	8.3m	Forest Department	Marginally satisfactory
884	UNEP	Global	Reduction of Environmental Impact from Tropical Shrimp Trawling through Introduction of By-catch Technologies and Change of Management	4.40	Multilateral	FAO	\$0.75m for project coordination and management	9.2m	FAO in kind with Project Coordinator appointed by FAO and UNEP	Satisfactory
789	UNDP	Regional	Implementation of the Strategic Action Programme (SAP) Toward Achievement of the Integrated Management of the Benguela Current Large Marine Ecosystem (LME)	1.51	Multilateral	UNOPS	\$2.4m for project coordination unit	39.0m	United Nations Office for Projects Services	Highly satisfactory
883	World Bank	Romania	Energy Efficiency Project	1.00	Foundation	Romania Foundation for Energy Efficiency	Not available	34.3m	Romania Foundation for Energy Efficiency	Satisfactory
985	UNDP	Egypt	Developing Renewable Ground Water Resources in Arid Lands: a Pilot Case - the Eastern Desert of Egypt	0.83	University	Cairo University	Not available	1.83m	Cairo University	Satisfactory
2237	UNDP	Kenya	Developing Incentives for Community Participation in Forest Conservation through the Use of Commercial Insects in Kenya	1.00	NGO	ICIPE, Kenya	Monitoring, Evaluation, Lessons Learnt \$60k, ICIPE 68K, and Misc 20K	3.2m	ICIPE	Satisfactory
2423	UNEP	Global	Assessment of Existing Capacity and Capacity Building Needs to Analyze POPs in Developing Countries	0.40	Multilateral	UNEP	Not available	0.9m	UNEP Chemicals Unit	Satisfactory

Table 2 – GEF Project Management Analysis

The major observations from our limited desk review of the 8 completed projects as follows.

- Project management costs represent a third level of GEF paid overhead that is built into the project costs. This is over and above the GEF corporate costs and agency fee.
- Based on the projects examined, we noted that these costs were embedded in the detailed project documentation. This may have changed for more recent projects.
- These costs tend to vary significantly from project to project depending to an extent on the collaborating EE, the method to set-up the project, and the extent of coordination required.
- In the case of collaboration between a multilateral GEF Agency and a multilateral executing agency, project management costs sometimes appear high especially if a project coordination unit is established.
- Project success (e.g. the degree to which attainment of project objectives is judged as satisfactory) does not seem to correlate to the type of EE developing and implementing the project.
- Lastly, in collaborations between a multilateral implementing agency and a multilateral executing agency, the roles of both multilateral organizations need to be more clearly defined to increase satisfaction among stakeholders.

### **GEF Cost Analysis**

Grant Thornton considered using process based analysis and cost development to ascertain the costs of expanded access. However, the GEF does not develop its internal costs by activities and processes, and the GEF corporate budget uses traditional line item budgeting (staff, travel, training, etc.) for development of the budget and cost analysis. Grant Thornton synchronized its approach to perform a cost analysis using this methodology.

This cost analysis focused on the assessment and subsequent analysis of additional costs (human resource, systems, and general operating expenses) to determine the associated costs to the GEF Secretariat and Trustee, as well as the GEF EO and the STAP. This cost analysis was developed based on specific statements and information gathered during key stakeholder “scoping” meetings, subject matter expert interviews, technical estimates for initial and recurring accreditation process costs, and certain assumptions derived from data collection efforts.

Grant Thornton made certain assumptions to properly identify the boundaries for the cost analysis. These assumptions were:

- The number of agencies is not a corollary workload factor impacting the management and oversight of accrediting EEs – the number of projects is the primary work load factor that appears to drive costs;
- The overall number of projects and the mix of large, medium and small projects would materially remain unchanged under expanded access;
- The GEF Secretariat oversees project portfolio management; the GEF Agencies and EEs implement and/or execute projects;
- Any human resource change requirements are based on subject matter expert interview inputs and technical estimates;
- Applicant EEs pay for the cost of their accreditation;

- The limited study timeframe of one month did not allow for proper workload measurement, other than technical estimates, to statistically validate the exact number of additional human resources requirement;
- All cost data used to calculate any costs (human resource, information technology, or general operating) is based on budgeted data to allow for a common basis of cost development;
- All cost data used to develop human resource costs is derived from the World Bank Salary & Fee Scales, market reference point; and
- The limited study timeline did not allow for a systematic measurement of current staff productivity. For purposes of the analysis, all current human resources are assumed to be 100% productive.

Grant Thornton scoped and assessed the GEF through interviews with key personnel of the GEF Secretariat, Evaluation Office, STAP, and the GEF Trustee. The purpose of these interviews was to identify how the GEF entities viewed the workload and related cost impact to their respective functions due to the addition of new EEs. The key outcomes of the scoping and assessment interviews highlighted specific activities, which are listed below, that the GEF would need to perform in order to accredit additional EEs for expanded access.

### **GEF Organization and Activities**

The GEF was designed to operate in collaboration and partnership with the GEF Agencies to facilitate financing to achieve global environmental benefits in biological diversity, climate change, international waters, land degradation, ozone layer depletion, and persistent organic pollutants. A current reflection of the GEF Secretariat's organization structure is shown below in **Figure 1** followed by the required activities different parts of the GEF (Secretariat, EO, Trustee, etc.) would need to perform to provide management and oversight of additional EEs. The color coded boxes in the organizational chart represent the functions of the GEF Secretariat impacted by increasing the number of EEs. A red colored box indicates the functions driving the cost of expanding access to new EEs. The yellow colored boxes indicates that these functions will interact with new EEs, but the cost associated (based on the assumption that the amount of projects would remain relatively the same) is minimal.

**GEF Secretariat Organizational Chart**

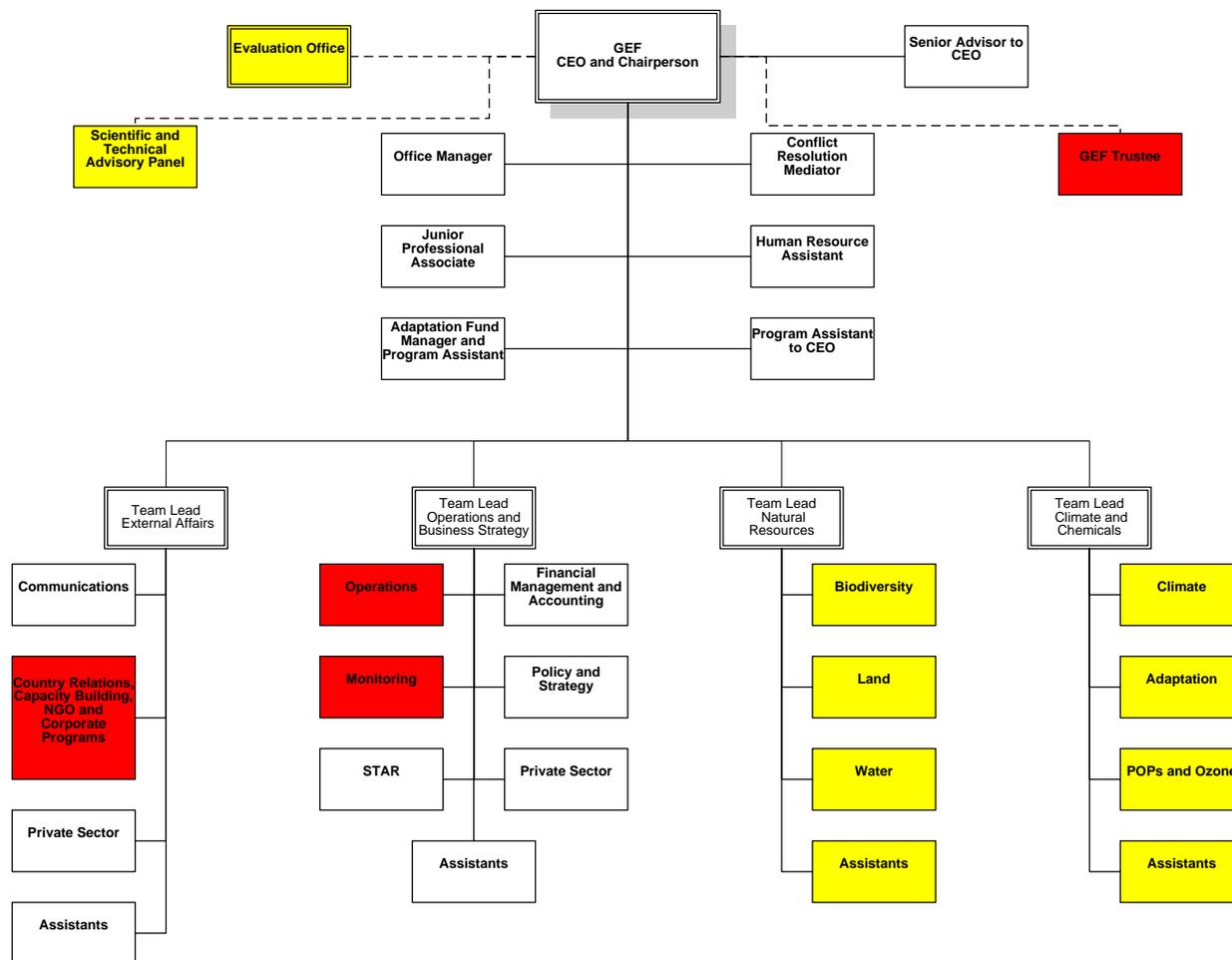


Figure 1 – GEF Organizational Chart – Color Coded to Signify Activities Impacted

**GEF Required Accreditation Activities**

To accommodate the broadening of EEs the GEF will need to perform the following potential activities.

**GEF Secretariat**

- Outreach:
  - External Affairs team to incorporate outreach and communication on EE accreditation process and related policies into existing and planned activities (e.g. constituency meetings and workshops, support to operational focal points, etc);
  - Respond to questions from focal points of member countries
  - civil society representatives and other partners;
  - Address instances of complaints, disputes and conflicts emerging in the GEF accreditation process; and
  - Assist and inform candidate countries and executing entities on the accreditation process.
- Accreditation process management:
  - Manage and maintain the GEF accreditation process and related documents;
  - Receive and track country endorsement letters;

- Receive country endorsed or multilateral entity accreditation application submission and verify completeness;
- Assist and coordinate Memorandum of Understanding (MOU) development;
- Communicate and incorporate accreditation process lessons learned;
- Manage accreditation status; and
- Ongoing monitoring and oversight of EEs including newly accredited EEs.

**Table 3** highlights the cost associated with performing these activities and **Appendix C** provides the workload and human resource estimate required to perform each activity. Grant Thornton recommends that the GEF consider adding an additional staff person over time to manage the accreditation process, but with the caveats that the pace of applications for accreditation is not known and the Secretariat should examine whether this work can be absorbed by current staff, particularly in the early years. The impact to the External Affairs Team could not be quantified due to other programmatic changes that might occur in the near future under the GEF-5 replenishment (e.g. related to country support program). Anecdotal information suggested that the assistance provided by the External Affairs Team would be minimal, and the Secretariat's assumption that outreach on new policies and procedures for accreditation could be folded into existing training meetings and workshops is reasonable.

#### GEF Evaluation Office

The cost analysis identified two activities that would consume staff time should the GEF broaden the number of EEs. These two activities are required to provide oversight of new EEs. Specifically, the EO foresees a potential requirement to: 1) educate new EEs on the project evaluation oversight functions of the EO, and 2) conduct terminal evaluation reviews for projects executed. These activities are largely project driven. Rooted in our assumption that the number of projects would remain the same, it is not expected to be initially significant and will mostly materialize later in time as the projects of new EEs enter terminal evaluation review.

#### STAP

Grant Thornton interviewed a STAP member who stated that, given the assumption that the number of projects does not increase, the broadening of EEs will not have an effect on the costs of the STAP.

#### GEF Secretariat Program Managers

- Interviews were conducted with two program managers, one from the Natural Resources team and the other from the Climate and Chemicals team, to determine if the effort to expand access to additional EEs would impact their work and the related costs. The program managers believe that this effort would not have a significant impact and would only require some effort to develop and build relationships with the new EEs. Again, these team's activities are largely project driven and rooted in our assumption that the number of projects would remain the same.

**GEF Secretariat Estimated Costs<sup>6</sup>**

GEF Organizational Unit	Description of Cost	Annual Cost	GEF-5 Cost	Explanation
Secretariat (human resource, management, systems, etc.)	Addition of 1 full-time position within the Operations & Business Strategy staff. Manages and provides support to the EE accreditation process.	\$ 86,820	\$ 347,280	The addition of this 1 position will support the GEF Secretariat activities highlighted above. The cost delta for this position was derived by using the "GD" grade level. This grade level was used based on a comparison of required duties and the generic profile descriptions highlighted in the World Bank's Generic Grade Profiles and Minimum Requirements. Total GEF-5 Cost assumes a delayed hiring that results in 3.25 years of cost.
<b>Grand Total</b>		<b>\$ 86,820</b>	<b>\$ 298,107<sup>7</sup></b>	

Table 3 – GEF Secretariat Projected Cost Summary over GEF-5

<sup>6</sup> Costs derived from actual position grades and World Bank Salary & Fee Scales, market reference point dated July 2009

<sup>7</sup> Cost assumes inflation of 3% for future years

### GEF Trustee

Should the GEF adopt the recommended standard methodology of accreditation and risk management proposed in this report, and an appropriate procurement process to secure external accreditation services, future Applicants will be required to meet stringent accept or reject criteria to be accredited as a GEF EE. This standardized process requires Applicants meet the GEF's strategic objectives, and have high standards of financial and performance management, internal controls, and a past track record to join the GEF partnership. The GEF Trustee would be impacted by this approach and would have to interact with new EEs to completely familiarize them with the obligations of that status.

The GEF Trustee provided a written statement, included in full in **Appendix D**, indicating that the approach they would take to onboard new EEs would be to convene two orientations sessions a year that could accommodate up to five new EEs at each session. These sessions would be utilized cover the legal, accounting, reporting, auditing, IT, and other policy and fiduciary issues associated with the status of a GEF EE.

Under this approach, the GEF Trustee does not anticipate a requirement for additional GEF Trustee employees or for new systems to meet its obligations of providing relationship management, legal services and accounting and reporting related to the new EEs. The Trustee will need to hire additional consultants and there may be greater demands on existing resources. The Trustee also provided projected annual cost of conducting these two sessions per year and indicated that sessions could be conducted either in Washington, DC or in Paris, albeit at different costs due to travel to the latter site.

The Trustee also indicated that additional ongoing costs could range from no additional costs if only minimal assistance is required to an additional cost of up to \$30,000 per EE per year if intensive ongoing assistance and discussions were to be required.

This information indicates a potential range of additional costs to the Trustee. The table below provides an indication of the range.

The lower range assumes that two training sessions are held each year in Washington, DC, which assumes no more than 10 new Executing Entities per year. The lower range also assumes that no additional assistance is required beyond the initial training session in the out years.

The higher range also assumes two training session are held each year, but in Paris, and would provide for no more than 10 new Executing Entities per year. It also assumes that each year three new Executing Entities require additional assistance and ongoing discussions, which the Trustee has indicated would cost between \$10,000 and \$30,000 annually per EE. A mid-range cost of \$20,000 is used for the calculation.

As the table indicates, the cost to the Trustee of bringing on additional Executing Entities could have a range from \$832,000 to \$1,312,000 over the life of GEF-5.

## Trustee Cost of Adding New Executing Entities

	Low Range			High Range		
	Two Training Sessions Per Year/ Washington	Annual cost if no additional assistance required	Total Cost	Two Training Sessions Per Year Paris	Annual Cost if additional assistance required for new EEs	Total Cost
Year 1	\$ 208,000	\$ -	\$ 208,000	\$ 248,000	\$ 80,000	\$ 328,000
Year 2	\$ 208,000	\$ -	\$ 208,000	\$ 248,000	\$ 80,000	\$ 328,000
Year 3	\$ 208,000	\$ -	\$ 208,000	\$ 248,000	\$ 80,000	\$ 328,000
Year 4	\$ 208,000	\$ -	\$ 208,000	\$ 248,000	\$ 80,000	\$ 328,000
<b>Total</b>	<b>\$ 832,000</b>	<b>\$ -</b>	<b>\$ 832,000</b>	<b>\$ 992,000</b>	<b>\$ 320,000</b>	<b>\$ 1,312,000</b>

Table 4 – GEF Trustee Projected Cost Summary over GEF-5

**Agency Fee Assessment**

Grant Thornton prepared alternative analysis to determine the impact of a fee change policy whereby new EEs admitted to the GEF family under the expanded access program would receive a 9% fee. The table below reflects the agency fee payable on the GEF financed grants. This is calculated at: a) the current rate of 10%; and b) a weighted rate based on 10% for existing GEF Agencies and 9% for new EEs accredited for expanded access. Based on the PCM fees reported for the first time by the GEF Agencies for 2009, Grant Thornton estimated that the original three GEF Agencies comprising of WB-IBRD, UNEP and UNDP were awarded 89% of the GEF grant funds and the additional seven GEF Agencies that joined the GEF family after the expansion in 2006 were awarded 11% of the GEF project grants for 2009. Based on the assumption that the original GEF Agencies will continue to play a major role, and inclusion of new EEs will be gradual. We have used an estimate of 10% of the total GEF grant funds being used by the new EEs to finance projects during GEF-5. Accordingly, the weighted cost of the funds will be driven to the extent of 90% by the ten percent the GEF Agency fee rate and 10% will be driven by the nine percent EE rate, and is calculated @ 9.9%. The comparative analysis was made for GEF-4 and GEF-5 to present a long-term scenario.

