



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/C.43/07
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Washington, D.C.

Agenda Item 14

**PROGRESS REPORT: ACCREDITATION PROCESS FOR GEF PROJECT
AGENCIES**

Recommended Council Decision

The Council, having reviewed GEF/C.43/07, *Progress Report: Accreditation Process for GEF Project Agencies*, noted the status of the Stage II reviews by the Accreditation Panel to date and the need for further reviews of several candidate agencies, including field visits as appropriate, in order to verify their compliance with all minimum Fiduciary Standards and Environmental and Social Safeguards of the GEF.

Recognizing the need to review the outcomes and experiences with the first round of reviews, the Council decided to postpone consideration of a second round of accreditation until its June 2013 meeting, pending the conclusion of all ongoing Stage II reviews by the Accreditation Panel.

EXECUTIVE SUMMARY

This document provides the Council with an update on the progress made in the implementation of the GEF Accreditation Process so far and it presents the results of the Stage II reviews conducted to date by the Accreditation Panel as part of the first round of accreditation.

The Stage II review Process for the first round began in June 2012. The panel has so far completed initial desk reviews of three applicant agencies: the Development Bank of South Africa (DBSA), World Wildlife Fund, Inc., (WWF-US) and Conservation International (CI). The paper reports on the outcome of these reviews while also describing lessons learned that emerged during the review process.

The Panel's assessments to date indicate that a number of Stage II applications are likely to either require further review, possibly including field visits, and/or to receive conditional approval with a grace period to complete compliance with the GEF's Environmental and Social Safeguards, resulting in additional costs and extension of the process in general.

In order to preserve the cost-neutral nature of accreditation and in line with paragraph 11(c) of Annex II of the Council document GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument*, the Panel will estimate the amount of additional costs associated with further review and field visits; and the Secretariat will request applicant agencies to submit payment accordingly.

The Accreditation Panel's assessments also indicate that it takes the Panel about one calendar month to conduct one initial desk review for one applicant. Consequently, given that the Panel began conducting Stage II reviews of the 11 Council approved first round applicants in June 2012, initial desk reviews of all applicants in the first round are expected to be completed by June 2013.

Given that the Stage II review process is still ongoing, and that it is expected to take another half year for the Panel to complete the initial desk review of all first round applicants and to determine how many agencies can move onto Stage III to be accredited as GEF Project Agencies, this paper recommends that the Council postpone consideration of a second round of accreditation until its June 2013 meeting, pending the conclusion of all Stage II desk reviews by the Accreditation Panel.

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INTRODUCTION

1. Broadening of the GEF Partnership through the implementation of paragraph 28 of the GEF Instrument is one of the central reforms of the Fifth Replenishment (GEF-5). In line with the Council's decisions to implement this reform, the GEF Secretariat has been undertaking a pilot accreditation process.

2. At its 42nd meeting in June 2012, the GEF Council approved 11 applicant agencies to progress to Stage II of the accreditation process, and welcomed these agencies to submit their Stage II applications to the GEF Secretariat for review by the independent GEF Accreditation Panel. The 11 applicant agencies are:

- (a) The Development Bank of Southern Africa (DBSA);
- (b) Fundo Brasileiro para a Biodiversidade- Brazil (FUNBIO);
- (c) Foreign Economic Cooperation Office – China (FECO);
- (d) National Environment Fund – Peru (FONAM);
- (e) VTB Bank – Russian Federation (VTB);
- (f) Banco de Desarrollo de America Latina (CAF);
- (g) Banque Ouest Africaine de Développement (BOAD);
- (h) World Wildlife Fund, Inc. (WWF-US);
- (i) Conservation International (CI);
- (j) International Union for Conservation of Nature (IUCN); and
- (k) International Federation of Red Cross (IFRC).

3. Following the Council decision, the Accreditation Panel initiated the Stage II review process. This progress report summarizes the outcome of the Panel's work since June 2012 and also, reports on lessons learned to date during the first round of accreditation and the implications of these lessons.

THE PROGRESS OF STAGE II OF THE FIRST ROUND OF ACCREDITATION

Stage II Process

4. The Accreditation Panel is an independent panel with three members who were competitively recruited by the GEF Secretariat, following procedures approved by the Council. The Panel is tasked with reviewing Stage II applications from applicant agencies for compliance with the GEF's Minimum Fiduciary Standards as well as its Environmental and Social Safeguards, including Gender Mainstreaming. The Panel operates remotely and cost-effectively, with the members connecting with each other and the Secretariat via e-mail, phone, skype and video-conferencing.

5. For each applicant agency, the Accreditation Panel conducts a criteria-based Stage II review based on the GEF's Minimum Fiduciary Standards which include project and governance framework criteria and the Environmental and Social Safeguards criteria, including Gender Mainstreaming. Following procedure outlined in Council documents GEF/C.40/09, *Broadening*

the GEF Partnership under Paragraph 28 of the GEF Instrument and GEF/C.41/10/Rev.1, *GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards*, the Accreditation Panel first conducts a preliminary desk review of each applicant and then, issues a written assessment based on the outcome of this review.

