POLICY ON MINIMUM FIDUCIARY STANDARDS
Minimum Fiduciary Standards (GA/PL/02)

Summary
This Policy sets forth the minimum fiduciary standards set forth by the GEF Council in order to strengthen the accountability of the GEF Partner Agencies.

Approved by
GEF Council

Approval Date
December 19, 2019 (57th Council Meeting)

Effective Date
December 19, 2019

Applicability
This Policy applies to all GEF Partner Agencies.

Council Doc
Updated Policy on Minimum Fiduciary Standards (GEF/C.57/04/Rev.02)

Related Doc
- Policy on Environmental and Social Safeguards (SD/PL/03) and Guidelines
- Policy on Gender Equality (SD/PL/02) and Guidelines
- Policy on Stakeholder Engagement (SD/PL/01) and Guidelines
- Principles and Guidelines for Engagement with Indigenous Peoples (GEF/C.42/Inf.03/Rev.1)
- Monitoring Policy (GEF/C.56/03)
- Monitoring Agency Compliance with GEF Policies (ME/PL/02) and Assessment Guidelines
Definitions

**Environmental and Social Safeguards**: Measures taken by a development agency to avoid, minimize, mitigate, and where appropriate, offset adverse social or environmental impacts arising from projects financed by the agency. Minimum standards for GEF Partner Agency policies, procedures, systems and capabilities related to identifying and addressing environmental and social risks and impacts in GEF projects and programs include: (a) Environmental and Social Assessment, Management and Monitoring; (b) Accountability, Grievance and Conflict Resolution; (c) Biodiversity Conservation and the Sustainable Management of Living Natural Resources; (d) Restrictions on Land Use and Involuntary Resettlement; (e) Indigenous Peoples; (f) Cultural Heritage; (g) Resource Efficiency and Pollution Prevention; (h) Labor and Working Conditions; and (i) Community Health, Safety and Security.¹ In the GEF, the application of environmental and social safeguards standards and procedures is part of the project appraisal process.

**Evaluation**: A systematic and impartial assessment of planned, ongoing or completed activities, projects, programs in specific focal areas or sectors, policies, strategies and their implementation, or other topics relevant to the GEF partnership and organization.²

**Execution Activities and Functions**: Execution generally includes the management and administration of the day-to-day activities of projects in accordance with specific project requirements in an agreement with the GEF Partner Agency responsible for implementation. Execution implies accountability for intended and appropriate use of funds, procurement, and contracting of goods and services.³

**Executing Entity**: An organization that executes a GEF Project or Program, or portions of it, under the supervision of a GEF Partner Agency, including national or sub-national government agencies, civil society organizations, private sector entities, or academic institutions, among others.

**GEF Partner Agencies**: Those agencies eligible to request and receive GEF resources directly for the design, implementation, and supervision of GEF Projects. It does not include agencies designated by countries that request resources from the GEF Secretariat for the execution of activities under GEF direct access modalities (implemented by the GEF Secretariat), including for Convention reports and National Portfolio Formulation Exercises.

¹ GEF Policy SD/PL/03, Policy on Environmental and Social Safeguards (http://www.thegef.org/sites/default/files/documents/gef_environmental_social_safeguards_policy.pdf)
**GEF Project:** An activity or set of activities that promote the achievement of the purposes of the GEF for which resources from any of the Trust Funds operated by the GEF has been requested by a GEF Partner Agency on behalf of an eligible recipient and/or approved by the GEF Council or the CEO.

**Implementation Activities and Functions:** Implementation generally involves project identification, preparation of project concept, appraisal, preparation of detailed project documents, project approval and start-up, project supervision, and project completion and evaluation\(^4\).

**Monitoring:** The continuous or periodic, standardized process of collecting and analyzing data on specific indicators to provide decision-makers, managers, and Stakeholders with information on progress in the achievement of agreed objectives and the use of allocated resources.\(^5\)

**Program:** A longer-term and strategic arrangement of individual yet interlinked projects that aim at achieving large-scale impacts on the global environment.

**Project Appraisal:** The investigative process used by a development agency to determine whether projects and activities financed by the agency meet their development goals, including sustainable development and environmental goals, before funds are disbursed. In practice, a GEF Partner Agency’s project appraisal process may include the investigation of multiple aspects of a project, including economic, technical, institutional, financial, environmental, social, commercial, etc.