GEF Fee Assessment <sup>8</sup>	Estimates for GEF 4 2007 to 2010 (incl.)	Estimates for GEF 5 2011 to 2014 (incl.)	Comments
GEF Grants	\$ 2,733,573,000	\$ 3,662,987,820	GEF-5 Grants based on 34% increase from GEF-4
Estimated Fee @10%	\$ 273,357,300	\$ 366,298,782	
Fee @ Weighted Rate @9.9%	\$ 270,623,727	\$ 362,635,794	
<b>Saving</b>	<b>\$ 2,733,573</b>	<b>\$ 3,662,988</b>	

Table 5 – Estimated Agency Fee Payable – Historic and Projected (FY2006 – FY2014)

The above analysis illustrates the savings over a longer time frame if a differential rate is adopted for the existing Agencies and the new EEs accredited under expanded access. Historic data was used as the base

<sup>8</sup> GEF 5-Programming Document projects Replenishment level at \$4.2m, an increase of 34% from GEF-4

data and extrapolated for GEF-5 due to expediency and in the absence of approved data for GEF-5. This does not take into account potential economization that could be achieved in terms of management costs for new EEs, which should be possible since the EE would receive a 9% fee in addition to project management costs.

### Cost Benefits

The cost-benefits analysis was performed taking into account the GEF's primary concern of not incurring additional net costs for expanded access. Grant Thornton believes that this can only be possible if the GEF Council adopts a fee policy change of a lower rate of agency fee for the new EEs, as developed in **Table 5**. Due to initial ramp up time requirements for funding projects brought in by the new EEs, savings are only projected based on an EE project share of 10% at GEF-4 funding levels. The analysis incorporates estimates of additional costs developed in **Tables 3 and 4** to indicate that the potential exists for net savings if a fee policy for new EEs is adopted even when factoring in the costs of adding additional EEs.

**Potential Net Differences Between Costs and Savings**

	Low Range			High Range		
	GEF Trustee Costs	GEF Secretariat Costs	Total Cost	GEF Trustee Costs	GEF Secretariat Costs	Total Cost
<b>Year 1</b>	\$ 208,000	\$ 21,705	\$ 229,705	\$ 328,000	\$ 21,705	\$ 349,705
<b>Year 2</b>	\$ 208,000	\$ 89,425	\$ 297,425	\$ 328,000	\$ 89,425	\$ 417,425
<b>Year 3</b>	\$ 208,000	\$ 92,107	\$ 300,107	\$ 328,000	\$ 92,107	\$ 420,107
<b>Year 4</b>	\$ 208,000	\$ 94,871	\$ 302,871	\$ 328,000	\$ 94,871	\$ 422,871
<b>Total Cost</b>	<b>\$ 832,000</b>	<b>\$ 298,107</b>	<b>\$ 1,130,107</b>	<b>\$ 1,312,000</b>	<b>\$ 298,107</b>	<b>\$ 1,610,107</b>
	<b>Potential Savings from Fee Change</b>		<b>\$ 2,733,573</b>			<b>\$ 2,733,573</b>
<b>Net</b>			<b>\$ 1,603,466</b>			<b>\$ 1,123,466</b>

**Table 6 – Estimated Cost Savings Based on GEF Trustee Scenarios**

Grant Thornton has the following observations on potential benefits based on the cost benefit work performed.

- Costs may be further rationalized once a proper study of the project management cost built into the project costs is performed and the GEF transitions gradually to a two tiered overhead approach consisting of GEF corporate expenses and project overhead costs (including both the Agency/EE fee and project management costs), with caps on the extent of overheads payable by the GEF. Points to note in this regard are the following:
  - Projects supported by both, a multilateral GEF Agency and a multilateral EE are becoming increasingly difficult to justify. The role of the GEF Agencies is not clear to participating entities other than monitoring and evaluation, which seems better appreciated if performed by the EE;
  - As EEs assume overall responsibility for project execution, including liaison with international cooperating partners, project operation, coordination, and technical backstopping, the role of the GEF Agencies will be reduced; and

- Duplication of overheads at the GEF Agencies and EEs may be eliminated in cases where EEs have expanded access to GEF funds.
- Increased sustainability, which supports a key strategic objective due to the following:
  - Involvement of EEs at national and regional levels with strong national and regional support is likely to support greater project sustainability;
  - Better understanding of regional and national dynamics, availability of trained personnel, and community support will provide critical information at an earlier stage of the project;
  - Enhanced participation of environmental NGOs and other representatives of civil society should further catalyze co-financing and attainment of project goals; and
  - GEF will be able to tap additional institutional support of new EEs at regional and national level at an early stage due to a strong grassroots knowledge;
- Introduction of new expertise that was not previously available as more Agencies join the GEF family. Factors attributing to this include:
  - The GEF expertise base with wider network of directly collaborating partners will result in availability of more data and broader expertise;
  - New EEs will identify additional regional and country experts, who may not be known by current Agencies;
  - Local understanding of barriers to community and industry participation will increase; and
  - More understanding of regional and local data, human and technical barriers, which is a significant factor for the success of a project, will be more readily available.
- Increase in the number of Agencies working directly with the GEF Secretariat and Trustee will enhance the geographic diversity of entities within the GEF (e.g. geo-diversity), making the GEF more representative at global, regional, and national levels.
- Enhance national entities' participation in the GEF partnership:
  - The inclusion of national entities will enhance country ownership and enable the GEF to build national and regional capacities to manage projects and further improve enabling conditions. This step is in line with commitments under the *Paris Declaration on Aid Effectiveness* to enhance country ownership and use of country systems for project management and oversight.

Because of the complexities involved in this type of reform, Grant Thornton believes that expanded access for new EEs will likely unfold gradually. Grant Thornton suggest that the GEF start this process by working with entities which have worked prior with the GEF, or other similar entities, on project execution.

## Section 2 – Accreditation Process

This section establishes the key elements of a potential accreditation process. The accreditation process is the entire sequence of activities by which an Applicant is evaluated to determine if they should be accepted, or rejected, as an accredited GEF EE. In this section, the following elements of the accreditation process are presented, and options discussed: Accreditation Entity—firm vs. panel; GEF Secretariat level of independence in the accreditation process; application review—single full review vs. progressive review; process to retain Accreditation Entity; source of funding to pay Accreditation Entity; the accreditation cycle; and accreditation types. Grant Thornton conducted a brief interview survey of five organizations with similar review processes to obtain benchmark information which further informed the findings presented below (see list of organizations and summary findings in Appendix A).

### **Accreditation Entity: Firm vs. Panel**

There are three main Accreditation Entities to consider: a firm (or several firms), a panel, and a panel with GEF Council participation. The strengths and weaknesses of each of these three options are described below.

- *Firm.* In this option, an independent firm with strong fiduciary qualifications is retained to conduct the accreditation review and prepare an assessment report. For purposes of credibility an Accreditation Entity could be a large accounting, audit or law firm with international representation. The strengths of this option include: 1) the selected Accreditation Entity would have demonstrated expertise in financial evaluation of donor implementing agencies; 2) the selected Accreditation Entity would have international representation, such that qualified staff are knowledgeable and available to conduct assessments, as well as on-site investigations if necessary, in any country; 3) the Accreditation Entity could be retained under an agreement that allows for a progressive level of review (see “Application Review: Single Full Review vs. Progressive Review” below); and 4) accreditation costs would likely be less than the other two options. The weakness of this option is the absence of the GEF Secretariat oversight of the accreditation process.
- *Panel.* This option consists of a panel of subject matter experts that are selected based on their knowledge of the Applicants’ areas of expertise and geographical area of work. The strength of this option is that the GEF Council can select a panel of experts with demonstrated expertise in the areas in which the Applicant specializes. The weakness of this option is that there would be higher administrative costs, including those related to expert panel selection and management. This may include a skills assessment, scheduling and rotation of panelists.
- *Panel that includes GEF Council Members.* This option consists of a panel that includes both subject matter experts as well as GEF Council members. The strengths of this option are: 1) the GEF Secretariat selects

a panel of experts with demonstrated expertise in the areas in which the Applicant specializes; and 2) the Council members have oversight of the process through their direct participation. The weaknesses of this option, in addition to the higher costs, are that the perception of bias may be introduced through the inclusion of GEF Council members.

The decision on which of these three options is best for the GEF will be influenced by the cost differential between a firm and panel entity, the estimated volume of applications, and the capacity of the GEF Secretariat to manage the administrative requirements associated with a panel. None of the survey participants utilized an independent firm exclusively. All the survey participants either conducted the assessment of the implementing organization in it's entirely, or worked with external firms to obtain information that contributed to the assessment decision (**Appendix A**).

### **GEF Secretariat's Level of Independence in the Accreditation Process**

The GEF Secretariat may participate in the accreditation process at varying levels of involvement. At the least level of involvement, the GEF Secretariat could forward applications to the Accreditation Entity, receive the Accreditation Entity's assessment, which would then be forwarded to the GEF Council. At the other extreme, the GEF Secretariat could conduct the full accreditation process and forward their assessments to the GEF Council. Four options of varying levels of GEF Secretariat involvement in the accreditation process are presented below, with their strengths and weaknesses (**Figure 2**).

- *Option 1. Basic Application Review for Completeness.* This option limits the GEF Secretariat's involvement to reviewing the incoming applications to ensure they are complete. Responsibilities are limited to receiving the submission of requested supporting documents, and ensuring all boxes and sections in the application form are completed. The strengths of this option are that the GEF Secretariat retains independence from the process and minimizes any appearance of participation or influence over the accreditation decision. The most significant weakness is that the GEF would yield authority to an external entity over assessing whether a new EE would add value to the GEF network and align with GEF strategy (e.g. strategic alignment). This option should incur minimal costs because of the limited involvement by the GEF Secretariat; however, in the absence of a mechanism to control the quality of incoming applications (such as a fee for processing the application) an increased volume of applications may occur which could add to staffing costs. An additional weakness is the potential increase in costs associated with extra staff time to check for completeness of the applications from many unqualified Applicants.
- *Option 2. Comprehensive Application Review for Completeness and Content.* This option is similar to Option 1, except the GEF Secretariat participates extensively in a comprehensive review of the application that includes reading the content of the application to ensure that it is both complete and responsive to the questions. The strengths of this option are: the GEF Secretariat retains significant independence from the accreditation process because they do not participate in value judgments on the content of the application; efficiencies are enhanced and costs controlled because only fully complete applications are forwarded to the next step of the process; and the insight the GEF Secretariat obtains from close review of the completed applications enables them to provide lessons learned into improved communications and other processes. The weaknesses of this option include the yielding of authority over assessment of the strategic alignment of new entities to an external entity, and the potential risk the GEF Secretariat will be held responsible by entities whose applications are not accepted on the grounds of incompleteness.
- *Option 3. GEF Secretariat Conducts Strategic Alignment Review: External Accreditation Entity Evaluates Performance, Financial and Procurement Capabilities, and then Conducts Assessment on Accreditation of Applicants.* This option expands the involvement of the GEF Secretariat detailed in Option 2, by adding responsibility for evaluating the strategic evaluation criteria in each application. The strengths of this option are: the GEF

Secretariat retains independence in all areas related to financial controls, procurement processes and performance; the GEF Secretariat is involved in the assessment of each Applicant's alignment with the GEF's focal areas in both environmental issues and geographic diversity (which also incorporates country risk considerations, see "Section 3 Evaluation Criteria"). The weaknesses of this option include the potential risk the GEF Secretariat will be held responsible by Applicants whose applications are not accepted on the grounds of incompleteness, and the potential for increased costs for additional staff to conduct this assessment.

- *Option 4. GEF Secretariat Conducts Strategic Alignment Review: External Accreditation Entity Evaluates Financial, Procurement and Performance Capabilities which the GEF Secretariat Uses to Make Final Recommendation to Council.* This final option provides for the GEF Secretariat to have a significant level of involvement in the accreditation process. The GEF Secretariat conducts a comprehensive review of each application for completeness, then conducts the assessment of the Applicant's strategic alignment, forwards to the Accreditation Entity the assessment of financial, procurement and performance capabilities, and then reviews that assessment as one factor in the GEF Secretariat's recommendation to Council on whether to accredit or reject accreditation of the entity. The strengths of this option include: the GEF Secretariat is involved in the assessment of the Applicant's alignment with the GEF's focal areas in both environmental issues and geographic diversity (which also incorporates country risk considerations, see "Section 3 Evaluation Criteria"), and the GEF Secretariat retains the option to make final recommendations in terms of both fiduciary and risk management issues. The weakness of this option includes Applicants who cannot successfully meet these application requirements may lay responsibility on the GEF Secretariat for being unable to be accredited.

The issues for the Council to consider when determining the preferred level of independence for the GEF Secretariat in the accreditation process include: fiduciary responsibility for oversight and control; risk management in areas that include the transparency of the accreditation process, as well as risk related to each of the three evaluation criteria; and compliance with requirements presented in the Instrument for the Establishment of the Restructured Global Environment Facility. Grant Thornton's experience in working with organizations similar to the GEF has found that all organizations require involvement in the accreditation process, and that full independence is not desired because it precludes the organization from exercising its fiduciary responsibilities including oversight and control. The benchmark survey found that three of the organizations were aligned with Options 3 and 4 (See Appendix A). The Global Fund for AIDS, Tuberculosis and Malaria was most closely aligned with Option 3 because capacity assessments are conducted by Local Fund Agents. Millennium Challenge Corporation and the Gates Foundation were most closely aligned with Option 4—the Gates Foundation retained an external firm to conduct the financial due diligence, however the report and recommendations are delivered to the Gates Foundation which is solely responsible for the final decision.

Grant Thornton believes that the importance of ensuring that newly accredited entities have both a strategic fit as well as sufficient financial, procurement, and performance capacity is sufficiently strong to outweigh the need for complete independence. Other donor organizations that are similar to the GEF have determined that some level of participation in the review process is necessary for oversight and control. Grant Thornton therefore suggests that a level of independence that falls within Options 3 or 4 best resolves the GEF's competing interests in terms of Secretariat independence versus oversight and control. .

We do note that there are clear differences between the GEF and these comparator organizations in terms of corporate organization and the context in which they operate. The comparator organizations all have legal personality and more traditional corporate structures and clearer lines of accountability first to a central

management team and then a board of directors. The GEF structure is quite different and exists in a different context given its role as the financial mechanism to several multilateral environmental conventions.

*Minimal GEF Sec Involvement* ←————→ *Greater GEF Sec Involvement*

*Option 1.* Basic application review for completeness

*Option 2.* Comprehensive application review for completeness and content

*Option 3.* GEF Sec conducts strategic alignment review; accreditation entity evaluates performance, financial and procurement capabilities, and then conducts assessment on accreditation of Applicants.

*Option 4.* GEF Sec conducts strategic alignment review; accreditation entity evaluates performance, financial and procurement capabilities which the GEF Sec uses to make final assessment on accreditation.

