



GEF/C.40/09  
April 26, 2011

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GEF Council Meeting  
May 24-26, 2011  
Washington DC

Agenda Item 15

## BROADENING THE GEF PARTNERSHIP UNDER PARAGRAPH 28 OF THE GEF INSTRUMENT

**Recommended Council Decision**

The Council, having reviewed document GEF/C.40/09, *Broadening the GEF Partnership under Paragraph 28 of the Instrument*, decides to implement the GEF-5 Pilot on broadening the GEF partnership, in accordance with the provisions set forth in this document, as amended by the Council during the meeting.

The Council directs the Secretariat to finalize the Stage 1 Application Form and all relevant procedures and to inform GEF participant countries and other interested parties when they may begin submitting applications. The Secretariat will conduct Value-added Reviews on all completed applications according to the procedures and criteria outlined in document GEF/C.40/09. The Council requests the Secretariat to submit its recommendations of applicants for Council approval at the spring and fall 2012 meetings, only.

The Council asks the Secretariat, in cooperation with the GEF Trustee, to finalize all other necessary arrangements, procedures, and materials for the accreditation of GEF Project Agencies, including establishment of the GEF Accreditation Panel.

The Council directs the Evaluation Office to initiate an evaluation on the pilot at the earlier of either: (a) two years after the first five agencies have been accredited or (b) January 2015.

## EXECUTIVE SUMMARY

1. Broadening the GEF partnership through the operationalization of paragraph 28 of the GEF Instrument is one of the central reforms of the Fifth Replenishment (GEF-5) aimed at enhancing country ownership. This paper responds to the decisions and recommendations made by the GEF Council at its 39th meeting in November 2010, at which it decided that the GEF "shall launch a pilot on accrediting new agencies under paragraph 28 of the Instrument." The Council asked the Secretariat to develop criteria to choose the agencies that will be part of the pilot and to prepare a revised set of Value-added Review Criteria, both for presentation at the May 2011 Council meeting.
2. The present document contains a proposal for how the GEF-5 pilot on broadening the GEF partnership shall be implemented, including the broad principles and criteria that the GEF will follow. Under the pilot, the GEF will seek to accredit up to ten new GEF Project Agencies. This limit seeks to balance the need to have a sufficient number of agencies join the partnership, so that the GEF may learn from the pilot, while also avoiding disruption of on-going operations.
3. Reflecting the Council's guidance to give priority to the accreditation of national institutions, the paper sets a goal of accrediting at least five national institutions under the pilot. In order to meet this goal, the paper recommends a rule stipulating that until the Council has approved the applications of at least five national institutions, the GEF will not review applications from other types of organizations besides regional organizations and non-governmental organizations.
4. The GEF will seek to achieve regional balance among national institutions accredited during the pilot. It is proposed that the national institutions approved under the pilot be drawn from at least three of the regions in which the GEF operates. Moreover, the GEF will not accredit more than three national institutions from any one region. To ensure diversity in terms of the country classifications from which national institutions are drawn, the GEF will seek to accredit at least one national institution from an LDC and at least one from a lower-middle income country.
5. To ensure diversity among types of institutions, agencies from the following categories will be eligible for accreditation under the pilot: regional organizations (which are of particular interest for SIDS), United Nations specialized agencies and programs, other international organizations, and nongovernmental organizations. With respect to the accreditation of bilateral agencies, two options are put forward for Council consideration: either bilateral development agencies will be eligible for accreditation under the pilot or their accreditation should be considered at some point in the future.
6. The paper recommends that the Secretariat receive Stage 1 Applications prior to two Council meetings: spring and fall of 2012, and that it conduct a Value-added Review on all completed applications received prior to the deadlines for each meeting, which are, respectively: December 31, 2011 and June 30, 2012. The paper includes specific application review procedures for the pilot which aim to ensure that the GEF will meet its goals for the pilot,

including in terms of national institutions, regional balance, and agency diversity.