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Introduction

1. This policy outlines the minimum fiduciary standards set forth by the GEF Council in order to strengthen the accountability of the GEF Partner Agencies.

Objectives

2. The objective of this policy is to strengthen financial and programmatic accountability of the GEF by requiring that all GEF Partner Agencies meet the agreed minimum fiduciary standards that are listed in Annex I: *GEF Minimum Fiduciary Standards*.

Scope of Application

3. This Policy applies to all GEF Partner Agencies.

Core Principles

4. As a general matter, minimum fiduciary standards are maintained with the implementation of procedures that reflect several core principles. These include:

   (a) **Professional standards.** Fiduciary management functions (for all categories) are undertaken based on published guidelines by the GEF Partner Agency which take into account internationally recognized professional standards and principles.

   (b) **Independence.** Fiduciary review functions are appropriately independent and objective in the execution of their respective duties.

   (c) **Transparency.** To ensure both accountability and remedial action, the results of reviews are disclosed to the fullest extent possible, taking into account confidentiality and other concerns as appropriate.

   (d) **Monitoring and response.** Procedures are in place that establish periodic monitoring so that issues raised in reviews are dealt with effectively.

   (e) **Value-for-money provisions.** Procedures focus, as appropriate, on ensuring that the maximum benefit, for the resources expended, has been obtained from goods and services acquired or provided.

5. These core principles apply across the board, in the design and implementation of standards in each of the covered areas.
Application to Different Types of Operations

6. The GEF Council has decided that all GEF Partner Agencies need to meet the GEF Minimum Fiduciary Standards (GFMS). The following is guidance drawn from Council Document GEF/C.31/6.7

7. In general, all GFMS apply across all types of operations, where there are projects and/or activities to which they can be applied sensibly. Most of the standards apply generally, rather than to project- or GEF-specific activities. These include external and internal audit, financial management and controls, financial disclosure, codes of ethics, investigation, and hotline and whistleblower protection. Requirements for monitoring and evaluation are covered under GEF Monitoring and Evaluation Policies respectively.8 Project appraisal standards, procurement processes, and project-at-risk systems may vary to some degree, depending on the type of programs and activities, in terms of the appropriate criteria and objectives used. However, the core principles are consistent across different types of operations and activities.

8. In the specific context of a GEF Partner Agency’s GEF work, any assessment must examine whether GEF activities are fully covered by institution-wide standards. In addition, institutional standards designed to cover core business activities must be assessed to ensure that their application to GEF work is effective. This Policy assumes that GEF Partner Agency activities are undertaken consistent with the recommendations of GEF/C.31/5, Comparative Advantages of the GEF Agencies.9 In any case, if an GEF Partner Agency’s management and control frameworks are focused on different kinds of activities than those undertaken by the GEF Partner Agency for the GEF, there must be an examination of whether the frameworks achieve their intended purposes for GEF activities as well. This may apply to existing or future operations.

9. As noted in GEF/C.31/5, Comparative Advantages of the GEF Agencies, an assessment of GEF Partner Agency capacity to manage different types of projects would be based, inter alia, on each GEF Partner Agency’s fiduciary policies, including environmental and social safeguard procedures. In specific cases of integrated projects that include components where the expertise and experience of a GEF Partner Agency is lacking or weak, partnerships with

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6 This Policy recognizes that GEF Partner Agencies adopt their own policies and procedures aligned with the GFMS in a manner that is appropriate to their unique status. References to international standards provide guidance as to international best practice which the GFMS takes into account.


other GEF Partner Agencies must be established with clear complementary roles, so that all aspects of the projects can be well managed.

10. Should GEF Partner Agencies choose to implement activities that are generally outside of their respective comparative advantage, and to implement such activities in partnership with another GEF Partner Agency that has that comparative advantage, as required by the GEF Council, they make arrangements so that all of the appropriate fiduciary standards, controls and business practices that are required to support those specific activities are in place.

**Application to GEF Partner Agencies**

11. As a principle, assessments of whether GEF Partner Agencies meets the GFMS should take into account the following:

   (a) **Reasonable Assurance of Effectiveness.** The evaluation should take into account not just the existence of fiduciary standards, but also their effectiveness. That is, the assessment should consider whether the fiduciary management policies and functions are reasonably effective in achieving their intended purposes and that GEF Partner Agencies maintain capacity (internally or through third parties for certain fiduciary activities). In that regard, it should be recognized that GEF Partner Agencies work in challenging environments throughout the world. All GEF Partner Agencies remain vulnerable to some degree to the risks that fiduciary standards and controls are meant to identify and mitigate. Absolute assurance about the application and effectiveness of fiduciary requirements and controls is not possible; a standard of reasonable assurance is the appropriate one to follow.