<b>Description Highlights</b>	1. GEF Sec receives applications and conducts basic review of completeness that has no value judgement associated with it.	1. GEF Sec conducts a <i>comprehensive</i> review of the application, including reading the content to ensure it is complete and responsive.	1. GEF Sec conducts a comprehensive review of the application, including reading the content to ensure it is complete and responsive.	1. GEF Sec conducts a comprehensive review of the application, including reading the content to ensure it is complete and responsive.
	2. GEF SEC then sends the complete application forms to the accreditation entity for full strategic, performance, financial and procurement assessment.	2. GEF SEC then sends the complete application forms to the accreditation entity for full strategic, performance, financial and procurement assessment.	2. GEF Sec then conducts a strategic alignment review of the application to assess its strategic alignment with the desired areas of expertise and geographic focus, and assigns an overall strategic score to each application.	2. GEF Sec then conducts a strategic alignment review of the application to assess its strategic alignment with the desired areas of expertise and geographic focus, and assigns an overall strategic score to each application.
	3. After the accreditation entity has reviewed the applications and completed their assessment, the applications are returned to the GEF Sec in preparation for submission to the GEF Council for final accreditation decision.	3. After the accreditation entity has reviewed the applications and completed their assessment, the applications are returned to the GEF Sec in preparation for submission to the GEF Council for final accreditation decision.	3. The GEF Sec then submits all applications, with strategic evaluation score, to the accreditation entity, who then conducts the performance, financial and procurement assessment.	3. The GEF Sec then submits all applications, with strategic evaluation score, to the entity conducting the accreditation process, who then conducts the performance, financial and procurement assessment.
			4. After the accreditation entity has conducted has reviewed the applications and completed their assessment, the applications are returned to the GEF Sec in preparation for submission to the GEF Council for final accreditation decision.	4. The GEF Sec then receives the assessment and considers it as one input into their decision whether to recommend the application for accreditation. The GEF Sec then prepares the recommendation for submission to the GEF Council for final accreditation decision.
<b>Strengths</b>	- Establishes full independence.	- Establishes full independence because there is no value judgement on the content, just on the completeness and responsiveness to avoid unnecessary costs.	- Establishes high degree of independence because there is no value judgement on the performance, financial and procurement assessment evaluation criteria.	- GEF Sec maintains control over strategic alignment decisions.
	- Minimal costs associated with review.	- Enables GEF Sec to gain greater familiarity with the quality of applications and to improve communication and training related to the application process.	- Enables GEF Sec to see the quality of applications and to improve communication and training related to the application process.	- Retains the option for the GEF Sec to fully exercise its fiduciary responsibilities to the Council.
	- Insulates GEF Sec from perception that they influenced the outcome in a non-transparent way.	- Increases efficiency of the accreditation entity by ensuring they only review applications that appear to be completed.	- Increases efficiency of the accreditation entity by ensuring it only reviews applications that appear to be completed.	- Enables the GEF Sec to have oversight over all the Applicants potential risk areas, and to assess independently whether the Applicant represents a reasonable risk.
		- Minimizes unnecessary costs from clearly unqualified applicants.	- GEF Sec maintains control over strategic alignment decisions.	
<b>Weaknesses</b>	- Makes GEF Sec vulnerable to unintended outcomes by yielding authority over strategic alignment to external accreditation entity.	- Applicants who cannot successfully meet these application requirements may lay responsibility on the GEF Sec for being unable to be accredited.	- Applicants who cannot successfully meet these application requirements may lay responsibility on the GEF Sec for being unable to be accredited.	- Applicants who cannot successfully meet these application requirements may lay responsibility on the GEF Sec for being unable to be accredited.
	- No deterrent to many Applicants flooding the GEF Sec with unqualified applications(1).	- Yields authority over strategic alignment to an outside accreditation entity.	- It will require greater staff capacity and associated costs.	- It will require greater staff capacity and associated costs.
	- Has the potential to raise costs arising from processing unqualified applications.			
	- No ability to control unnecessary costs from excessive unqualified Applicants.			

(1) It is anticipated this may be resolved by requiring an application fee of sufficient size that is not refundable to deter all but the most committed.

**Figure 2 – Accreditation Process: GEF Secretariat Level of Independence Options**

### **Application Review: Single Full Review vs. Progressive Review**

Grant Thornton assessed two methodologies to review applications at progressive levels of scrutiny. The first methodology consists of a single full review, with each application receiving the same degree of scrutiny; the second consists of progressive levels of review tied to the level of review sufficient to determine whether the Applicant should be accepted or rejected.

- *Single Full Review.* This methodology consists of the Accreditation Entity conducting a full review of all applications without consideration to known information, level of risk based on evaluation criteria, or clear demonstration of full capacities in all evaluation criteria areas. An example of known information might be that the entity has 10 years of proven experience producing outstanding results in a focal area in a given geographical area. The strengths of this option include: it reduces potential risk associated with accrediting an EE without assessing their most recent capacities and experiences which may be less strong than previous years; establishes a standard that all Applicants are subject to the same equal level of review which serves to reduce perception of bias to an individual Applicant and to sectors of Applicants such as Applicants in developing regions. The weakness of this option is the higher cost and lack of efficiency associated with the full review for all Applicants.
- *Progressive Levels of Review.* The second methodology consists of progressive levels of review based on level of risk, beginning with a preliminary desk review and culminating in a comprehensive review by an Accreditation Entity for applications that require greater review because of their lack of history, or evaluation criteria that indicate potential for increased risk. The strengths of this option are: accreditation costs may be graduated based on level of review which might reduce total accreditation costs, and review effort is targeted to only those Applicants for whom it is justified. The weaknesses of this option is that it may inadvertently give the appearance that some Applicants receive a more rigorous review than those who already have established relationships with the World Bank and donor-recipient agencies, which may lead to perceptions of unfairness that could impact the GEF's reputation.

The time challenges of this project precluded the GEF Secretariat from scheduling a meeting for Grant Thornton to interview the World Bank on their progressive review system. However, in the absence of full information regarding this program, Grant Thornton can comment on the concept of this approach. This approach would conduct a preliminary review of each application to determine if there is sufficient information to assess the Applicant as "low risk" such that no further review is necessary. These Applicants would receive the equivalent of an "approve" assessment after successful completion of the preliminary review. The remaining Applicants progress to the full review and are then assessed for the equivalent of "approve" or "reject". A full review in this option and the option of a single review would have to be determined by the accreditation entity but, in some cases, onsite verification of capacities and systems may be judged to be required in order to render a decision on accreditation. Could involve the need for field visits to review systems,

This approach holds some potential and is worthy of further discussion. Of particular interest is the menu of preliminary review criteria that must be sufficiently comprehensive to effectively serve as a predictor of an Applicant's continued low risk to the GEF. In the absence of lessons learned, the ability to capture a sub-set of evaluation criteria to be used in the preliminary review process may be difficult, and therefore the GEF may prefer to utilize a full review for each Applicant in the short-term until there is sufficient history to be able to determine the sub-set of evaluation criteria sufficient for the preliminary review.

The methodology provided in this report does provide for an accelerated process for those Applicants who are determined to be low risk. GEF EE Applicants with a strong history of experiences and controls in

the indicators on the application form will require less intensive a review during the accreditation process and will therefore be processed more quickly than those Applicants who do not have the same depth of experience and controls.

Two of the benchmark survey participants conducted progressive levels of review, leveraging their previous experience with a known firm to determine whether a brief review is sufficient. Several variables may influence the decision on whether a single full review or progressive levels of review are recommended for the GEF: 1) the lower the volume of applications the less gain there is from efficiencies and cost savings of a progressive review; 2) the willingness and ability of the Accreditation Entity to vary their level of assessment; and 3) lessons learned over time will contribute strongly to the GEF's understanding of application responses that justify varying levels of review—for example, what responses qualify an Applicant for a preliminary desk review versus a fiduciary review versus a full review? Given these considerations, the GEF may prefer in the short-term to conduct a single full review.

### Process to Retain Accreditation Entity

The single most important aspect of implementing a viable accreditation process is the process used to acquire the services of an Accreditation Entity. As part of the World Bank Group, the GEF is mandated to use the World Bank's Procurement Guidelines. Thus, the GEF has limited options from which to choose. The cost of retaining an Accreditation Entity is dependent on specific contractual issues such as, type of contract, requirements, level of effort, terms and conditions, etc. The type of procurement used to acquire the services will be directly influenced by the type of application review, as discussed above.

Grant Thornton assessed the following options to how the GEF could execute a transparent procurement process for an Accreditation Entity while maintaining full independence. The six options are as follows:

- *Option 1.* The GEF Secretariat, through the World Bank procurement process, contracts with independent subject matter expert consultants (to consider financial experts, donor-funding experts, environmental project experts) to form a sufficient consultant pool for the GEF Secretariat to draw from as Accreditation Entity (e.g. accreditation panel) resources.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Ability to conduct accreditation review in a virtual environment</li> <li>➤ Ability to stipulate contract requirements</li> <li>➤ Control of the procurement process</li> <li>➤ Complete oversight of contract and subject matter expert consultants</li> <li>➤ Transparent procurement process</li> <li>➤ Ability to control contract costs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Loss of Secretariat independence and autonomy</li> <li>➤ Need to manage and provide oversight of multiple contracts (invoices, reporting, etc.)</li> <li>➤ Will require significant efforts to manage individual accreditation entity members and their schedules</li> <li>➤ Possible inconsistency of evaluations</li> <li>➤ No team unity amongst evaluators</li> <li>➤ Possible inability to source enough "accreditation pool" candidates</li> <li>➤ Does not have a financial system capable of paying or receiving funds</li> </ul>

Table 7 – Alternative Impacts

- *Option 2.* Under this option, the independent review body would be a firm (e.g. one firm from a pre-approved list of firms) that had been identified through the World Bank procurement process and approved by the GEF Council. The Applicant EE would engage one of the pre-approved firms and contract it to assess its capacities and compliance with the GEF’s fiduciary standards. This approach is complicated by the fact that the pre-approval is not procurement, per se, as there is no final contract resulting from the process. In addition, there is no defined process by which Applicants would choose which pre-approved firm they would use.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Private firms may have international presence</li> </ul>	<ul style="list-style-type: none"> <li>➤ No transparency in the procurement process</li> <li>➤ Private firm unlikely to contract with an unknown entity</li> <li>➤ Risk of private firm not being paid by Applicant</li> <li>➤ Possible inconsistency of evaluations</li> <li>➤ Too many unknowns for a private firm</li> <li>➤ Possible inability to provide international coverage</li> <li>➤ No control over procurement process</li> <li>➤ Potential for perceived, if not actual, conflict of interest and resulting fraud, thus hurtful to the reputation of the GEF and the World Bank</li> <li>➤ Inability to stipulate contract requirements</li> </ul>

**Table 8 – Alternative Impacts**

- *Option 3.* The GEF Secretariat, through the World Bank procurement process, contracts with one Accreditation Entity (firm or panel) following approval by the GEF Council.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Ability to conduct accreditation review in a virtual environment</li> <li>➤ Consistency of evaluations</li> <li>➤ Ability to stipulate contract requirements</li> <li>➤ Control of the procurement process</li> <li>➤ Complete oversight of contract and contractor</li> <li>➤ Ability to control contract costs</li> <li>➤ Transparent procurement process</li> </ul>	<ul style="list-style-type: none"> <li>➤ Loss of Secretariat independence and autonomy</li> <li>➤ Need to manage and provide oversight of contract (invoices, reporting, etc.)</li> <li>➤ Does not have a financial system capable of paying or receiving funds</li> <li>➤ Cannot predict accreditation application workload</li> </ul>

**Table 9 – Alternative Impacts**

- *Option 4.* The GEF Secretariat, through the World Bank procurement process, establishes a framework agreement contract with multiple holders following approval by the GEF Council.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Transparent procurement process</li> <li>➤ Ability to conduct accreditation review in a virtual environment</li> <li>➤ Consistency of evaluations</li> <li>➤ Ability to stipulate contract requirements</li> <li>➤ Control of the procurement process</li> <li>➤ Complete oversight of contract and contractor</li> <li>➤ Ability to control contract costs</li> <li>➤ Ability to issue task orders as dictated by the accreditation application workload</li> </ul>	<ul style="list-style-type: none"> <li>➤ Loss of Secretariat independence and autonomy</li> <li>➤ Need to manage and provide oversight of multiple contracts (invoices, reporting, etc.)</li> <li>➤ Does not have a financial system capable of paying or receiving funds</li> </ul>

**Table 10 – Alternative Impacts**

- *Option 5.* The GEF Trustee, through the World Bank procurement process and input from the GEF Secretariat, contracts with one Accreditation Entity (firm or panel) following approval by the GEF Council.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Maintains independence and autonomy</li> <li>➤ Not involved with accreditation application fees</li> <li>➤ No need to manage and provide oversight of contract (invoices, reporting, etc.)</li> <li>➤ GEF Trustee has financial systems capability to pay contract funds and receive accreditation application fees</li> <li>➤ Ability to conduct accreditation review in a virtual environment</li> <li>➤ Consistency of evaluations</li> <li>➤ Ability to stipulate contract requirements</li> <li>➤ Control of the procurement process</li> <li>➤ Complete oversight of contract and contractor</li> <li>➤ Ability to control contract costs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Cannot predict accreditation application workload</li> </ul>

**Table 11 – Alternative Impacts**

- *Option 6.* The GEF Trustee, through the World Bank procurement process and input from the GEF Secretariat, establishes a framework agreement contract with multiple holders following approval by the GEF Council.

Impact to the GEF	
Pros	Cons
<ul style="list-style-type: none"> <li>➤ Maintains independence and autonomy</li> <li>➤ Not involved with accreditation application fees</li> <li>➤ No need to manage and provide oversight of contract (invoices, reporting, etc.)</li> <li>➤ GEF Trustee has financial systems capability to pay contract funds and receive accreditation application fees</li> <li>➤ Ability to conduct accreditation review in a virtual environment</li> <li>➤ Consistency of evaluations</li> <li>➤ Ability to stipulate contract requirements</li> <li>➤ Control of the procurement process</li> <li>➤ Complete oversight of contract and contractor</li> <li>➤ Ability to control contract costs</li> <li>➤ Ability to issue task orders as dictated by the accreditation application workload</li> </ul>	

**Table 12 – Alternative Impacts**

Grant Thornton suggests the use of option #5 or #6. These two options meet all of the requirements for the GEF Secretariat to maintain its independence, provide for a transparent procurement process, and gain the attraction of reputable financial accounting and audit firms with international presence. Ultimately, the procurement method chosen by the GEF to use in the accreditation cycle is an inherent decision of the GEF Secretariat and Council.

### **Source of Funding to Pay Accreditation Entity**

Of equal importance of how to retain an Accreditation Entity is that of who and how the services are paid. The *Policy Recommendations for the Fifth Replenishment* calls for the cost of assessing whether an Applicant entity meets the GEF's fiduciary standard needs to be borne by the Applicant entity. Based on this agreed recommendation, the options presented below correspond with the options for the Process to Retain an Accreditation Entity, listed above. It should be noted, that an Applicant entity should pay all accreditation fees prior to an accreditation assessment. Moreover, the accreditation fees should be non-refundable, even if an Applicant entity fails to receive accreditation. In the case the progressive review option is chosen, the fee might have to be structured in two tranches, with one part payable prior to the first stage review, and a second payment required for those entities requiring a full review.

- *Option 1.* This option would require the GEF Secretariat to budget for the costs associated with Applicant accreditations. The inability to accurately predict the workload associated with the accreditation process will make it difficult for the GEF Secretariat to accurately budget, possibly creating a shortfall of funds.

- *Option 2.* This option would require that an Applicant entity demonstrate its ability to meet relevant GEF fiduciary standards and any other relevant GEF project management rules by undergoing, *at its own expense*, an upstream review to assess the entity's capacity to execute the grant, including a review of the entity's ability to meet GEF relevant fiduciary standards and any other relevant project management rules.
- *Options 3 and 4.* These options would require the GEF Secretariat to budget for the costs associated with Applicant accreditations. The inability to accurately predict the workload associated with the accreditation process will make it difficult for the GEF Secretariat to accurately budget, possibly creating a shortfall of funds.
- *Options 5 and 6.* The GEF Trustee, in partnership with the GEF Secretariat, establishes a contract with an Applicant entity and the GEF Trustee receives the accreditation fee (based on the contract or task order) from the Applicant entity before the Accreditation Entity performs its accreditation assessment. In turn, the GEF Trustee will use the accreditation fee to pay the Accreditation Entity, as outlined in the contractual documents.

Grant Thornton's suggested option to retain an Accreditation Entity is to use option #5 or #6. This suggestion is based on the pros and cons of each option, taking into account the need to maintain independence, associated risks to private Accreditation Entities, and the fact that the GEF Secretariat does not have the financial system capability to manage contract payments and/or reimbursements.

### **Accreditation Fee Cost Assessment**

The cost of accreditation will be the result of a wide range of variables, the permutations of which are quite numerous. The variables include not only the accreditation options that are ultimately chosen by the GEF among those laid out in the report but also on the judgment of the professionals that are engaged to conduct the accreditation process.