6. The Panel has developed a criteria-based scoring mechanism with four possible review outcomes based on scores received by applicant agencies: (i) approval; (ii) conditional approval with grace period to complete compliance; (iii) further review, possibly including field visits; and (iv) rejection.

7. An agency that receives the Panel's approval will move to Stage III of the process where it will sign a Memorandum of Understanding (MoU) with the Secretariat, committing the agency to follow all relevant GEF policies and procedures. At this point, the GEF Trustee will also enter into a Financial Procedures Agreement (FPA) with the approved agency, enabling the Trustee to commit and transfer GEF funds to it. The applicant agency will be accredited as a GEF project Agency with the ability to submit PIFs, receive GEF funding and implement GEF projects.

8. An applicant agency that requires further review by the Panel will need to submit additional information and undergo further assessment, possibly including field visits, to be accredited. In such cases, in line with paragraph 11(c) of Annex II of the Council document GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument*, the Panel will estimate the cost associated with this additional review and the applicant will be requested to submit a payment to cover this cost.

9. As per paragraph 48 of Council document GEF/C.41/10/Rev.1, *GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards*, the Accreditation Panel may give conditional approval with a grace period of up to one year to an applicant agency that is expected to complete the necessary steps to fully adhere to the GEF's Environmental and Social Safeguards including Gender Mainstreaming within the granted grace period. In that case, as per paragraph 13 of the Annex II of Council document GEF/C.40/09 *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument*, the applicant may move forward to stage III, sign a MoU with the GEF Secretariat, on the condition that a FPA that enables the trustee to commit and transfer funds cannot be finalized until the Accreditation Panel has confirmed that there is full adherence to all GEF minimum standards (Fiduciary Standards, Environmental and Social Safeguards, including Gender Mainstreaming). Moreover, until all accreditation requirements have been met and an FPA has been signed, the GEF CEO will not endorse any project proposals submitted by such applicant and there will be no commitments and transfers of resources to the applicant.

Duration of the First Round of Stage II Reviews

10. The Stage II review process for the first round of accreditation began in June 2012. In order to facilitate the review process, the Secretariat has been conducting a completeness review of each application and requesting missing materials from the applicant agencies before forwarding the application to the Panel so that the Panel is able to spend its time more effectively once it begins reviewing an application.

11. The Accreditation Panel's experience to date is that it needs to spend about 8-10 working days on average to conduct one initial desk review of one applicant. Factoring in the time

needed, during the review period, for each applicant agency to respond to inquiries by the panel and/or to submit additional requested information, the initial desk review of each applicant may take about 20 business days or one calendar month on average. This estimated duration is strictly for desk reviews of submitted Stage II documents only and does not include any further reviews, field visits or interviews that the panel may wish to undertake.

12. Given that the initial desk review of an agency is taking about one calendar month on average, it can be expected that the initial desk review of all 11 agencies approved by the Council in the first round of accreditation will take about 11 months. If holidays and other factors are taken into account, reviews of all 11 applicant agencies will require about one year.

13. Consequently, since the Accreditation Panel began conducting Stage II reviews of these 11 applicants in June 2012, initial desk reviews of all applicants in the first round are expected to be completed by June 2013.

Further Reviews

14. The Panel's assessments to date indicate that a number of Stage II applications are likely to either require further review and/or to receive conditional approval with a grace period, resulting in additional costs and extension of the process in general. The Panel's assessments so far indicate that some applicant agencies do not fully comply with the GEF's policies and minimum standards at the time of application. For example, during its reviews, the Panel has identified issues relating to Internal Audit, Financial Disclosure, Project Appraisal Procedures, Procurement, Investigation Function and Hotline and Whistle Blower Protection, Environmental and Social Safeguards, and Gender Mainstreaming Standards.

15. When the Panel assesses that certain mitigation measures could be put in place by the applicant to bring the applicant to full compliance, it may request the applicant to implement such measures within a certain time-period and then, to submit a revised application for further review. The Panel may also grant a grace period of up to one year for agencies to specifically complete their compliance with the GEF's Environmental and Social Safeguards. At the end of such grace period, the Panel will need to reassess the applicant. The Panel may also decide to conduct field visits to confirm compliance of applicant agencies with certain requirements.

16. Such further reviews, reassessments or field visits will result in additional costs. In order to preserve the cost-neutral nature of accreditation and in line with paragraph 11(c) of Annex II of the Council document GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the GEF Instrument*, the Panel will estimate the amount of additional costs associated with further review and field visits; and the Secretariat will request applicant agencies to submit payment accordingly. These additional fees are to be paid prior to any additional review work undertaken by the Panel and are non-refundable.