   (b) **Comparability.** Among GEF Partner Agencies, there will inevitably be different standards and procedures in place, sometimes for the same purposes, and the distance below or above the benchmark in a given area will differ. If a minimum benchmark is not met in a particular area, the assessment should review and take into account any standards or procedures that are in place that provide equivalent or comparable functions or assurance. Similarly, different approaches to fiduciary functions may be equivalent in their effect. For example, audit, investigation and evaluation functions may be established separately within an agency or may be organized under an Inspector General.

   (c) **Communication of Assessment Findings.** After GEF Partner Agencies are assessed, it is important that any findings, including identified issues and gaps in a GEF Partner Agency’s ability to meet the GMFS, should be communicated to the individual Agencies promptly, in order to provide adequate response.

   (d) **Periodic Monitoring.** GEF Partner Agencies not meeting the GMFS will report annually to the GEF Council on their progress in meeting the GMFS under their
agreed monitorable and time-bound action plans.

Review and Evolution of Fiduciary Standards

12. The Council agreed that implementation of fiduciary standards and procedures is, for most of the areas, an evolving process. From a GEF Partner Agency’s perspective, a function may be established, or a policy or practice introduced, on the basis of required GMFS with an expectation that the relevant policies and practices would be enhanced over time. This Policy recognizes that GEF Partner Agencies adopt policies and procedures in a manner that is appropriate to their unique status, and it references international standards to provide guidance.

Monitoring of GEF Partner Agency Compliance and Addressing Non-Compliance

13. Regular periodic GEF Partner Agency self-assessments; risk-based, independent, third-party reviews of the Agencies’ compliance with the GMFS; and steps to respond when a GEF Partner Agency is no longer compliant will be carried out in accordance with the Policy on Monitoring Agency Compliance with GEF Policies.\(^{10}\) If the GMFS are updated in between replenishment cycles, the Council will determine the timing of self-assessments and third party reviews.

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\(^{10}\) GEF Policy ME/PL/02, Monitoring Agency Compliance with GEF Policies. ([http://www.thegef.org/sites/default/files/documents/Monitoring_Agency_Compliance_Policy_0.pdf](http://www.thegef.org/sites/default/files/documents/Monitoring_Agency_Compliance_Policy_0.pdf))
Minimum Fiduciary Standards

1. The standards below are the GEF Minimum Fiduciary Standards initially approved by the GEF Council in 2007 and subsequently updated as agreed by Council.

2. GEF Partner Agencies have in place the necessary policies, procedures, systems and capabilities and ensure that they meet the GEF Minimum Fiduciary Standards.

3. GEF Partner Agencies have in place the necessary policies, procedures and legal arrangements to require that the GEF Minimum Fiduciary Standards are met during GEF funded project and program implementation, and GEF Partner Agencies implement such policies, procedures and legal arrangements.

I. Project/Activity Processes and Oversight Criteria

1. Project Appraisal Standards - Project appraisal functions include the establishment of standards and appropriate safeguards that are used to determine whether projects and activities are reasonably likely to meet their development goals before funds are dispersed.

   (a) A project and/or activity appraisal process is in place with the purpose of examining whether proposed projects and/or activities meet appropriate technical, economic, financial, environmental, social (including considerations of gender equality), institutional and/or other relevant criteria, and whether they are reasonably likely to meet stated objectives and outcomes.

   (b) The appraisal process provides institutional checks and balances at the stage of project design:

      • Policies and risk-assessment procedures are in place specifying the criteria and circumstances under which environmental, social (including considerations of gender equality), institutional and/or fiduciary assessments must be conducted to incorporate environmental, social or other relevant considerations into a proposed project or activity.12

      • 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 goals; and is aligned with scientifically sound principles.

   (c) Project and/or activity development objectives and outcomes are clearly

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11 Agencies are required to meet GEF minimum standards on Environmental and Social Safeguards (as defined in GEF Policy SD/PL/03, Policy on Environmental and Social Safeguards, and the requirements of GEF Policy SD/PL/02, Policy on Gender Equality and GEF Policy SD/PL/01, Policy on Stakeholder Engagement).