If the GEF chooses to remain removed from the process of exercising due diligence on Applicants, as has been indicated, professional experts will have to make their own determination as to the level of due diligence they wish to perform on the entities under review, underlying documentation, or onsite verification.

We believe it is unlikely that qualified professionals engaged to conduct an accreditation process will be willing to commit to a single accreditation cost for each potential type of applicant but will, rather, require that their level of effort be driven by the facts and circumstances of each Applicant and the resulting complexity and risk. It is also unlikely that accreditation can be conducted through a desk review in all circumstances. In some cases, onsite verification of capacities and systems may be judged to be required in order to render a decision on accreditation. In these cases, travel and travel related expenses could be a significant element of cost that could vary dramatically from one Applicant to another.

As the GEF is governed by the World Bank Guidelines for procuring such outside services, it will ultimately be a competitive market based process that will yield actual costs and it would be inappropriate to presuppose what that competitive process will reveal.

Further, as other donors have not adopted a similar approach to addressing their fiduciary responsibilities through a stand-alone outsourced service, as envisioned by the GEF, there is no ability to draw upon their experience as a reference for a range of potential costs. Some donors do outsource elements of addressing fiduciary responsibilities but some include this as one element of a larger package of services and others outsource only specific elements of an overall assessment and maintain other elements as an internal responsibility.

With the preceding taken into account, it is possible to envision a scenario in which an accreditation could be conducted for approximately \$25,000. This scenario assumes a four-member panel of experts with complimentary expertise who conduct their review in seven days through a purely desk review approach. It assumes no extraordinary costs beyond their fees and miscellaneous expenses. This scenario assumes an applicant with complete documentation and a history of undertaking similar responsibilities as a GEF executing entity. As discussed above, there are many factors that would alter the ultimate cost of accreditation, even with this straightforward scenario.

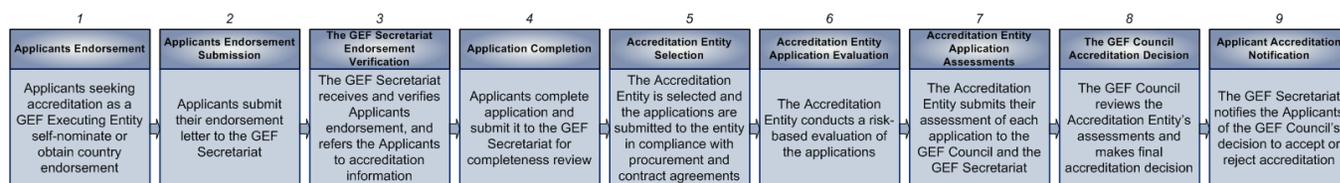
Building upon the above as a base scenario, another likely element of accreditation is the need to conduct field level due diligence on supporting documentation of an applicant. This could range from verification of systems, review of specific transactions, review of previous project documentation, to inspection of actual completed projects. As onsite due diligence involves the costs of travel, lodging, and per diem, any estimate of cost begins to incur a wide range of variability as travel costs to the developing world are typically quite high and in-country costs at acceptable hotels can also be quite high. With this in mind, in country due diligence for a four-member panel, operating for an additional seven days, and assuming a relative mid-point of travel expenses could add an additional \$75,000 to the cost of accreditation above the base, resulting in a total cost of approximately \$100,000 for an accreditation that required in-country due diligence.

Again, these scenarios are just that, constructs of potential facts and circumstances, and should not be regarded as expected outcomes. It should also be reinforced that travel to a remote and high cost environment could alter the second scenario by as much as 50%.

### The Accreditation Cycle

The process to review and assess applications for accreditation as a GEF EE is called the accreditation cycle. This section details each step of the proposed nine step cycle. The accreditation cycle is initiated with the endorsement of an Applicant by a country’s GEF Operational Focal Point or the Applicant submission from a multilateral entity. The endorsement is verified by the GEF Secretariat, and the Applicant proceeds to complete an application form. The GEF Secretariat ensures the applications are completed before directing the Applicant to pay for, and receive, accreditation services. The Accreditation Entity conducts a risk-based evaluation of the application in accordance with the guidelines and methodology agreed to with the GEF Secretariat. Upon completion of the evaluation, the Accreditation Entity writes an assessment and accreditation recommendation which is then forwarded to the GEF Council, with a copy to the GEF Secretariat. The GEF Council reviews the Accreditation Entity’s assessment on all applications, and makes the final decision on accreditation status for each candidate EE. The GEF Council provides notification of their decision to the GEF Secretariat, who then notifies the entities of their status, and begins the process of incorporating the newly accredited EEs into the GEF system and procedures.

The nine steps of the Accreditation Cycle are presented below in **Figure 3**.



**Figure 3 – The Accreditation Cycle**

Each of the activities within these nine steps is detailed below.

### **Step 1: Applicants Endorsement**

This step initiates the accreditation cycle and addresses the process by which an entity receives an endorsement for consideration as a GEF EE.

#### **Endorser Requirements**

The endorser for a national institutions, bilateral development agencies, and non-governmental/civil society organizations is the approved GEF-Secretariat country Operational Focal Point. Given that all current GEF entities are multilateral entities, and that they did not need recipient country endorsement in order to apply for status as a GEF Agency, the GEF might wish to allow multilateral entities to self-endorse.

#### **Endorsement Documentation and Process**

The authorized endorser (see Step 1: Applicants Endorsement, “Endorser Requirements” above) submits a letter on their letterhead to the entity, stating that they endorse the entity for consideration as a GEF EE.

Unintended consequences:

- To help make the process more manageable, the GEF Secretariat has suggested that that initially, only one or two GEF EEs per country apply for accreditation. In this case, the GEF Secretariat would need to clearly communicate to the GEF Operational Focal Points that they should consider providing endorsements to only the most qualified one or two out of the many potential entities.
- If country endorsement is not required for multilateral entities, it would mean that there is a “cap” on national organizations, but not multilaterals, which would give the appearance of bias towards multilaterals. Further, the absence of caps on multilaterals may result in a larger number of multilaterals than may be desired. To overcome the appearance of bias, the GEF may desire establishing a preferred mix of types of accredited entities. The GEF may prefer to assess this issue after completing the first full year of accreditation.

### **Step 2: Applicants Endorsement Submission**

In this step, the entity submits to the GEF Secretariat their endorsement document and cover letter notifying the GEF Secretariat of their intent to apply for accreditation status. The GEF Secretariat reviews and confirms the authority of the document and enters the Applicant in their Tracking System by name and country focus (**Appendix F**). Confirmation of the authority of the document may be accomplished by phone call or e-mail. For multilaterals, the GEF Secretariat receives the self-endorsement letter, confirms the authority of the document and enters the Applicant in their document tracking system.

In the event that the GEF Secretariat receives endorsement letters for more than two entities in one country, the GEF Secretariat will contact the country operational focal point who endorsed these entities, and request that they select no more than two entities from those they have already endorsed for continued movement through the accreditation process. The GEF Secretariat will then: 1) continue those two entities through the accreditation process; 2) send a letter to the Applicants in excess of those two entities informing them that the number of Applicants for their country has been met, but they may be considered at a later date should the number of Applicants per country be increased; and 3) send a letter to the endorser confirming that they have achieved the current maximum number of entities that may be considered for accreditation, and to refrain from further endorsements until the number of Applicants per country has been increased.

### Step 3: The GEF Secretariat Endorsement Verification

Upon verification of the documents in Step 2, the GEF Secretariat sends a letter to the Applicant confirming receipt and acceptance of the endorsement letter, and directs the Applicant to relevant information sources to access the application form and application process steps. Relevant information sources may include the GEF Secretariat web-site, staff personnel or an information package sent to the Applicant by mail. The GEF Secretariat enters into their Tracking System the verification date of the endorsement.

Unintended consequences:

The GEF Secretariat has recommended that there not be an initial education process or a GEF Secretariat guided involvement in assisting the Applicant entity through the process to compile information and submit an accreditation package. The unintended consequence of this preference is that staff time spent on fielding questions and directing Applicants to the information sources may be higher than estimated.

### Step 4: Application Completion

This step outlines the process by which the Applicant submits the completed application form to the GEF Secretariat, and the GEF Secretariat reviews the application for completeness. The GEF Secretariat may conduct this process at several levels of involvement, a decision which will be influenced by their preference for level of independence from the accreditation process (see Section 2, Accreditation Process, “The GEF Secretariat’s Level of Independence in the Accreditation Process” Options 1 and 2 for discussion of alternative levels of the GEF Secretariat’s participation in checking the completeness of the application).

At all the levels of involvement, the GEF Secretariat will at least ensure application completeness by comparing documents the Applicant has submitted against a checklist. The activities and guidelines of the GEF Secretariat in this step include the following.

#### Application Language

- The GEF Secretariat has two considerations in determining the application language(s) it will accept.
  - First, if the GEF Secretariat is to remain independent of any value judgment of an application and accepts applications in any language other than English, it will fall on the GEF Secretariat to translate the application from a language in which the staff may not have proficiency. This may give rise to the perception that the GEF Secretariat, however inadvertently, has affected the content of the application. This concern is minimized if the GEF Secretariat elects to participate more extensively in the review process, as conceptually described in Option 3 and Option 4 in **Figure 2**.
  - Second, one goal for the GEF is to avoid additional cost associated with the accreditation process. In the event that applications are submitted in languages other than English, the GEF Secretariat will need to either translate the applications using available staff that could divert resources away from core work, thereby adding to overhead personnel costs, or to retain translating services which also incurs costs. This concern may be minimized if the GEF Secretariat considers accepting applications in their three working languages (English, Spanish and French), provided sufficient staff is available with each of these language skills to translate into English.

The decision in which language to accept the applications will therefore, be driven by the desired level of independence for the GEF Secretariat during the accreditation review and the number and availability of staff with multiple language skills.

#### Request Completeness Information No Greater than Three Times

- For cost reasons, GEF Secretariat cannot engage in lengthy correspondence over time to request required information to fully complete the entity's application form. Therefore, the GEF Secretariat may limit the number of repeat attempts to complete the application. A suggested limit is for the Applicant to submit their applications no more than three times before the GEF Secretariat rejects the application due to incompleteness.

#### Approve or Reject Application within a Set Time Frame

- The Applicant has a set time frame to submit a final complete application from the date of the GEF Secretariat's initial receipt of the application. In the event that the GEF Secretariat requests further documentation to complete the application, and it is not received a response within 30 days of the initial filing, the GEF Secretariat will reject the entire application, return it to the Applicant with an explanation, and advise them they will have to submit a new application.

The GEF Secretariat enters the date the application is received in their Tracking System and notes the dates of information requests.

#### Unintended consequences

The GEF will want to balance the need for cost-effectiveness in broadening EEs while also maintaining the reputation of the organization. In the event that many applications are rejected for lack of completeness, an unintended consequence may be frustration and lack of understanding by those who have been rejected. The GEF Secretariat must therefore achieve a balance between facilitating a high percent of submitted applications from Step 4 to Step 5, and maintaining independence from participation in this process through maintaining an arms-length distance from facilitation services and anticipate a high rejection rate.

#### **Step 5: Accreditation Entity Selection**

This step outlines the process by which the Accreditation Entity is procured and interaction established between the Applicant and the Accreditation Entity. This step is dependent on the GEF Council's decisions regarding: the procurement of the Accreditation Entity, selection of an Accreditation Entity, the contractual agreements of this relationship, decisions on whether to use a single full review approach or progressive review, and the GEF Secretariat's level of involvement in the accreditation process. Each of these issues is discussed in Section 2 of this report above.

#### **Step 6: Accreditation Entity Application Evaluation**

The Accreditation Entity conducts a risk-based evaluation of the applications received by the cut-off date prior to the start of their review. Applications received after the cut-off date will be assessed in the next review cycle. The Accreditation Entity conducts a risk-based evaluation accreditation process using the methodology described in Section 3, Risk-Based Evaluation Process, "Risk-Based Scoring Methodology".

#### Process

The Accreditation Entity processes through the following sequence of activities during their review.

- *Conduct Preliminary Assessment, and Score Each Application.* The Accreditation Entity opens the applications at the start of the review and circulates copies of each application to each accreditor. The accreditor independently assess each application, assigns a score for each evaluation criteria based on supporting documents and qualitative responses, develops a total weighted score for each application, and identifies

the applications intermediate status: approve, reject or conduct further review to assess the willingness and ability of the Applicant to implement immediate mitigation strategies.

- *Confirm Applications that are Scored High and Low Risk.* The accreditors then convene and compare assessments on applications that clearly meet evaluation criteria to achieve an “approve” or “reject” recommendation. When the accreditors are not in agreement on the recommendation, which occurs when at least one member scores the application in the “assess ability to implement mitigation strategies”, the latter score is upheld.
- *Review Applications that are Scored Medium Risk.* The accreditors then assess the applications that received medium risk scores. The accreditors discuss the areas within the application that are of concern, and determine whether mitigation strategies can be immediately put in place that will reduce the risk associated with the Applicant to an acceptable level for accreditation. The outcome of this assessment will be a recommendation on these applications to “approve” or “reject”.

During this process, the accreditor may engage directly with the Applicant to request further information in the form of alternative documentation, clarification of capabilities, and identification of ability and willingness to engage in internal mitigation strategies at the request of the accreditors. There are no limitations on the interaction between the accreditors and Applicant other than the application cannot be changed, and the interaction is solely focused on the ability of the Applicant to meet proposed risk mitigation requirements. This interaction will further assist the accreditors to make a final assessment to approve or reject the Applicant.

- *Develop Written Assessment of Each Application.* The accreditor develops a written report of their findings and their assessment of “approve” or “reject”. Included in the assessments of those who have been rejected is an explanation for the decision to reject. The explanation should be of sufficient depth to provide the Applicant the necessary information to improve their capabilities, such that if they choose to resubmit their application at a later date, they would be better positioned to meet the standards for approval.

### **Step 7: Accreditation Entity Application Assessments**

For each application, the accreditors submit a cover letter with the recommendation, and attach the written assessment, to the GEF Secretariat. Separately, the accreditors return the application form to the Applicant with a letter stating that the accreditor has completed their assessment, the results have been delivered to the GEF Secretariat for transmittal to the GEF Council, and the GEF Council will make their decision during the next Council meeting.

The GEF Secretariat enters the date of notification into their Tracking System, and the tentative date the GEF Council will review the application.

### **Step 8: The GEF Council Accreditation Decision**

The GEF Council reviews the accreditors report and assessment for approved Applicants only that have been received no later than one month before the Council meeting. The GEF Council makes the final accreditation decision on each Applicant. The suggestion that the GEF Council receives only the reports and assessments on approved Applicants is based on the understanding that the role of the accreditors is to apply expertise to identify and remove from further consideration those Applicants who pose an unacceptable risk to the GEF as established through the accreditation process. The GEF Council retains final decisions on approving for accreditation the Applicants who meet the accreditation standards. GEF Council members will know from their country operational focal points the Applicants who did not receive an “approve” assessment.

**Step 9: Applicant Accreditation Notification**

The GEF Secretariat records the GEF Council's decision in their Tracking System, and formally notifies all Applicants of the GEF Council's accreditation decision. For those Applicants who receive accreditation as a new EE, the notification includes contact information with the GEF Secretariat who will liaise with them on GEF related issues. For those Applicants who do not receive accreditation as a new EE, the GEF Secretariat forwards the assessment document and cover letter provided by the accreditor to the Applicant, so that the Applicant understands the reasons for their non-accreditation and is able to begin steps towards future accreditation.

**Accreditation Types and Fee Structure**

In the immediate term, it is expected that there will be only one type of accreditation—new accreditation of executing entities. Over time, however, it is anticipated that there may be up to three accreditation types: new, reaccreditation, and reaccreditation after suspension. Each of these is briefly described below. Actual fees will be determined as a result of a competitive process either by individual panel members or a firm.

**New**

A new accreditation is the type of accreditation provided to entities that have not previously been accredited, and will depend on the work performed by the GEF and the professional firm or panel.

**Reaccreditation**

A reaccreditation is the type of accreditation provided to entities that have previously been accredited and are in good standing, but need to update their accreditation. Guidelines for reaccreditation require further consideration; however, it is suggested that accredited entities in good standing undergo reaccreditation two years after their initial accreditation, and every five years after successful completion of their first reaccreditation.

**Reaccreditation after suspension**

The GEF Council might wish to reserve the right to suspend accreditation of any entity because of internal or external events that effectively reduce the competencies of the entity as established during the accreditation process. Examples of these events include, but are not restricted, to: mismanagement; significant change in the geo-political environment that preclude the entity from effective operations; loss of in-country infrastructure to natural disaster or conflict; and loss of key personnel through death or illness (ex. chief financial officer, program manager, project manager).