17. The fact that many agencies will require additional reviews and field visits may extend the time period within which the first round of Stage II reviews are fully completed, possibly increasing the number of days that the Accreditation Panel needs to be engaged by the GEF.

THE STATUS OF APPLICANT AGENCIES REVIEWED BY THE ACCREDITATION PANEL TO DATE

18. In order to avoid delays and to expedite the review process, the Panel has first reviewed Stage II applications from those agencies which submitted all key documentation in English while waiting to receive requested translations of key documents from the rest of the agencies.
19. The Panel has so far reviewed Stage II applications from three applicant agencies:
- (a) The Development Bank of Southern Africa (DBSA). The results of the Panel's review of DBSA, along with the Panel's assessment report which was issued on July 3, 2012, were communicated to the Council on July 3, 2012 and to DBSA on July 9, 2012. The Panel granted DBSA a conditional approval with a grace period of 12 months from the date of the Panel's report;
 - (b) World Wildlife Fund, Inc. (WWF-US). The results of the Panel's review of WWF-US, along with the Panel's assessment report that was issued on October 8, 2012, and will soon be communicated to the Council and to WWF-US. The Panel granted WWF-US a conditional approval with a grace period of six months from the date of the Panel's report;
 - (c) Conservation International (CI). The results of the Panel's review along with the Panel's assessment report which was issued on September 5, 2012, were communicated to CI on September 6, 2012. The Panel has requested CI to submit, within three months from the date of the Panel's report, a revised Stage II Application Form and supporting documents for further review.
20. The Secretariat acknowledges that applicant agencies have cooperated fully throughout the process and have responded to the Secretariat's and the Panel's inquiries as well as requests for clarification, references and further information on a timely manner.

COUNCIL CONSIDERATION OF A SECOND ROUND OF ACCREDITATION

21. At its 40th meeting in April 2011, the Council decided to invite and consider two rounds of Stage I applications as part of the accreditation pilot: first at its Spring 2012 and then, at its Fall 2012 meetings. This was done to ensure that the GEF could attract a large and diverse pool of qualified applications from which to select "up to ten institutions", the target set forth in the Council document GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the Instrument*.
22. Accordingly, the Secretariat announced two deadlines (December 31, 2011 and June 30, 2012) for submitting Stage I applications to the GEF for accreditation and invited interested agencies to submit their applications by these dates.
23. Sixteen agencies submitted Stage I applications for the first round by the December 31, 2012 deadline. As outlined in the Council document GEF/C.42/09/Rev.01 *Secretariat Recommendations of Project Agencies for Accreditation*, the Secretariat recommended 11 agencies for Council approval to progress to Stage II, based on Value Added Reviews conducted by the Secretariat.

24. At its 42nd meeting in June 2012, the Council considered Stage I applications received during the first round of accreditation and decided to approve 11 of the applicant agencies to progress on to Stage II. However, this decision created the possibility that if all 11 agencies receiving Council approval for Stage I also receive Stage II approval from the Accreditation Panel, then the number of agencies moving to Stage III to be granted accreditation would exceed the target of “up to ten institutions” that was originally set by the Council. Given this possibility, the Secretariat sought guidance from the Council regarding whether or not to undertake Value-added Reviews of the Stage I applications that were being submitted for the second round of accreditation for Council consideration in November 2012.

25. Taking into consideration this possibility of exceeding the target for the pilot, at its 42nd meeting in June 2012, the Council further decided to postpone the consideration of a next round of accreditation until its November 2012.

26. Since then, many agencies from around the world have indicated interest in applying for accreditation and several agencies have submitted Stage I applications to the Secretariat for consideration during the second round of accreditation by the previously announced June 30, 2012 deadline.¹ The Secretariat has informed these agencies of the status of the accreditation process and of the Council decision to postpone the consideration of a next round of accreditation until its November 2012 meeting. All of the agencies have responded, indicating their continued interest and willingness await the Council’s decision.

27. At this November 2012 meeting, the Council is scheduled to consider a next round of accreditation. However, given that the Stage II review process is still ongoing, and that it is expected to take another half year to complete the initial desk review of all 11 applicants, the Secretariat believes that the Council will be in a better position to assess the status of current applicants and to decide whether it will be appropriate to consider another round of applications or not, once the Accreditation Panel completes its desk reviews of all 11 applicant agencies from the first round and determines how many agencies can move onto Stage III to be accredited as a GEF Project Agency.

28. Therefore, given that desk reviews of all 11 Council-approved applicants are expected to be completed by June 2013, the GEF Secretariat recommends that the Council postpone consideration of a second round of accreditation until its June 2013 meeting, pending the conclusion of all Stage II desk reviews by the Accreditation Panel.

¹ NABARD-India, TERI-India, SACEP, OAS, IICA, UNESCO, WHO, WFP and UNHABITAT submitted Stage I applications by June 30, 2012. An application from ILO was received in July 2012. In addition, letters of interest were received from various agencies including CSE-Senegal, Birdlife International, ITTO and the Niger Basin Authority.