12 Agencies’ processes and procedures must meet the requirements of the GEF Policy SD/PL/03, Policy on Environmental and Social Safeguards (http://www.thegef.org/sites/default/files/documents/gef_environmental_social_safeguards_policy.pdf)
stated and key performance indicators with baseline and targets are incorporated into the project/activity design.

(d) Appropriate fiduciary oversight procedures are in place to guide the appraisal process and ensure its quality and monitoring of follow-up actions by the GEF Partner Agency during implementation.

2. **Procurement Processes** – GEF Partner Agency procurement processes covering both internal/administrative procurement and procurement by recipients of funds include written standards based on widely recognized processes and an internal control framework to protect against fraudulent and corrupt practices (using widely recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) and waste.

(a) Specific GEF Partner Agency policies and guidelines promote economy, efficiency, transparency and fairness in procurement through written standards and procedures that specify procurement requirements, accountability, and authority to take procurement actions. As a minimum, these policies and guidelines provide for:

- Open competition and define the situations in which other less competitive methods can be used; and
- Wide participation through publication of business opportunities; descriptive bid/proposal documents that disclose the evaluation criteria to be used; neutral and broad specifications; non-discriminatory participation and selection principles; and sufficient time to submit bids or proposals.

(b) Specific procurement guidelines are in place with respect to different types and categories of procurement, including the recruitment of consultants, managed by the GEF Partner Agency.

(c) Procurement guidelines provide for security and confidentiality of information during the bidding, opening, evaluation and debriefing phases of procurement.

(d) Procurement guidelines provide for a procurement protest mechanism whereby bidders have a right to complain during the bidding process about non-compliance with procurement policies and guidelines and irregularities in the process; are informed of this right; and there is a clear process whereby complaints are received and addressed.

(e) Standard contracts include dispute resolution procedures that provide for an efficient and fair process to resolve disputes arising during the performance of the contract.

(f) General Conditions of Contract and tender conditions provide for contract awardees to adhere to anti-fraud and corruption policies and provide access to GEF Partner Agency investigators to bidder/contractor records relating to bids and contracts in the event that this is needed to support investigations
of complaints of fraud or corruption.

(g) Procurement guidelines encourage the consideration of sustainability concepts\(^{13}\) in the procurement of goods.

(h) Specific procedures, guidelines and methodologies of assessing the procurement procedures of executing entities are in place.

(i) Procurement performance in implemented projects is monitored at periodic intervals, and there are processes in place requiring a response when issues are uncovered.

(j) Procurement records are easily accessible to procurement staff, and procurement policies and awards are publicly disclosed.

3. **Monitoring and Project-at-Risk Systems**

   *The GEF Policy on Monitoring*\(^ {14}\) establishes minimum requirements based on widely recognized, best practice norms and standards for monitoring in the GEF. From a fiduciary perspective, the monitoring function detects, assesses, and provides management information about risks related to projects and/or activities, particularly those deemed to be at risk.

   (a) Monitoring functions, policies and procedures have been established consistently with the requirements of the GEF Policy on Monitoring.

   (b) The roles and responsibilities of the monitoring function are 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.

   (c) Monitoring reports at the project/activity level are provided to a 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 oversight within the organization so that broader portfolio trends are identified, and corresponding policy changes can be considered.

   (d) A process or system, such as a project-at-risk system, is 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.

   (e) Adequate fiduciary oversight procedures are in place to guide the project risk assessment process and to ensure its quality and monitoring of follow-

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\(^{13}\) Examples of guidance can be found in the International Standard ISO 20400:2017 Sustainable Procurement and information produced by the Marrakesh Task Force on Sustainable Procurement (http://www.unep.fr/scp/marrakech/taskforces/procurement.htm).

up actions by the GEF Partner Agency during implementation.

4. **Project Completion and Financial Closure** - *Operational systems and overall capacity are in place to conduct necessary activities relating to project completion and financial closure*

   (a) Procedures have been established concerning project operational completion and financial closure, including reporting on results achieved, lessons learned and recommendations for improvement, and final financial reports, including information on co-financing.

   (b) There are procedures to make project results publicly available.