## Section 3 – Risk-Based Evaluation Process

This section describes the proposed risk-based evaluation process. It first presents three proposed evaluation criteria, and provides a suggested list of indicators for each of these evaluation criteria. Then it presents the proposed Application Form, which includes the evaluation criteria and suggested list of indicators. Finally, this section presents the proposed application scoring methodology and discusses three types of accreditations.

### **Evaluation Criteria**

If the GEF Council decides to broaden the number of executing entities, it is suggested that the evaluation criteria to determine whether Applicants should be accredited support the desired benefits of this expansion. The desired benefits of this expansion include: increased sustainability, introduction of new expertise not previously available, enhanced geo-diversity and enhanced participation by national entities in the GEF partnership. In addition to these benefits, the GEF should consider an accreditation process that factors in the following areas of risk: risk that funds are not used for their intended purpose; performance risk which covers the capacity of an entity to successfully oversee and implement a GEF funded project; strategic risk that covers the ability of GEF to have access to entities capable of implementing GEF focal areas; country ownership risk which covers the risk of projects that do not have strong and broad support of government, citizens, and civil society, a necessary condition to long-term sustainability; and finally the ability of an entity to mitigate liability risks.

The following three evaluation criteria areas seek to balance these areas of desired benefits and areas where the GEF should seek to manage risks: strategic criteria which considers the contribution the Applicant makes to maintaining a well-balanced portfolio of EEs, as well as the country support; 2) performance criteria including procurement; and 3) financial management. Each of these is described below, and the indicators are included in **Appendix E**.

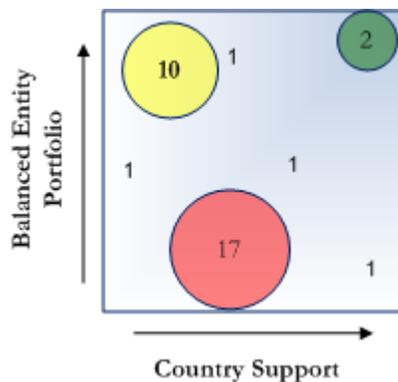
### **Strategic Evaluation Criteria**

The Instrument for the Establishment of the Restructured Global Environment Facility states the GEF seeks to deliver global environment benefits in focal areas that include: biological diversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. The broadening of EEs (e.g., direct access) will change the current balance of the portfolio of EEs, therefore the first evaluation criteria seeks to manage the risk associated with adding EEs to ensure that a desired balance is continually maintained even as EEs are added or removed, or the GEF adds or removes focal areas. The assessment of each Applicant will therefore address the value they add to the GEF partnership based on the focal areas, and this will be captured through the first strategic evaluation criteria “Balanced Entity Portfolio”. The balanced entity portfolio measure is descriptive of the mission focus of the added entities; it is not descriptive of the entity type (i.e., multilateral, NGO, national), and it is not suggested that a specific balance

of entities be prescribed. Rather, a qualified judgment is recommended that scores the Applicant based on their balanced ‘fit’ with the GEF areas of focal interest.

The second strategic evaluation criteria is “Country Support” which requests the Applicant demonstrate that they have, and can continue to build, country support for its projects not only at the Political and Operational Focal Point Levels, but also at the regional and local level in the geographic areas in which they execute projects. This indicator enables the Applicant to describe their capabilities to successfully implement projects that contribute to building sustainability, country level capacity and effectiveness in their geographic focus areas. Examples of this include not only the political and operational focal point, but also may include: civil organizations, provincial leaders, local civic organizations and key stakeholders. For regional entities, the response would be at the regional and local level. The Applicant is requested to provide a descriptive response, and the score would be a value judgment on the strength of the response.

The balance between these two strategic criteria is considered: the Applicant that strongly supports the GEF’s balanced entity portfolio and has strong country support is a preferred Applicant; the Applicant that moderately supports both measures is a moderately preferred Applicant; while the Applicant that does not support the balanced entity portfolio and has weak country support is a weakened Applicant. **Figure 3** below illustrates this concept. The vertical axis represents a scale from weakly to strongly balanced entity portfolio; the horizontal axis represents the strength of country support. Within the graphic are three circles that are green, yellow and red. The green circle indicates that two Applicants have the highest evaluation on the two strategic criteria and are therefore the preferred candidates. The yellow circle identifies a cluster of 10 Applicants that strongly support the GEF’s balanced entity portfolio; however, they have weak country support. The red circle identifies a cluster of 17 Applicants that do not add balance to the entity portfolio and have low-moderate country support.



**Figure 3 – Strategic Criteria**

The dynamic between the balanced entity portfolio and country support criteria is assessed at the time of evaluation, and the Applicants who perform at levels in the top right corner of the graphic receive a higher evaluation than those who perform at levels in the lower left corner.

### **Performance Evaluation Criteria**

The Performance evaluation criteria have been developed to determine the Applicant’s capacity to appraise, procure, develop and implement successful GEF funded projects. This criterion is developed on two sub-criteria: a) performance management, and b) past performance.

The sub-criteria for performance management draws significantly from the GEF fiduciary standards to ascertain the Applicant's ability to appraise projects, perform procurement functions in a controlled environment, and ensure on-going monitoring and evaluation of projects while these are being implemented. This sub-criterion also examines the prospective EE's capability to investigate and address any operational issues such as staff complaints and charges against management related to the EE or the project. These are intended to be over-arching capabilities over and above the internal audit and external audit capabilities that are included in the third criteria, Financial Management and Internal Control Evaluation. Grant Thornton provided additional indicators for this evaluation sub-criteria based on best practices and past experience, which are color coded in grey.

The second sub-criteria addresses the prospective EE's performance to date in delivering successful projects in a GEF-type project funding environment. The indicators in these sub-criteria, developed by Grant Thornton are intended to ascertain and review the entity's existing capability and experience in delivering projects with integrated project development, financial management and operational requirements. This is an important sub-criterion, as it is believed that prior knowledge and experience of performing in the international arena with a variety of stakeholders, internationally accepted norms, and compliance with robust fiduciary standards will greatly assist in delivering successful GEF-financed projects.

### **Financial Management and Internal Control Evaluation Criteria**

The GEF's fifth replenishment period will cover GEF operations and activities for the four years from July 1, 2010 to June 30, 2014. The overall approach to programming builds on the achievements of the first four phases of the GEF, and on the refinements made in the focal area strategies during GEF-4. GEF-5 aims at total replenishment level of \$4.2 billion, which is a 34 percent increase over GEF-4 levels. This drive for increased GEF funded projects reinforces the basic tenet that GEF funds must be used for what they have been provided.

The criteria for this are governed by internal control risk, which is measured against two sub-criteria: Entity Environment and Internal Controls including controls on financial reporting. A number of indicators reflect GEF fiduciary standards, and others, color coded in grey in the Accreditation form have been developed by Grant Thornton based on best practice and experience.

The entity environment is impacted by the business environment in which the entity operates and the ethical governance of the prospective EE and the GEF funded project. The business environment risk dovetails with the assessment of country risk and the focus under this criteria is the ethics permeating from the top of the organization to the lowest level. The broad measures are the stipulated code of ethics and financial disclosure policies that set expectations to emulate and follow. Checks and balances on ethical governance are provided by indicators under external audit and whistle blowing measures. The second sub-criteria is Internal Controls, which are the checks and balances in an organization to reduce the possibility of material errors or misstatements in financial reporting, non-adherence to policies and procedures, collusion, and misappropriation. This sub-criterion includes two major measures: internal control framework and internal audit. The internal control framework is the policy definition of internal controls and the internal audit ensures implementation of this framework. The internal audit function requires being independent to perform proper evaluations and tests to support their findings and recommendations for improvement.

In conclusion, the design of the combination of strategic, performance, and financial management and internal controls criteria is specifically structured to ensure that the GEF projects continue to be executed to the GEF's high fiduciary standards even as the range and diversity of GEF EEs expand.

## Application Form

The Application Form to apply for accreditation as a GEF Executing Entity is formed around the evaluation criteria presented above and utilizes a balanced scorecard approach. The Application Form establishes specific indicators for each of the evaluation criteria, and (in final form) identifies standards required to attain status as an accredited EE and requests supporting documentation. The value of this approach is that it enables the Accreditation Entity to have a balanced view of the Applicant's financial capabilities as well as their organizational and mission strengths relative to the GEF's needs. This section describes the sections of the Application Form, and then presents a conceptual outline of the form (the process to evaluate and score the Applicant's responses are described later in this section in "Application Scoring Methodology").

- *Section 1: Background and Contact Information.* This section requests background and contact information on the Applicant.
- *Section 2: Strategic Evaluation Criteria.* This section requests full documentation and response to two indicators "Balanced Portfolio Entity" and "Country Support".
  - The first indicator, "Balanced Portfolio Entity", requests the Applicant to describe how accreditation of the Applicant enhances the GEF's strategic objectives to maintain a balanced portfolio of executing entities by adding entities that introduce new areas of expertise, or by enhancing geo-diversity in regions in which the GEF is interested in focusing. The Applicant is asked to check the areas of expertise that apply to them relative to the current areas of focus for the GEF, such as biological diversity, climate change, international waters, land degradation, ozone layer depletion, persistent organic pollutants or other. The Applicant is also provided with a separate list of geographical areas in which the GEF has specific interest to achieve direct access (to be obtained from the GEF).
  - The second indicator, "Type of Country Support", requests the Applicant to describe the type and level of country support for the Applicant's anticipated projects as a GEF-funded entity. The GEF requires that projects undertaken have a strong and broad support by the government, civil society and citizens because it is a necessary condition of sustainability. The Applicant is asked to describe their capabilities in terms of history and experience in building and maintaining in-country support for their projects, including levels of country support such as: government ministry support, provincial team support, citizen group support and key stakeholder support.
- *Section 3: Performance Evaluation Criteria.* This section requests performance management capabilities from the Applicant. The Applicant is provided with a list of indicators, and asked to provide supporting documentation and description of their capabilities relative to each indicator.
- *Section 4: Financial Management and Control Evaluation Criteria.* This section requests fiduciary standards, accountability and control information from the Applicant to demonstrate their financial management and procurement management capabilities. The Applicant is provided with a list of indicators, and asked to provide supporting documentation and description of their capabilities relative to each measure.

An example Application Form is introduced below in outline form in **Figure 4**, and provides an overview of the information requested across all evaluation areas. The full Application Form is in **Appendix E**.

Application Form (Outline Version)														
<b>Section 1: Background and Contact Information</b>														
Name of Entity:														
Address:														
Fax:														
Web Address:														
Contact Person:	Telephone:	E-Mail:												
<b>Section 2: Strategic Evaluation Criteria</b>														
<p><b>a. Balanced Entity Portfolio.</b> Describe how accreditation of the Applicant enhances the GEF Secretariat's interest in maintaining a balanced portfolio of executing entities by adding entities that introduce new areas of expertise, or by enhancing geo-diversity (check the applicable following areas).</p> <table style="width:100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><b>Introduce New Areas of Expertise to GEF</b></p> <p><input type="checkbox"/> Biological diversity</p> <p><input type="checkbox"/> Climate change</p> <p><input type="checkbox"/> International waters</p> <p><input type="checkbox"/> Land degradation</p> <p><input type="checkbox"/> Ozone layer depletion</p> <p><input type="checkbox"/> Persistent organic pollutants</p> <p><input type="checkbox"/> Special focus #1:</p> <p><input type="checkbox"/> Special focus #2:</p> </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><b>Enhance the GEF's Geographic Diversity</b></p> <p><input type="checkbox"/> Region 1 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 2 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 3 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 4 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 5 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 6 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 7 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 8 (tbl): identify country(us) _____</p> </td> </tr> </table> <p>Describe your area of expertise, provide documentation that demonstrates a history of expertise.</p>			<p style="text-align: center;"><b>Introduce New Areas of Expertise to GEF</b></p> <p><input type="checkbox"/> Biological diversity</p> <p><input type="checkbox"/> Climate change</p> <p><input type="checkbox"/> International waters</p> <p><input type="checkbox"/> Land degradation</p> <p><input type="checkbox"/> Ozone layer depletion</p> <p><input type="checkbox"/> Persistent organic pollutants</p> <p><input type="checkbox"/> Special focus #1:</p> <p><input type="checkbox"/> Special focus #2:</p>	<p style="text-align: center;"><b>Enhance the GEF's Geographic Diversity</b></p> <p><input type="checkbox"/> Region 1 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 2 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 3 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 4 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 5 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 6 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 7 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 8 (tbl): identify country(us) _____</p>										
<p style="text-align: center;"><b>Introduce New Areas of Expertise to GEF</b></p> <p><input type="checkbox"/> Biological diversity</p> <p><input type="checkbox"/> Climate change</p> <p><input type="checkbox"/> International waters</p> <p><input type="checkbox"/> Land degradation</p> <p><input type="checkbox"/> Ozone layer depletion</p> <p><input type="checkbox"/> Persistent organic pollutants</p> <p><input type="checkbox"/> Special focus #1:</p> <p><input type="checkbox"/> Special focus #2:</p>	<p style="text-align: center;"><b>Enhance the GEF's Geographic Diversity</b></p> <p><input type="checkbox"/> Region 1 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 2 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 3 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 4 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 5 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 6 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 7 (tbl): identify country(us) _____</p> <p><input type="checkbox"/> Region 8 (tbl): identify country(us) _____</p>													
<p><b>b. Country Support.</b> Describe the type and level of country support for the Applicant's anticipated projects as a GEF-funded entity, referencing past experiences and capabilities. The GEF desires that projects undertaken have a strong and broad support by the government, civil society and citizens because it is a necessary condition of sustainability.</p>														
<b>Section 3: Performance Evaluation Criteria</b>														
<p><b>a. Performance Management.</b> Describe your capabilities in each of the following areas, and provide the required supporting documentation.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;">Area</th> <th style="width: 20%;">Supporting Documentation</th> <th style="width: 35%;">Description of Capabilities</th> </tr> </thead> <tbody> <tr> <td>1. Do <b>Project Appraisal</b> functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed?</td> <td></td> <td></td> </tr> <tr> <td>2. Is a project and/or activity appraisal process in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes?</td> <td></td> <td></td> </tr> <tr> <td>3. Does the appraisal process provide institutional checks and balances at the stage of project design?</td> <td></td> <td></td> </tr> </tbody> </table>			Area	Supporting Documentation	Description of Capabilities	1. Do <b>Project Appraisal</b> functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed?			2. Is a project and/or activity appraisal process in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes?			3. Does the appraisal process provide institutional checks and balances at the stage of project design?		
Area	Supporting Documentation	Description of Capabilities												
1. Do <b>Project Appraisal</b> functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed?														
2. Is a project and/or activity appraisal process in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes?														
3. Does the appraisal process provide institutional checks and balances at the stage of project design?														
<p><b>b. Past Performance.</b> Describe your capabilities in each of the following areas, and provide the required supporting documentation.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;">Area</th> <th style="width: 20%;">Supporting Documentation</th> <th style="width: 35%;">Description of Capabilities</th> </tr> </thead> <tbody> <tr> <td>1. How long has the entity been involved with international development projects?</td> <td></td> <td></td> </tr> <tr> <td>2. Does the entity have prior experience in the development and implementation of international environment projects?</td> <td></td> <td></td> </tr> </tbody> </table>			Area	Supporting Documentation	Description of Capabilities	1. How long has the entity been involved with international development projects?			2. Does the entity have prior experience in the development and implementation of international environment projects?					
Area	Supporting Documentation	Description of Capabilities												
1. How long has the entity been involved with international development projects?														
2. Does the entity have prior experience in the development and implementation of international environment projects?														
<b>Section 4: Financial Management and Control Evaluation Criteria</b>														
<p><b>a. Internal Controls.</b> Describe your capabilities in each of the following areas, and provide the required supporting documentation.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;">Area</th> <th style="width: 20%;">Supporting Documentation</th> <th style="width: 35%;">Description of Capabilities</th> </tr> </thead> <tbody> <tr> <td>1. Has an <b>Internal Control Framework</b>, as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, been established and documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.</td> <td></td> <td></td> </tr> <tr> <td>2. Is the risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories: a. Effectiveness and efficiency of control b. Reliability of financial reporting and financial management frameworks c. Compliance with applicable policies and procedures.</td> <td></td> <td></td> </tr> </tbody> </table>			Area	Supporting Documentation	Description of Capabilities	1. Has an <b>Internal Control Framework</b> , as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, been established and documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.			2. Is the risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories: a. Effectiveness and efficiency of control b. Reliability of financial reporting and financial management frameworks c. Compliance with applicable policies and procedures.					
Area	Supporting Documentation	Description of Capabilities												
1. Has an <b>Internal Control Framework</b> , as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, been established and documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.														
2. Is the risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories: a. Effectiveness and efficiency of control b. Reliability of financial reporting and financial management frameworks c. Compliance with applicable policies and procedures.														
<p><b>b. Entity Environment.</b> Describe your capabilities in each of the following areas, and provide the required supporting documentation.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 45%;">Area</th> <th style="width: 20%;">Supporting Documentation</th> <th style="width: 35%;">Description of Capabilities</th> </tr> </thead> <tbody> <tr> <td>1. Does a documented <b>Code of Ethics</b> define ethical standards to be upheld, including protecting agency and trust fund assets? The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.</td> <td></td> <td></td> </tr> <tr> <td>2. Does an ethics or related function provide administrative support for the code, including distributing the code, monitoring compliance, and authority to refer alleged violations to the agency's investigation function?</td> <td></td> <td></td> </tr> </tbody> </table>			Area	Supporting Documentation	Description of Capabilities	1. Does a documented <b>Code of Ethics</b> define ethical standards to be upheld, including protecting agency and trust fund assets? The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.			2. Does an ethics or related function provide administrative support for the code, including distributing the code, monitoring compliance, and authority to refer alleged violations to the agency's investigation function?					
Area	Supporting Documentation	Description of Capabilities												
1. Does a documented <b>Code of Ethics</b> define ethical standards to be upheld, including protecting agency and trust fund assets? The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.														
2. Does an ethics or related function provide administrative support for the code, including distributing the code, monitoring compliance, and authority to refer alleged violations to the agency's investigation function?														