7. The Secretariat will assess each applicant according to the Value-added Review Criteria recommended in the paper. These criteria function as a tool to assess the degree to which an applicant adds value to the GEF partnership and aligns strategically with the GEF's objectives. The paper proposes six core criteria: (1) Relevance to the GEF, (2) Demonstration of Environmental or Climate Change Adaptation Results, (3) Scale of Engagement, (4) Capacity to Leverage Co-financing, (5) Institutional Efficiency, (6) Networks and Contacts. Based on information provided in the Stage 1 Application and other sources of information, including independent evaluation information, the Secretariat will give each applicant a score of one to four for each criterion. Applicants will generally need to receive a score of three on each of the core criteria in order to be recommended for Council approval.

8. The paper also recommends a few additional Value-added Review Criteria, which will apply to national institutions, non-governmental organizations, and regional organizations. Agencies will be given either a "pass" or a "fail" score for each of these additional criteria. If the Council decides that bilateral development agencies are eligible to apply under the pilot, the paper recommends additional Value-added Review Criteria and post-accreditation rules for such agencies. As agreed in Council document GEF/C.39/8/2, *Accreditation Procedure for GEF Project Agencies*, applicants approved by the Council will be invited to submit a Stage 2 Application, so they may undergo the Accreditation Panel Review.

9. In order to ensure that a GEF Project Agency does not take on GEF projects that it cannot handle, and to ensure that these Agencies do not become overly dependent on GEF financing, the paper recommends ceilings on the size of individual grants and total GEF grant funding. First, the GEF will not approve GEF grants for GEF Project Agencies greater than the largest project the agency had implemented (or executed) to date. Second, at any time, total GEF grants under implementation cannot make up more than 20% of the total projects that the applicant has under implementation. In order to maintain the high degree of leverage seen during GEF-4, GEF Project Agencies will be expected to bring cofinancing at least comparable to the average ratios for planned cofinancing seen in each focal area during GEF-4.

10. The paper recommends that the Evaluation Office initiate an evaluation at the earlier of either: (a) two years after the first five agencies have been accredited or (b) January 2015, which is approximately two years after the Council reviews the last set of applications under the pilot. Based on the findings of the evaluation, the Council will decide whether to continue accrediting GEF Project Agencies and whether or how the accreditation policies and procedures should be amended.

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## INTRODUCTION

1. The Policy Recommendations for the Fifth Replenishment of the GEF Trust Fund (GEF-5), under the title of *Broadening of the GEF Partnership*, requested that “the GEF Secretariat, in collaboration with the GEF Trustee, prepare a proposal for Council review in June 2010 to allow additional agencies referred to in paragraph 28 of the Instrument to cooperate with the Secretariat and Trustee directly, subject to Council approval, and in accordance with national priorities, to assist recipient countries in preparing and implementing GEF-financed projects. The proposal should include analysis of the pros and cons for each type of institution and detail the modalities for the engagement of such institutions.”<sup>1</sup>
2. The GEF Council reviewed an initial proposal at its June 2010 meeting and asked that the Secretariat develop a refined proposal for review at its November 2010 meeting. This proposal was to include eligibility criteria for potential partners – to be developed with advice from a six-member Council subcommittee – and an accreditation procedure to be developed with the input of a task force of experts.
3. The Council reviewed the Secretariat’s revised proposal at its November 2010 meeting and agreed “that the GEF shall launch a pilot on accrediting new agencies under Paragraph 28 of the GEF Instrument” and that “priority shall be given to the accreditation of national institutions.” The Council asked that the “criteria to choose the agencies that will be part of the pilot be developed by the Secretariat, in consultation with the existing Council Subcommittee, for approval by Council at its spring 2011 meeting.” The Council also asked the Secretariat to “prepare, in consultation with the existing Council Subcommittee, a revised set of Value-added Criteria, to be presented to the Council at its spring 2011 meeting.”<sup>2</sup>
4. This paper proposes how the GEF should construct a pilot for accrediting new agencies to the partnership – to be called GEF Project Agencies – and contains a proposal for how the Value-added Review will operate, including a revised set of Value-added Review Criteria. The Council also agreed that an evaluation of the pilot would be conducted to enable the GEF to learn from the pilot and better determine policy going forward.
5. The GEF Council has determined that the inclusion of agencies with different strengths and capabilities will help the GEF accomplish its mandate, since it will add value to the GEF network, including by providing recipient countries with greater choice in terms of agencies, and by providing the GEF with additional expertise and an ability to fill gaps.
6. Annex I includes the draft policy provisions approved by the GEF Council at its November 2010 meeting. Annex II includes the accreditation procedure as approved by the GEF Council at its November 2010 meeting. The Secretariat will update both documents by including any new provisions approved by the GEF Council at its spring 2011 meeting, and these will become the standing policy and procedure documents for the accreditation of GEF Project Agencies under the proposed pilot.