5. **Evaluation Function** - *The evaluation function assesses the extent to which projects, programs, strategies, policies, sectors, focal areas, or other activities achieve their objectives. The goals of evaluation are to provide an objective basis for assessing results, to enhance accountability in the achievement of agency objectives, and to learn from experience. The GEF Evaluation Policy, adopted by Council in June 2019*¹⁵ *establishes requirements for evaluation in the GEF based on widely recognized, best practice norms and standards including impartiality, professionalism, and a high degree of independence.*

   (a) Independent evaluations are undertaken by an established body or function as part of a systematic program of assessing results, consistent with the requirements of the GEF Evaluation Policy.

   (b) The evaluation function follows impartial, widely recognized, documented and professional standards and methods, consistent with the norms, principles, criteria and minimum requirements set out in the GEF Policy on Evaluation.

   (c) The evaluations body or function is structured to have the maximum independence possible from the organization’s operations, consistent with the structure of the GEF Partner 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 and/or the governing board.

   (d) An evaluation disclosure policy is 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.

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¹⁵ Council Document GEF/ME/C.56/02/Rev.01, *The GEF Evaluation Policy*  
II. Governance Framework Criteria

1. External Financial Audit - The external financial audit function ensures an independent review of financial statements and internal controls.

   (a) The GEF Partner Agency has appointed an independent external audit firm or organization to perform an annual audit of its financial statements.

   (b) The work of the external audit firm or organization is consistent with recognized international auditing standards such as International Standards on Auditing (ISA) or the International Standards of Supreme Audit Institutions (ISSAI).

   (c) Financial statements are prepared in accordance with recognized accounting standards such as International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS), or Generally Accepted Accounting Principles (GAAP) that are accepted in major capital markets for listed companies.

   (d) The internal controls over financial reporting cover the use of GEF funds, and Management asserts to the GEF Partner Agency governing body that these internal controls are adequate.

   (e) An annual audit opinion on the financial statements and/or, as appropriate, on all GEF funds received from the Trustee and administered by the GEF Partner Agency, is issued by the external auditor and made public.

   (f) An independent audit committee, or comparable body, is appointed and oversees the work of the external audit firm or organization as it relates to the audit of the financial statements, as well as risk management, internal control, and internal audit. The audit committee or comparable body has written terms of reference that address its membership requirements, duties, authority, accountability and regularity of meetings.

   (g) 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.

2. Financial Management and Control Frameworks - An internal control framework is a risk-based process designed to provide reasonable assurance and feedback to management regarding the achievement of objectives in the following categories:16
   - Effectiveness and efficiency of operations

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16 This is elaborated, for example, in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework*. 
• **Reliability of financial reporting and financial management frameworks**

• **Compliance with applicable policies and procedures.**

(a) A control framework has been adopted that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel.

(b) The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing.

(c) The control framework has defined roles and responsibilities pertaining to accountability of fiscal agents and fiduciary trustees.

(d) At the institutional level, risk-assessment processes are 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.

(e) The control framework guides the financial management framework.

(f) Procedures are in place for identifying internal controls, including controls designed to prevent or detect fraud, and assessing control details annually in core financial management areas, including:

• Budgeting;

• Accounting;

• Funds flow (including disbursements, cash management, unused fund close-out); and

• Financial reporting.

(g) The control framework applies rigorous measures to prevent and combat fraud and other forms of financial mismanagement by employees, by contractors and suppliers under the GEF Partner Agency’s own procurement, or in respect of funds provided to executing entities.

(h) There is a separation of functions between project implementation and execution:

(i) There is a separation of functions such that the entity that undertakes project execution reports and is responsible to the agency that carries out project implementation, with the latter overseeing the executing entity and having accountability to the GEF Council. This explicitly precludes a merging or crossing over of the functions of the GEF Partner Agencies and executing entities as they are distinct and separate.

(ii) In cases where a GEF Partner Agency carries out both implementation
and execution of projects\(^\text{17}\), the GEF Partner Agency must separate its project implementation and execution duties, and describe in project planning documents, each of the following:

- A satisfactory institutional arrangement for the separation of implementation and executing functions in different departments of the GEF Partner Agency; and
- Clear lines of responsibility, reporting and accountability within the GEF Partner Agency between the project implementation and execution functions.

(i) Financial management segregation of duties: Duties are 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.