Figure 4 – The Application Form (Outline Version)

### **Risk-Based Scoring Methodology**

This section proposes a methodology to score and rank applications on their level of risk to the GEF. It suggests levels of risk scores below which the creditors assess the Applicant as “approved” for accreditation as a GEF EEE, and above which they assess “reject”. This section provides a conceptual outline of this process; all scores and weights are for illustrative purposes only. *Further development of this process is required to ensure the scoring methodology is sufficiently rigorous to capture the complexity and comprehensiveness of the Applicants’ capabilities relative to GEF standards.*

The methodology has five elements: the indicators for each of the evaluation criteria described in Section 2; score levels that measure the performance of the Applicant against each of the GEF’s indicators; weights for each indicator so that the relative importance of each indicator receives a weight associated with its importance; classification system to “stratify” risk scores; and mitigation strategies associated with managing risks for Applicants whose score places them in a moderate risk class to further assess during the accreditation process if they can be applied so they attain a “approve” score, or if they cannot, they are assessed a “reject” score. Grant Thornton suggests a design for each of these elements below based on a consideration of the GEF’s needs, the benchmark survey results, Grant Thornton expertise, and reasonableness of adoption.

- *Indicators.* The indicators are the specific measures within the evaluation criteria (presented above), for which the Applicant is requested to provide qualitative responses and supporting documentation. For each indicator, the GEF Council will need to establish a standard or required level of performance/capability for which the Applicant is expected to provide evidence and supporting documentation of attainment.
- *Score Levels.* Three-tiered scoring system the accrediting entity uses to score the Applicants’ responses to each measure, relative to GEF requirements. The three scores are: low (L), medium (M) and high (H). The low score receives 1 point, the medium score receives 2 points, and the high score receives 3 point.
- *Weights for each measure.* Not all indicators are of equal importance in assessing the capabilities of the Applicant. Therefore, weights are assigned for each indicator, and the weighted score for each response is calculated by multiplying the score \* the weight. The determination of appropriate weights may be expected to evolve over time, and lessons learned will contribute to achieving the preferred weight allocation across indicators.
- *Risk score classification system.* The weighted scores for each application are summed to yield a total risk score. Risk scores below a designated level are classified as high risk and the accrediting entity is advised to issue a recommendation of “reject”. Risk scores above a designated level are classified as low risk and the accrediting entity is advised to issue a recommendation of “approve”. Risk scores between these two designated levels are classified as medium risk and the accrediting entity is advised to conduct further assessment by interacting with the Applicant to determine if mitigation strategies can be adopted by the Applicant to reduce the risk and thus move their score into the low risk category so they may attain a low risk score and be assessed “approve”, or determine that no mitigation strategies can reasonably be adopted by the Applicant to sufficiently reduce the risk so that a recommendation of “reject” is assessed.
- *Mitigation strategies.* The range of mitigation strategies that the accrediting entity may discuss with the Applicant during the accreditation process may include: hiring of experienced and qualified personnel, systems implementation, processes implementation and further documentation. The mitigation strategies must be immediately implementable such that the Applicant can demonstrate satisfactorily to the

accrediting entity that they can increase their capabilities in those areas of weakness identified by the Accreditation Entity to attain a revised low score and thus be assessed for “approve”.

The accrediting entity assesses each section of the application to determine the Applicants’ raw score. The raw score is the judgment the accrediting entity applies to each indicator based on the level to which the Applicant does not meet, meets, or exceeds the required GEF standards presented in the application. A “3” is a high risk score that indicates the response does not meet required GEF standards, a “2” indicates the response meets required GEF standards, and a “1” indicates the Applicant exceeds required GEF standards. Some of these judgments will be value judgments based on a descriptive response by the Applicant, others will be factually-based judgments informed by the supporting documents (Figure 5 – “Risk Scores: Pre-Mitigation and Post-Mitigation” below).

The accrediting entity then multiplies the raw score by the pre-determined section weight, which is the distribution of weight across all evaluation criteria and sub-criteria to obtain the pre-mitigation score. In the example presented in Figure 5 below, the strategic evaluation criteria receives less weight (1) than each of the other two evaluation criteria which both receive a weight of 2.

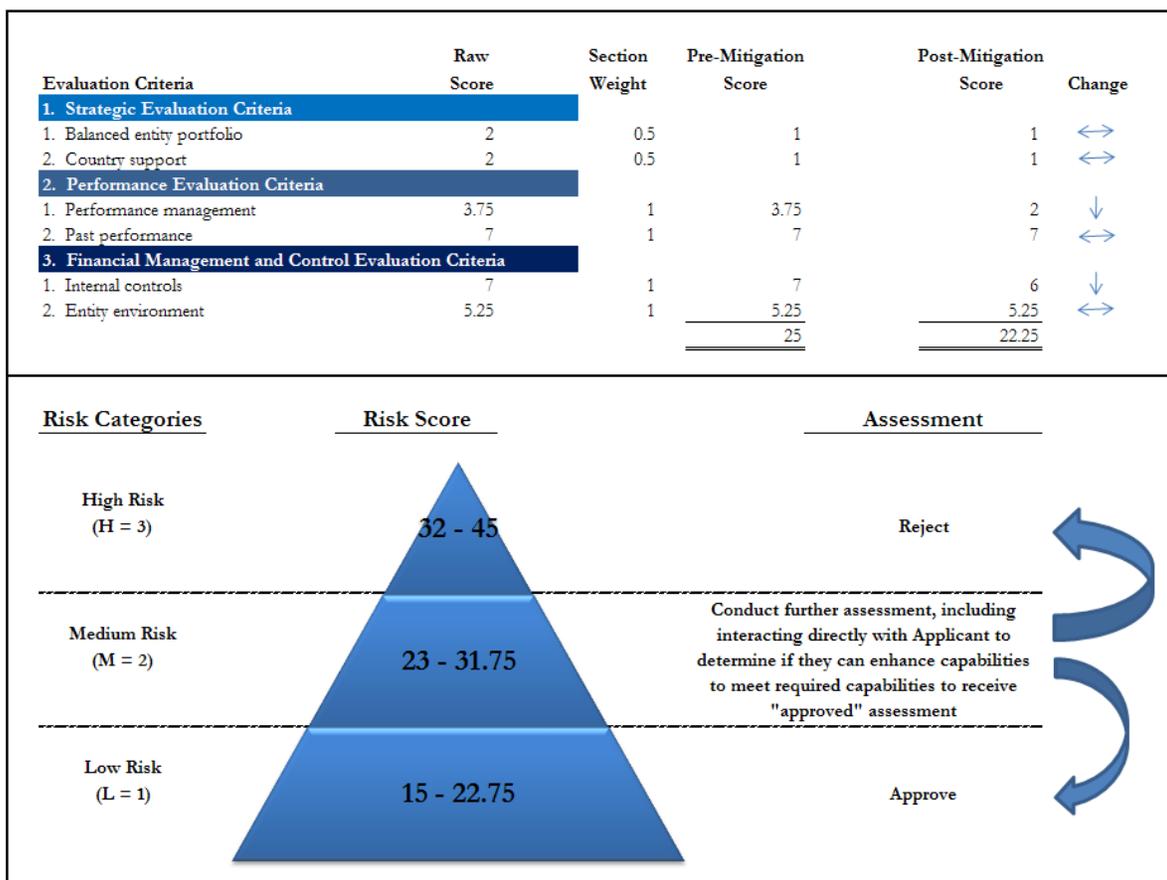


Figure 5 –Risk Scores: Pre-Mitigation and Post-Mitigation

The accrediting entity reviews the Applicant’s pre-mitigation scores against the risk levels presented in the risk categories. Applicants who receive a low risk score at or below 22.75 are assessed “approve” for accreditation, while Applicants who receive a high score at or above 32 are assessed “reject” for accreditation.

Those Applicants whose scores fall in the medium risk range of 23 – 31.75 are further assessed by the Accreditation Entity to determine if they can immediately implement mitigation strategies to the extent that their post-mitigation scores can be assessed in the low risk range. To conduct this further assessment, the Accreditation Entity may interact directly with the Applicant to determine their willingness and ability to institute suggested mitigation strategies. The accrediting entity may suggest mitigation strategies that include: submission of further documentation providing evidence of sufficiency; hiring experienced personnel in financial management, procurement management, program management or project management; implementation of systems or processes. The accrediting entity will complete their assessment within the specified accreditation timeframe (to be determined), and if the Applicant can demonstrate their ability to implement these mitigation strategies such that their post-mitigation score is at or below 22.75, the accrediting entity will assess the Applicant “approve” for accreditation; if not, the accrediting entity will assess the Applicant “reject” for accreditation.

This completes the process to accredit Applicants detailed in “Step 6: Accreditation Entity Application Evaluation” in the accreditation cycle (see description of all steps in the accreditation cycle in Section 2).

# Referenced Appendices

**Benchmark Survey Findings**

**Request for Proposal Questions, Issues and Answers**

**Accreditation Process Workload Estimates**

**GEF Trustee Provided Cost Estimate**

**Accreditation Form**

**Applicant Executing Entity Tracking System**

**Glossary of Terms**

# Appendix A – Benchmark Survey Findings

Summary Benchmark Survey Findings

	Process for Determining Acceptability of IAs	Major Review Steps of the Process	Level of Independence of the Review Process	Are IAs given Provisional Approval with Mitigation Strategies	Source of Payment of Fees for Review	The Criterion Used to Define Risk
<i>The Adaptation Fund (AF)</i>	Review process is to accredit entities.	1) Accreditation Review Panel (ARP) reviews submission; 2) ARP may request further information, and may require improvement in their technical support needs; 3) makes formal recommendation to the Adaptation Fund Board.	The Adaptation Fund is completely independent of the accreditation review process.	No, there is no staggered level of review based either on the complexity of the entity, or on the level of known risk of the entity.	The Adaptation Fund	Yes. Risk is managed through capability requirements in three areas. Financial management and integrity is formal assessment. Requisite institutional capacity is formal assessment. Transparency, self-investigative powers, and anti-corruption measures has informal assessment.
<i>The Bill and Melinda Gates Foundation (Foundation)</i>	Review process includes review of proposals to provide grants to larger organizations that are intermediaries (IA) who make grants to smaller organizations.	1) Organization review that looks at the mission, governance structure, management structure, due diligence on financial capacity and procurement, and at the project level looks at management capabilities, succession of key management 2) review of every proposal on its own merit and strategic fit with the Foundation.	The Foundation makes all decisions during the entire review process. External consultants perform due diligence during fiduciary review of organization (includes review of procurement and governance) and delivers an assessment to the Foundation. The Foundation considers their assessment when they make their final decision.	Yes. The Foundation contracts with external consultant to perform 'standard scope of work'. The Foundation reviews each proposal to determine level of necessary review which may range substantially in scope. The Foundation then contracts with external consultant to perform at level of work they have decided.	The Foundation. The project management costs are built into the proposal amount. The indirect/overhead costs paid by the Foundation are 0% for government agencies, no greater than 15% for non-US academic institutions, and 10% for US academic institutions.	Yes. Considers: financial and organizational that includes mission, governance structure and management structure. External firm makes an assessment that can include suggested mitigation strategies (ex., limits on funding for the first year). The Foundation reviews the assessment, and makes all final decisions.
<i>KfW</i>	Review process is to assess organization (and proposal) for grant funding. The KfW is the IA for the German government, and works with EAs. The KfW reviews every proposal whether entity is known or unknown (two-thirds of yearly submissions are with new entities).	1) Conducts quality check on technical design; 2) review EA procurement capabilities; 3) conduct financial evaluation; and 4) if no objection at each of the previous steps, then conducts very extensive assessment of EA capabilities.	KfW makes all the decisions during the review process. External consultants are only hired when the country Ministry, or project EA, are required but unable to collect and report information. These latter costs are paid by the German government.	Yes. The review process recognizes historical experience with the EA and thus does not need to repeat the same level of scrutiny again, so it is more efficient to process them and takes less time on their proposals than for new entities.	KfW pays all review costs. Estimated costs of the review process have wide range based on project size, location, type. They have average factors for each step of the review process, but estimate an overall average cost for project appraisal is 50 man hours.	Yes. Considers three types of risk: 1) credit risk (country risk, borrower risk and project risk); 2) risk to not achieve project milestones; 3) exogenous risk. For commercial projects with higher risk levels, they establish certain triggers/indicators that they monitor during the project, especially financial data from the bank.
<i>The Global Fund for AIDS, Tuberculosis and Malaria (GF)</i>	The GF uses a local fund agent (LFA) to assess grant recipient capacity.	Undergoes capacity assessment by the LFA...1) Proposal reviewed by Technical Review Panel; 2) all proposals ranked against each other during Portfolio Management Process Review; 3) approved proposals have their Principal Recipient (PR, equivalent of the EA) undergo capacity assessment, including: management capacity; capacity to manage sub-recipients; financial management systems; procurement and supply management system;	LFAs provide independent assessment, final decision made by the Global Fund.	Yes. PRs given provisional approval with mitigation. Progress is reviewed by the LFA.	The GF operational expense. Considered part of due diligence.	Yes. The PR assessment is risk-based and identifies risks and utilizes an assessment methodology; identifies risks in five functional areas; establishes risk thresholds by defined criteria in the context of specific grant; applies assessment procedures that may include review of PR internal control procedures to mitigate various risks and facility spot checks, sub-recipient assessments, and in-depth interviews.
<i>Millennium Challenge Corporation (MCC)</i>	MCC uses a fiscal and procurement agent to execute grant proceeds. MCC Staff evaluates acceptability of proposed fiscal agent.	Grant proposal must identify proposed fiscal and procurement agent. MCC Staff evaluates capacity of proposed entities. If none proposed, professional service firms selected utilizing an objective procurement process.	MCC Staff conducts review and all final decisions remain with MCC.	No.	MCC Operational Expense. Considered part of due diligence.	Yes. Financial criteria is formal assessment document. Procurement criteria is MCC procurement guidelines. Performance criteria uses no formal document.

## Appendix B – Request for Proposal Questions, Issues and Answers

The purpose of this appendix is to respond to the questions and issues presented in the Request for Proposal.

### A. Cost Benefit Analysis

Interviews were conducted with requisite GEF staff to determine how the various GEF activities would be impacted if additional EEs were accredited and added to the GEF network for GEF sponsored development projects. The information gathered from these interviews was used to develop the costs and process required to manage and oversee the accreditation process. The assumptions identified previously in Section 1, Cost Analysis were key to answering the following questions.

To capture the human resource cost to support the development, management, implementation and oversight of accreditation process technical estimates were used to calculate a representative level of effort.

*a. Any costs to Secretariat and Trustee to accredit new EEs, such as oversight of accreditation process, negotiating MOUs between the Secretariat and the entity, and Financial Procedures Agreement (FPA) between the Trustee and the entity.*

The introduction of a new program will require the GEF Secretariat to manage and provide oversight over the accreditation process. As the operational arm of the GEF Council it is only logical the GEF be the implementer of this new process. With the addition of any new service, there is a cost impact; the question is how to best minimize the cost.

The GEF Secretariat cost associated to support the implementation and management of an accreditation process is estimated at approximately \$86,820, the cost for one additional human resource at the GD grade level. No additional costs were determined.

*b. Outreach to, and informal education of, new EEs on how to develop and submit project proposals (Secretariat).*

Interviews with GEF Secretariat staff identified the need for various GEF Secretariat offices and Evaluation Office to provide outreach and informal education to newly accredited EEs. The purpose for providing this support is to ensure EEs are aware of the process steps and procedures, inform and educate them of the GEF project cycle management process, and educate EEs on the monitoring and evaluation policies. Also, the Secretariat will need to assist and coordinate the development and execution of an MOU between the GEF and an accredited EE and an FPA between the GEF Trustee and accredited EE.

Although the development and execution of the MOU occurs between the World Bank's legal office (which provides support to the GEF Secretariat) and the accredited EE, the GEF Secretariat, as a good management practice, should assist, coordinate, and serve as a liaison between the World Bank legal services office and EE. Because the MOU development process can be lengthy, the principle GEF Secretariat role during this stage is ensuring the process does not stall.

*c. Need to interact with a greater number of agencies in the review of the GEF projects and formulating the GEF work program (E.g. Secretariat and STAP)*

Interviews with subject matter experts (program managers) did not indicate that the addition of new agencies would increase their work; they did inform that any addition would only require the development of new working relationships with EEs.

*d. Disbursement of funds to a larger number of entities (e.g., GEF Trustee)*

There will be an increase in the number of transactions as funds are normally disbursed each quarter to the GEF Agencies. These disbursements are made to each agency for the total lump sum amount for all GEF financed projects with the concerned agency.

The GEF Trustee believes that no additional human resources or systems will be required to manage this increased activity. Planned transition to electronic transfer of funds will assist in reducing the effort in this area.

*e. Monitoring and Evaluation (roles of Secretariat and GEF EO) – what implications does the increase in the number and diversity of EEs pose for monitoring and evaluation of GEF projects?*

The GEF monitoring function is being enhanced through the governance practices established with the implementation. The accreditation process will require new EEs to conform to the submission of project management documentation, such as project timelines and completion status, earned value management information, and annual independent audit reports. The submission of this type of data will provide the GEF with the required oversight and transparency into the execution of projects.

The increase of EEs will not have any immediate effect on the GEF monitoring function. Because of the timeframe required for MOU development and then project development, the first accredited EE wouldn't be subject to "monitoring" until the 3 – 3.5 year mark following accreditation. Once monitoring does start ample time has been estimated to conduct reviews each year for 20 EEs.

Within the Evaluation Office the increase of EEs does not have a direct impact on the number of Terminal Reviews based on the assumption that the number of projects remains the same. Should the number of projects increase under the GEF-5 replenishment, the workload associated with performing Terminal Reviews won't occur for seven years after the first new EE project enters the pipeline.

The Evaluation Office also conducts quality of supervision reviews on three GEF agencies: UNDP, UNEP, and the World Bank. At this time, the expansion of these reviews to the other seven GEF agencies or newly added EEs via the accreditation process is unknown. However, if this does occur this increase of workload would be driven by programmatic issues, not the accreditation process, and any costs associated should be handled through the normal corporate budget process.

*f. in assessing the relationship between the number of new executing entities and net additional or marginal costs, the following questions need to be considered: Could an economy of scale apply to this reform whereby the marginal cost of adding entities goes down as more entities are added? Conversely, could there be a point beyond which the addition of more EEs would become more expensive given increasing transaction costs? Contractor should develop a range/estimate of the number of new entities that could feasibly be added to the GEF under its current structure.*

Grant Thornton anticipates an increase of one person on the GEF Secretariat staff, which should suffice for a large number of new EEs, and is not a constraining factor.

The GEF Trustee has provided start-up costs and annual recurring costs per additional entity, both small and large. The GEF Trustee believes that start up activities would span a duration of 3 years for a small EE, and one year for a large EE, which results in higher start up costs for a small entity. Similarly, higher level of recurring support activities are foreseen for a small EE resulting in higher annual recurring costs. Please refer to Appendix E for a detailed breakdown of costs provided by the GEF Trustee.

Should the GEF Council adopt a) a standardized accept or reject accreditation process, and b) transitions to more efficient method of electronic fund transfers, the GEF Trustee may consider review of its activities to reduce the current burden of its transfer price to GEF.

*g. An assessment of Agency fees should be undertaken to determine possible methodologies to cut down the costs.*

The current three tier overhead structure including a) corporate expenses, b) GEF Agency fee and c) project execution costs has been discussed at length in Section 2 Cost Benefit Analysis, of this report. Grant Thornton has performed a break point analysis with a fee of 9% for new EEs.

## **B. Risk-Based Evaluation and Accreditation**

*a. Should the GEF Council establish an independent body or panel to assess fiduciary standards or oversee the assessment process? What is the necessary level of confidentiality of applications for candidacy and responses to them?*

Grant Thornton assessed alternative methods of progressive levels of review, but determined that a single full review by an independent Accreditation Entity is preferred (see Section 2, Application Review: Single Full Review vs. Progressive Review).

The accreditation cycle establishes an interactive relationship between the Accreditation Entity and the Applicant only, with the Accreditation Entity submitting a report of their assessment to the GEF Council, through the GEF Secretariat, without submitting the full application package. It is anticipated that confidentiality of the application package will be maintained in all areas excepting the Accreditation Entity.

*b. In cases where entities are turned down, should the assessment body or GEF Council be able to recommend steps that the entity must take prior to submitting a new application for accreditation?*

The Accreditation Entity is the sole body who has full information on the capabilities of the Applicant to meet the standards detailed in the application form. The GEF Council receives the Accreditation Entity's report on their findings and assessment, but they do not receive any part of the original application submission. Those Applicants who are rejected will receive the Accreditation Entity's report and assessment, which will detail the areas in which the Applicant falls below the GEF's standards. Therefore, the Applicant will have the information from the one informed source on steps to take prior to submitting a new

application for accreditation. It is therefore not recommended that the GEF Council participate in recommending action steps to an Applicant for the purposes of improving their application the next time they resubmit for accreditation.

*c. What would the initial application need to contain in terms of data and analysis, apart from responding to the GEF agreed Fiduciary standards in the same manner as the current 10 GEF Agencies?*

The application to receive accreditation requires four major areas of information: background and contact information; strategic evaluation criteria; performance evaluation criteria; and financial management and control evaluation criteria. A summary of the suggested indicators are provided in **Appendix E**.

*d. Assessment and mapping of the risks and challenges posed by different types of organizations should be conducted. For instance, will it be easier to hold international NGOs more accountable in their use of resources than it will be to hold agencies of sovereign governments or international organizations?*

The risks and challenges posed by different types of organizations are addressed through the sufficiency of Applicant capabilities relative to the evaluation criteria detailed in this report. The accreditation cycle does not differentiate between levels of capabilities based on type of organizations—all organizations must meet a single standard in each evaluation indicator as detailed in the Application Form.

## Appendix C – Accreditation Process Workload Estimates

[See document next page]

Accreditation Process Activity	Description	Per Accomplish Time Estimate (Hours)	Number of Occurrences	Frequency	Monthly Occurrences	Monthly Man-hours	Manpower
Manage and maintain the GEF accreditation process							<b>0.433</b>
Receive country endorsement document and enters into tracking system	The GEF Secretariat reviews and confirms the authority of the document and enters the Applicant in their Tracking System by name and country focus	0.5	4	Per year	0.083	0.167	0.001
Confirms receipt of country endorsement document	Confirmation of the authority of the document may be accomplished by phone call or e-mail.	1	4	Per year	0.083	0.333	0.002
Assist, inform, and train candidate countries and executing entities on the accreditation process	Integrates accredited EEs into or informs interested countries and organizations of the GEF project cycle management system. The GEF Secretariat sends a letter to the Applicant confirming receipt and acceptance of the endorsement letter, and directs the Applicant to relevant information sources to access the application form and application process steps. Relevant information sources may include: the GEF Secretariat web-site; the GEF Secretariat Governance Office (see "Governance" below); or an information package to be sent to the Applicant by mail. The GEF Secretariat enters into their Tracking System the verification date of the endorsement.	2	1	Per day (5 workdays/wk exc. hold.)	20.908	41.815	0.282
Receive country endorsed accreditation application submission	The GEF Secretariat enters the date the application is received in their Tracking System and notes the dates of information requests.	0.5	4	Per year	0.083	0.167	0.001
Review accreditation application submission for completeness	The GEF Secretariat performs the function of ensuring application completeness by comparing documents the entity has submitted against a checklist.	2	4	Per year	0.083	0.667	0.004
Assist and coordinate MOU and FPA development	Provide support between accredited EE and GEF.	40	4	Per year	0.083	13.333	0.090
Maintain accreditation application documents	Update accreditation application document. Incorporate feedback from lessons learned.	1	4	Per quarter	0.333	1.333	0.009
Incorporate accreditation process lessons learned	Solicit process related feedback from entities that have undergone the accreditation process. Assess feedback received and improve the process where required.	1	2	Per year	0.083	0.167	0.001
Communicate lessons learned	Advertise lessons learned via the GEF network. Sources to target may include political and operational focal points and probable Applicant entities.	2	2	Per year	0.083	0.333	0.002
Maintain/update accreditation web page	The periodic updating or enhancing the GEF accreditation page web site and the posting of documents and information.	1	1	Per week (including holidays)	4.348	4.348	0.029
Manage accreditation status	The GEF Secretariat enters the date of Accreditation entity notification into their Tracking System, and the tentative date the GEF Council will review the application for decision.	1	2	Semiannual	0.167	0.333	0.002
Monitor EE via annual documents review		5	4	Per year	0.083	1.667	0.011

## Appendix D – GEF Trustee Provided Cost Estimates

In an effort to keep at a minimum those Trustee costs that are associated with adding new Council accredited Executing Entities to the GEF partnership, the Trustee proposes to convene up to two orientation sessions a year. A maximum of five new accredited Executing Entities would be invited to each session to discuss the following: legal documents, accounting, financial reporting, and audits, Trustee policies and procedures, Agency fiduciary responsibilities, and IT systems. Given the diversity and complexity of the material to be covered in the sessions, it is expected that each of the accredited Executing Entities would send the appropriate experienced technical experts to such sessions in order to engage fully with the Trustee and with other Executing Entities on each subject matter. Participation in one of the sessions would be a requirement for entering into contractual obligations with the Trustee.

By moving away from the often lengthy bilateral discussions with new entities that have been the norm, the Trustee can contain its costs associated with starting-up a new GEF Entity. In addition, the Trustee believes that this ‘group’ approach brings additional benefits of quickly integrating a new Entity as the time period would also be contained.

The Trustee estimates a total of eleven weeks of work combined from Trustee, Trustee lawyers, and colleagues from the Trustee Accounting Department. Each session would require a preparation period, orientation week, and follow-up where some bilateral negotiations would have to take place. Costs would also include those related to indirects such as system maintenance, possibly travel, and communication costs. The total projected costs for each orientation session is between \$104,000 and \$124,000 depending on whether travel is required for the Trustee.

Under this limited engagement, the on-going costs are incremental. However, if the engagement between the Trustee and each new accredited Executing Entity requires intensive on-going discussions and assistance, then the costs to the Trustee are estimated to between \$10,000 and \$30,000 per year, per Agency.

**Projected Costs for Two Trustee Orientation Sessions per year**

<b>Trustee Services</b>	<b>Costs</b>	<b>Number of Weeks</b>
Financial Management and Relationship Management	\$48,000	6
Accounting and Reporting	\$25,000	2
Legal Services	\$31,000	3
<b>Total Costs if Orientation Session is held at the World Bank's headquarters</b>	<b>\$104,000</b>	<b>11</b>
Travel	\$20,000	
<b>Total Costs if Orientation Session is held at the World Bank's office in Paris</b>	<b>\$124,000</b>	

# Appendix E – Accreditation Form

The application form questions highlighted in gray are not part of the GEF fiduciary standards. These questions were developed by Grant Thornton.

Application Form <i>(Outline Version)</i>			
<b>Section 1: Background and Contact Information</b>			
Name of Entity:			
Address:			
Telephone:			
Fax:			
Web Address:			
Contact Person:			
Telephone:			
E-Mail:			
Other:			
Other:			
Other:			
<b>Section 2: Strategic Evaluation Criteria</b>			
<p><b>a. Balanced Entity Portfolio.</b> Describe how accreditation of the Applicant enhances the GEF's strategic objectives to maintain a balanced portfolio of executing entities by adding entities that introduce new areas of expertise, or by enhancing geo-diversity (<i>check the applicable following areas</i>).</p>			
<p><b>Introduce New Areas of Expertise to GEF</b></p> <p><input type="checkbox"/> Biological diversity</p> <p><input type="checkbox"/> Climate change</p> <p><input type="checkbox"/> International waters</p> <p><input type="checkbox"/> Land degradation</p> <p><input type="checkbox"/> Ozone layer depletion</p> <p><input type="checkbox"/> Persistent organic pollutants</p> <p><input type="checkbox"/> Special focus #1:</p> <p><input type="checkbox"/> Special focus #2:</p>		<p><b>Enhance the GEF's Geographic Diversity</b></p> <p><input type="checkbox"/> Region 1 (tbd): identify country(ies) _____</p>	
Describe your area of expertise, provide documentation that demonstrates a history of expertise.			
<p><b>b. Country Support.</b> Describe the type and level of country support for the Applicant's anticipated projects as a GEF-funded entity. The GEF requires that projects undertaken have a strong and broad support by the government, civil society and citizens because it is a necessary condition of sustainability.</p>			
<p><b>Type of Country Support</b></p> <p><input type="checkbox"/> Government Ministry Support</p> <p><input type="checkbox"/> Provincial/Town Support</p> <p><input type="checkbox"/> Citizen group support</p> <p><input type="checkbox"/> Key stakeholder support</p> <p><input type="checkbox"/> Other #1</p> <p><input type="checkbox"/> Other #2</p>		<p><b>Identify Support Entity and Describe Nature of Support</b></p>	

Section 3: Performance Evaluation Criteria		
a. Performance Management. Describe your capabilities in each of the following areas, and provide the required supporting documentation.		
Area	Supporting Documentation	Description of Capabilities
1. Do <b>Project Appraisal</b> functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities will meet their development goals before funds are dispersed?		
2. Is a project and/or activity appraisal process in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, fiduciary, environmental, social, institutional and/or other relevant criteria, including GEF-mandated criteria, and whether they are reasonably likely to meet stated objectives and outcomes?		
3. Does the appraisal process provide institutional checks and balances at the stage of project design:		
a. Policies and risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social, institutional and/or fiduciary assessments must be conducted to incorporate environmental, social or other relevant considerations into a proposed project or activity; and		
b. Guidelines or policies are in place that provide for evaluation by technical advisors, who assess whether or not a proposed project or activity is eligible for GEF funding, based on the GEF-mandated criteria; is likely to achieve GEF focal goals; and is aligned with scientifically sound principles;		
4. Are Project and/or activity development objectives and outcomes clearly stated and key performance indicators with baseline and targets are incorporated into the project/activity design?		
5. Are Appropriate fiduciary oversight procedures in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions during implementation?		
6. Do Agency <b>Procurement</b> processes cover both internal/administrative procurement and procurement by recipients of funds and include written standards based on widely recognized processes and an internal control framework to protect against fraud, corruption and waste?		
7. Do specific agency directives promote economy and efficiency in procurement through written standards and procedures that specify procurement requirements, accountability, and authority to take procurement actions?		
8. Are specific procurement guidelines in place with respect to different types of procurement managed by the agency, such as consultants, contractors and service providers?		
9. Are specific procedures, guidelines and methodologies of assessing the procurement procedures of beneficiary institutions in place?		
10. Is the Projects Procurement function segregated from a) requisitioning, b) processing and recording of the transaction, c) receiving of the goods and services, and d) authorization of payment?		
11. Has a process of competitive sourcing been established, which stipulates exceptions when this process may not be applied?		
12. Are major procurements for projects included in the budgetary approval process for the project? Do these require proper pre-approval?		
13. Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are identified?		
14. Are Procurement records easily accessible to procurement staff, and procurement policies and awards are publicly disclosed?		
15. Is there a demonstration of proven payment/disbursement systems?		
16. Are the <b>Monitoring</b> functions, policies and procedures consistent with the requirements of the GEF? And monitoring and evaluation policy has been established?		
17. Are the roles and responsibilities of the monitoring function clearly articulated at both the project/activity and entity/portfolio levels? The monitoring function at the entity/portfolio level is separated from the project and/or activity origination and supervision functions?		