3. **Oversight of Executing Entities** - *GEF Partner Agencies have measures in place to review and oversee GEF funded project and program implementation.*

(a) There is a well-defined due diligence process prior to the GEF Partner Agency’s approval of a project, to assess fiduciary risks, including preparation of risk mitigation and action plans so that proposed executing entities have adequate fiduciary controls in place to manage GEF funds used to finance a project.

(b) Information regarding funding agreements is made publicly available.

(c) There is a monitoring system in place designed to ensure that grants are implemented, and funds are used by executing entities as intended.

(d) For projects funded by GEF, there is a framework in place to suspend disbursements to executing entities and recover GEF funds not used in compliance with legal agreements including fraud.

4. **Financial Disclosure/Conflict of Interest** - *The financial disclosure and conflicts of interest policies delineate the process surrounding mandatory financial disclosures of possible or apparent conflicts of interest by identified parties.*

(a) Documented policies covering identified parties define conflicts of interest arising from personal financial interests or otherwise that require disclosure, including actual, perceived and potential conflicts.

(b) The policies specify prohibited personal financial interests and other types of

\(^{17}\) Consistent with GEF Policy FI/PL/03, *Fee Policy for GEF Partner Agencies*, the selection process for the GEF Partner Agency that shall perform executing functions should be transparent, and this exception from normal GEF practice should be clearly described at the project concept stage, i.e., including such information in the Project Identification Form or submitted before or by the time of CEO Endorsement/Approval at the latest.
conflicts of interest situations.

(c) The policies describe the principles under which conflicts of interests are reviewed and resolved by the GEF Partner Agency. It describes sanction measures for parties that do not self-disclose where a conflict of interest is identified.

(d) Parties covered by the policies are provided a way to disclose personal financial interests and/or other conflicts of interest situations annually and/or on an ongoing basis to an administrative function within the GEF Partner Agency.

(e) The policies establish 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.

5. Code of Ethics/Conduct - A code of ethics/conduct or equivalent for GEF Partner Agency staff promotes responsible conduct and ethical behavior.

(a) A documented code or equivalent defines ethical standards to be upheld, including protecting GEF Partner Agency and trust fund assets. The code lists parties required to adhere to the standards including senior managers, 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.

(b) An ethics or related function provides administrative support for the code or equivalent, including awareness-raising of the code or equivalent, providing advice on and monitoring compliance with the code or equivalent and investigating or referring for investigation identified or alleged violations.

(c) Multiple avenues for reporting compliance and/or other business conduct concerns such as a hotline (for example, web portals for online reporting, and information on confidential email and phone numbers and physical means of reporting) and contact information for functional/department options (e.g. human resources, ethics office or internal audit) are readily available (e.g. on the GEF Partner Agency’s intranet and/or external websites).

6. Internal Audit - Internal auditing is an independent, objective activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

(a) Internal audit activity is carried out in accordance with internationally recognized standards such as those prescribed by the Institute of Internal Auditors (IIA). GEF Partner Agencies have their own internal guidelines to
aid audit staff in applying the standards.

(b) Auditors and entities that provide internal auditing services adhere to ethical principles of integrity, objectivity, confidentiality and competency.

(c) The internal audit function is functionally independent and objective in the execution of its respective duties. There is an officer designated to head the internal function. The chief audit officer reports to a level within the organization that allows the internal audit activity to fulfill its responsibilities objectively.

(d) The internal audit function has documented terms of reference/charter that outlines its purpose, authorized functions, and accountability and confirms the professional standards being followed and the arrangements in place for the function’s independence and objectivity.

(e) The internal audit function has a documented description of the audit planning process, including a risk-based methodology for preparing these audit plans, including the cycle of coverage expected in each plan. The audit plan outlines the priorities of the function and is consistent with the GEF Partner Agency's goals.

(f) The chief audit officer shares information and coordinates activities with relevant internal and external parties (including external financial statement auditors) for proper coverage and to minimize duplication of efforts.

(g) The internal audit function disseminates its findings to the corresponding senior and business management units, who are responsible for acting on and/or responding to recommendations.

(h) The internal audit function has a process in place to monitor the response to its recommendations.

(i) A process is in place to monitor and assess the overall effectiveness of the internal audit functions including periodic internal and external quality assessments.

7. **Investigation Function** - The investigation function provides for independent, objective investigation of allegations of fraudulent and corrupt practices (taking into account as appropriate recognized definitions such as those agreed by the International Financial Institutions Anti-Corruption Task Force) in GEF Partner Agency operations, and of allegations of possible agency staff misconduct.