<p>18. Are monitoring reports at the project/activity level provided to project/activity manager as well as to an appropriately higher level of managerial oversight within the organization so that mid-course corrections can be made, if necessary? Monitoring reports at the entity/portfolio level are provided to both project/activity managers and to an appropriately higher level of managerial oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered?</p>			
<p>19. Is a process or system, such as a project-at-risk system in place to flag when a project has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems?</p>			
<p>20. Is the monitoring process or system subject to independent managerial oversight?</p>			
<p>21. Are <b>Independent Evaluations</b> undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF monitoring and evaluation policy</p>			
<p>22. Does the evaluation function follows impartial, widely recognized, documented and professional standards and methods?</p>			
<p>23. Is the evaluations body or function structured to have the maximum independence possible from the organization's operations, consistent with the structure of the agency, ideally reporting directly to the board of directors or comparable body? If its structural independence is limited, the evaluations body or function has transparent reporting to senior management.</p>			
<p>24. Is an evaluation disclosure policy in place? Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved with the project? To enhance transparency, to the extent possible, reports are available to the public?</p>			
<p>25. Does the <b>Investigations Function</b> have publicly available terms of reference that outline the purpose, authority, and accountability of the function?</p>			
<p>26. To ensure independence, is the investigations function headed by an officer who reports to a level within the organization that allows the investigation function to fulfill its responsibilities objectively?</p>			
<p>27. Does the investigations function have published guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process?</p>			
<p><b>b. Past Performance.</b> Describe your capabilities in each of the following areas, and provide the required supporting document</p>		<p>Area</p>	
<p>Area</p>	<p>Supporting Documentation</p>	<p>Description of Capabilities</p>	
<p>1. How long has the entity been involved with international development projects?</p>			
<p>2. Does the entity have prior experience in the development and implementation of international environment projects?</p>			
<p>3. What prior experience does the entity have in working with existing GEF agencies, and multi-lateral agencies?</p>			
<p>4. Is there evidence of institutional system for balanced review of projects, particularly for quality-at-entry during design phase?</p>			
<p>5. How successful has the entity been in meeting project objectives, milestones, and budgets? Can this success be substantiated?</p>			
<p>6. What reporting mechanisms has the entity used to inform key stakeholders of the project status and progress?</p>			
<p>7. Can the entity demonstrate an understanding of and capacity to oversee the technical, financial, economic, social, environmental, and legal aspects of projects and their implications?</p>			

Section 4: Financial Management and Control Evaluation Criteria		
a. Internal Controls. Describe your capabilities in each of the following areas, and provide the required supporting documentation.		
Area	Supporting Documentation	Description of Capabilities
1. Has an <b>Internal Control Framework</b> , as defined by internationally recognized frameworks such as COSO, Cadbury and CoCo, been established and documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.		
2. Is the risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories: a. Effectiveness and efficiency of control b. Reliability of financial reporting and financial management frameworks c. Compliance with applicable policies and procedures.		
3. Does the control framework cover the control environment ("tone at the top"), risk assessment, internal control activities, monitoring, and procedures for information sharing?		
4. Is there evidence that management maintains an organizational structure that facilitates effective reporting and other communications about internal control over financial reporting?		
5. Does the control framework have defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees?		
6. At the institutional level, are risk-assessment processes in place to identify, assess, analyze and provide a basis for proactive risk responses in each of the financial management areas? Risks are assessed at multiple levels, and plans of action are in place for addressing risks that are deemed significant or frequent?		
7. Are Procedures in place for identifying internal controls and assessing controls details annually in core financial management areas, including: a. Budgeting; b. Accounting; c. Internal control; d. Funds flow (including disbursements, cash management, unused fund close-out); e. Financial reporting; and f. Auditing arrangements?		
8. Are duties segregated where incompatible? Related duties are subject to a regular review by management; response is required when discrepancies and exceptions are noted; and segregation of duties is maintained between: settlement processing; procurement processing; risk management/reconciliations; and accounting?		
9. Is <b>Internal Auditing</b> an independent, objective activity designed to add value and improve the organization's operations? Does it help the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes?		
10. Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA)?		
11. Do Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency?		
12. Is the internal audit function independent and objective in the execution of its respective duties? There is an officer designated to head the internal audit function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.		
13. Does the internal audit function have a documented terms of reference/charter that outlines its purpose, authorized functions, and accountability?		
14. Does the internal audit function have a documented description of the annual audit planning process, including a risk-based methodology for preparing an audit plan. The audit plan outlines the priorities of the function and is consistent with the agency's goals?		
15. Does the chief audit officer share information and coordinates activities with relevant internal and external parties (including external financial statement auditors) to ensure proper coverage and minimize duplication of efforts?		
16. Does the internal audit function disseminate its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.?		

17. Does the internal audit function have a process in place to monitor the response to its recommendations?			
18. Is a process in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments?			
<b>b. Entity Environment.</b> Describe your capabilities in each of the following areas, and provide the required supporting documentation.			
Area	Supporting Documentation	Description of Capabilities	
1. Does a documented <b>Code of Ethics</b> define ethical standards to be upheld, including protecting agency and trust fund assets? The code lists parties required to adhere to the standards including employees, consultants, and independent experts. It describes disciplinary and enforcement actions for violations, and provides for appropriate flexibility in application and implementation in local environments.			
2. Does an ethics or related function provide administrative support for the code, including distributing the code, monitoring compliance, and authority to refer alleged violations to the agency's investigation function?			
3. Are multiple avenues for confidentially reporting compliance and/or other business conduct concerns such as a hotline and contact information for functional/department options (e.g. human resources and internal audit) readily available (e.g. on the agency's intranet and external websites)?			
4. Is the entity able to demonstrate how the assignment of authority and responsibility include appropriate limitations?			
5. Is there evidence of how management has established human resource practices that demonstrate its commitment to integrity, ethical behavior, and competence/			
6. Is there evidence how employee recruitment and retention for key financial positions are guided by the principles of integrity and by the necessary competencies associated with the positions?			
7. Does the <b>Financial Disclosure Policy</b> delineate the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties?			
a. A documented financial disclosure policy covering identified parties defines conflicts of interest arising from personal financial interests that require disclosure, including actual, perceived and potential conflicts;			
b. The policy specifies prohibited personal financial interests;			
c. The policy describes the principles under which conflicts of interests are reviewed and resolved by the agency. It describes sanction measures for parties that do not self disclose where a conflict of interest is identified;			
d. Parties covered by the policy are provided a way to disclose personal financial interests annually to an administrative function within the agency; and			
e. The policy establishes processes for the administration and review of financial disclosure interests of the defined parties, as well as resolution of identified conflicts of interests, under an independent monitoring/administration function.			
8. Does the <b>External Financial Audit</b> function ensure an independent (as defined by the International Federation of Accountants (IFAC)) review of financial statements and internal controls?			
9. The agency has appointed an independent external audit firm or organization?			
10. Is the work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA)?			
11. Are financial statements prepared in accordance with recognized accounting standards such as International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies:			
a. Production of reliable financial statements that are prepared in accordance with internationally recognized accounting standards			
b. Evidence that the financial statement presentation reflects the idea of materiality.			
c. Evidence that the accounting principles selected are appropriate in the circumstances.			
d. Demonstration of how the financial statements are informative of matters that may affect their use, understanding, and interpretation.			

<p>12. Do the internal controls over financial reporting cover the use of GEF funds, and Management asserts to the agency governing body that these internal controls are adequate?</p>			
<p>13. Is an annual audit opinion on the financial statements, and/or, as appropriate, on all GEF funds received from the Trustee and administered by the agency, is issued by the external auditor and made public?</p>			
<p>14. Is an independent audit committee, or comparable body appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements? The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.</p>			
<p>15. Do the external auditor makes regular reports of observations with respect to accounting systems, internal financial controls, and administration and management of the organization? Auditor and management progress reports are reviewed by the audit committee or comparable body annually?</p>			
<p>16. Is a <b>hotline or comparable mechanism</b> in place to ensure the capacity to take in reports of suspected unethical, corrupt, fraudulent or similar activity as defined by agency policy?</p>			
<p>17. I there an intake function that coordinates the reporting of hotline information, compliance and/or other business concerns from internal and external sources? The intake function maintains an appropriate level of autonomy from the investigations function?</p>			
<p>18. Does a <b>whistleblower protection policy</b> specify who is protected and defines protected disclosures (such as violations of law, rule or regulation, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety)? The policy defines the standard of protection from retaliation (such as placing the burden on the agency to provide evidence that alleged acts of retaliation would have taken place absent the protected disclosure).</p>			
<p>19. Are policies in place to ensure due process, confidentiality and/or anonymity, as requested, of whistleblowers, informants and witnesses, such as by using appropriate hotline technology and preserving anonymity in reporting processes)?</p>			
<p>20. Are Procedures in place for the periodic review of whether hotline, whistleblower and other reported information is handled effectively?</p>			

# Appendix F – Applicant Executing Entity Tracking System

The GEF Secretariat will track the stages of the application as it transitions through each of the steps of the application process. This Appendix presents a suggested excel spreadsheet-based tracking system.

The GEF Secretariat: Broadening Executive Entities--Document Tracking System																			
Step 2			Step 3		Step 4					Step 5	Step 6		Step 7	Step 8	Step 9				
Applicant Executing Entity	Country	Date Application Received	Endorsement Letter Required?	Endorsement Letter Received?	Endorsement Letter Verified	Application Received	Application is in Required Language?	Application Complete? (# of Returns)			Application Rejected as Incomplete?		Accreditation Entity Selected?	Accreditation Entity deliberation dates		Received Notification of Assessment from Accreditation Entity?	GEF Council Session for Final Accreditation Decision	Applicant Notified by the GEF Secretariat of GEF Council Decision?	
								1st	2nd	3rd	Y/N?	Date?		Start Date	End Date			Decision	Date Notified
1 (Applicant X)	Multi-lateral	3/2/2010	N			Y	Y	Y	Y	Y	N	N	Y	3/15/2010	3/24/2010	3/27/2010	June	Approve	6/3/2010
2 (Applicant Y)	Benin	3/15/2010	Y	Y	3/17/2010	Y	N				Y/N?	4/3/2010							
3 (Applicant Z)	NGO	3/15/2010	N	Y	3/20/2010	Y	Y	Y					Y	7/15/2010	7/24/2010		October		
4																			
5																			
100																			

# Appendix G – Glossary of Terms

**Accreditation Entity:** An independent entity (entities) approved by the GEF Council that assesses the GEF Application Form for Executing Entities using the GEF’s risk-based evaluation methodology as part of the GEF’s nine-step accreditation cycle.

**Activity-Based Costing:** A method of assigning the organization's resource costs through activities to the products and services provided.

**Administrative Expenses:** Costs associated with administering GEF business.

**Applicant:** An entity who has submitted an Application Form to be evaluated for accreditation as a GEF Executing Entity.

**Approval and Implementation:** Third phase of the GEF’s project cycle management process. This phase includes the preparation of legal documents for GEF Agency approval authority, establishing project management standards, and overseeing the project through its lifecycle. Supervision includes periodic review of budgets, and preparation of mid-term and annual reviews.

**Completion/Evaluation:** Final phase of the GEF’s project cycle management process. This phase includes the preparation/submission of the Terminal Evaluation reports, preparation of project closing documents, and preparation of financial closure of the project.

**Concept Development:** First phase of the GEF’s project cycle management process. This phase includes identification of a project and concept preparation for submission to the GEF Secretariat for consideration. During this phase, focal areas and eligibility requirements are identified. Subject matter experts are consulted and co-financiers/potential partners are identified.

**Corporate Management Activities:** Common activities that are performed to accomplish the overall operation of the GEF. These activities include Policy and Program Development, Management and Finance, Monitoring and Evaluation, Institutional Relations, and Outreach and External Relations.

**Cost Accounting:** The process of collecting, reporting, and analyzing data associated with production costs. Management decisions are facilitated through the enhanced view of drivers, allocation methods, and trends.

**Enabling Activity:** GEF funded projects that provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention. Funding can also involve a national communication or report to a relevant convention.

**Expenditure:** Actual cost of delivering services (in comparison to the requested budget amount).

**Full-Sized Projects:** GEF projects receiving more than one million dollars in GEF grants. FSPs must satisfy eligibility requirements under the Conventions, meet a strategic priority and fulfill either an operational program or a short term response measure.

**General Overhead:** Non-labor cost category that includes office equipment, office space, communications/internal computing, representation and hospitality, and publications/media/outreach.

**Institutional Relations:** Corporate Management activities relating to governance of GEF, such as preparation for and participation in GEF Council meetings, STAP meetings and workshops, and Conferences of the Parties to the conventions that GEF serves. Also includes GEF Agency efforts towards promoting partnerships with the Executing Entities.

**Labor Cost:** Cost of staff and consultants.

**Lending Phase:** First part of the World Bank's project cycle management process. This includes activities under the (1) Concept Development and (2) Preparation and Appraisal phases of the GEF's project cycle management process. This phase absorbs about 45% of the World Bank's project cycle management resources.

**Management and Finance:** Corporate Management activities dealing with daily operations and finance issues such as the management/coordination of Work Program submissions and Pipeline entries; database management; preparation of the GEF Annual Report and the GEF Corporate Budget; audits and the oversight of the fee system.

**Medium Sized Projects:** GEF projects that satisfy the GEF requirements of a Strategic Priority and Operational or Short-Term Response Measure. These projects are limited to a maximum of \$1 million in GEF funds. Approval is delegated by the Council to the CEO, and is subject to Project Review Criteria similar to full-sized projects.

**Monitoring and Evaluation:** Corporate Management activities contributing towards the Project Implementation Review, GEF Lessons Notes, thematic review/development/revision of program-level indicators, and development/dissemination of lessons learned/best practices. Also includes IAS engagement in the Specially Managed Project Reviews, knowledge management, and development of program studies and special evaluations.

**Non-labor:** Cost not related to personnel, including travel, contractual services, institutional services, and facilities and equipment rental.

**Non-Travel:** Aggregate Non-labor expenditures, excluding those for travel.

**Other:** Activity identified by the World Bank for Corporate Management and Project Cycle Management. This service included expenditures for institutional services such as CEO Search Committee, corporate-level regional coordination, legal services and external audit services. This activity was instituted because the World Bank indicated that these expenditures were not easily allocated to the Corporate Management or Project Cycle Management activities.

**Outreach/Knowledge Management/External Relations:** Corporate Management activities concerning the coordination plan to cover media relations, partnerships with federations of environmental journalists, publications production and distribution, web site maintenance, and outreach support for participation in major environmental conferences and conventions (preparation of supplemental publications, exhibitions, and videos). Also includes support in informing the general public, key stakeholders, and other institutions about GEF's mandate and activities.

**Overhead Costs:** Costs that are not directly or indirectly attributed to running a project. These costs contribute to supporting the GEF Agencies so that they can perform direct and indirect duties on behalf of GEF projects.

**Policy and Program Development/Coordination:** Corporate Management activities related to GEF inter-agency task forces, composed of the GEF Secretariat and GEF Agencies, established to develop and review GEF operational policies and programs, focal area strategic priorities, the project cycle, standard portfolio and project performance reviews, and preparation of the GEF Business Plan.

**Preparation and Appraisal:** Second phase of the GEF's project cycle management process. This phase includes preparation of a detailed project plan and development of TOR. During this phase, all resources needed for the project are identified and incremental costs are negotiated with stakeholders.

**Project Cycle Management (PCM):** The collective management of all projects within a respective GEF Agencies' portfolio. PCM is made up of four distinct phases: 1) Concept Development, 2) Preparation and Appraisal, 3) Implementation, and 4) Completion and Evaluation.

**Project Grant Management:** The management of the grant for one project.

**Project Sample:** Projects selected for analysis based on criteria set by the TOR.

**Requirements-Based Budgeting:** A technique of planning and decision-making which requires the budget request justified in complete detail. All functions are reviewed and all expenditures must be approved.

**Staff Year:** Represents the level of effort expended by one full time person for one year, regardless of the number of people actually involved.

**Supervision Phase:** Second part of the World Bank's project cycle management process. This includes 1) Implementation, and 2) Completion and Evaluation phases of the GEF's project cycle management process. This phase absorbs about 55% of the World Bank's project cycle management resources.



© Grant Thornton LLP  
All rights reserved  
U.S. member firm of Grant Thornton International Ltd

This report is confidential. Unauthorized use of this report in whole or in part is strictly prohibited.