(a) The GEF Partner Agency’s investigations function has publicly available terms of reference that outline the purpose, authority, and accountability of the function.

(b) To ensure functional independence, the investigations function is headed by an officer independent from operational or programmatic activities
who reports to a level of the organization that allows the investigation function to fulfill its responsibilities objectively and independently.

(c) The investigation function is carried out in accordance with standards, referred to in its terms of reference, that provide for:

- Maintaining objectivity, impartiality, and fairness throughout the investigative process and conducting investigation activities competently and with the highest levels of integrity.
- Managing any actual or potential conflicts of interest of investigative staff.
- Protecting confidentiality.
- Basing investigative findings on facts and related analysis, which may include reasonable inferences and take into account both inculpatory and exculpatory information.
- Having sufficient access to the personnel, records, facilities of the entity to meet the above requirements.

(d) The investigations function has 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.

(e) The investigations function has a defined process for periodically reporting information on the investigation function, case trends and lessons learned with respect to internal controls. To enhance accountability and transparency, to the extent possible, case trend reports and other information are made available to senior management and respective functional business areas.

(f) Subject to GEF Partner Agency requirements of confidentiality, the GEF Partner Agencies

- Report to Council, through the Secretariat, when an Agency determines to take under formal review\(^\text{18}\) an allegation of possible non-compliance with Agency fiduciary requirements, including fraud and corruption involving a GEF funded project, in accordance with its policies and procedures, together with any non-confidential information about the review that the Agency is able to provide

- Keep the Council informed of developments in those cases, through the Secretariat.

- Notify the GEF Council, through the Secretariat and with a copy to the Trustee, when an Agency determines that GEF funds are not being used or

\(^{18}\) The phrase “taken under formal review” refers to allegations that the Agency has determined to be credible and merit further formal review or investigation, according to Agency procedures.
have not been used for the purpose for which they have been provided, including any fraudulent or corrupt practices.

- Report to Council on an annual basis through the Secretariat, statistical information on cases involving non-compliance with Agency fiduciary requirements (including fraud and corruption) that involve GEF-financed projects and are under their formal review.

8. **Hotline & Whistleblower Protection** – *GEF Partner Agency policies provide avenues for reporting suspected violations and protections for individuals reporting such violations.*

(a) A hotline or comparable mechanism (for example, web portals for online reporting, and information on confidential email and phone numbers and physical means of reporting) is in place and accessible to ensure the capacity to take in reports of suspected unethical, fraudulent or similar activity as defined by GEF Partner Agency policy.

(b) An intake function coordinates information reported from the hotline, compliance and/or other business concerns from internal and external sources. The intake function maintains an appropriate level of autonomy from the investigations function.

(c) Records are maintained of complaints received from communication channels, and the status of actions taken on them, with regard for the confidentiality of cases.

(d) A whistleblower protection policy is in place which:
   - Specifies who is protected and defines protected disclosures including those relating to violations of law, rules or regulations, abuse of authority, gross waste of funds, gross mismanagement or a substantial and specific danger to public health and safety.
   - Defines the standard of protection from retaliation including placing the burden on the agency to provide evidence that the alleged acts of retaliation would have taken place absent the protected disclosure.
   - Extends protection for staff.
   - Establishes reasonable timeframes for lodging complaints of retaliation.
   - Allows management/human resources to take precautionary measures, if deemed appropriate, to protect complainants.
   - Indicates that staff found to have engaged in retaliation will be subject to disciplinary measures.

(e) Policies are in place to provide confidentiality and/or anonymity, as requested,
of whistleblowers, informants and witnesses or others making reports (such as by using appropriate hotline technology and preserving anonymity in the reporting processes).

(f) Procedures are in place for the periodic review of handling of hotline, whistleblower, and other reported information to determine whether it is handled effectively and whether processes for protecting whistleblowers and witnesses are consistent with best international practice.

9. **Anti-Money Laundering and Combating the Financing of Terrorism** – GEF Partner Agencies demonstrate that they have in place the necessary policies, procedures, systems, and capabilities to:

(a) Systematically screen individuals and/or entities to whom/which GEF funds are transferred for risks related to money laundering and the financing of terrorism;

(b) Effectively address risks when identified, based on standard decision-making procedures;

(c) Prevent GEF funds being used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.