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<sup>1</sup> See Document GEF/C.37/3, Summary of Negotiations Fifth Replenishment of the GEF Trust Fund, p. 108.

<sup>2</sup> See *Joint Summary of the Chairs, 39<sup>th</sup> GEF Council Meeting, November 16-18, 2010*; paragraphs 2-24.

## BACKGROUND

7. Through discussions at the June 2010 and November 2010 Council meetings, a consensus has emerged within the Council that expansion of the GEF network of agencies will benefit the GEF by giving recipient countries greater choice and enhancing country ownership. This will build recipient country capacity to address global environmental issues. It is also likely to contribute to improved performance and might lower costs. Taken collectively, this reform is likely to improve the GEF's ability to accomplish its mission as the financial mechanism to several international environmental conventions.

8. As such, the Council decided that the GEF shall undertake a pilot initiative to accredit new agencies to the GEF network and asked for a paper to be developed on this pilot and on how applicants would be assessed according to their value-added to the GEF network. The GEF Council decided that henceforth, there shall be two types of GEF Agencies – the current ten *GEF Agencies* and *GEF Project Agencies*. GEF Project Agencies will be those that are accredited under the accreditation procedure set forth in Council document GEF/C.39/8/Rev.2, *Accreditation of GEF Project Agencies*.

9. The accreditation of GEF Project Agencies does not represent an innovative use of GEF resources. GEF Project Agencies would, like the existing GEF Agencies, assist recipient countries in preparing and implementing GEF-financed projects. They would follow the same procedures as the existing GEF Agencies, which signed financial procedures agreements (FPAs) with the Trustee. GEF Project Agencies would also sign Memoranda of Understanding (MOUs) with the GEF Secretariat in the same way as the seven GEF Agencies granted direct access to GEF resources since 1999 have done.<sup>3</sup> GEF Project Agencies would be responsible for disbursing project funds and for appraising and supervising projects in accordance with the agencies' policies and procedures. Through the accreditation process, the GEF Accreditation Panel will need to have assessed the GEF Project Agencies' policies as fully meeting the GEF's Fiduciary Standards, including any agreed GEF environmental and social safeguard standards. The Trustee would provide funding to GEF Project Agencies under the terms of FPAs concluded with them. As with the existing Agencies, the Trustee would not have any responsibility to the GEF for the use of funds transferred to GEF Project Agencies.

10. In terms of project activities, there will be no distinctions between GEF Agencies and GEF Project Agencies. These two groups of agencies will be referred to collectively as "GEF Partner Agencies." The ten GEF Agencies will continue to engage with the GEF Secretariat on corporate activities and be entitled to receive compensation for such activities. Compensation for corporate activities by GEF Agencies will be determined through other relevant Council policies. GEF Project Agencies, however, will not be eligible for compensation for any corporate activities. Accreditation of a GEF Project Agency will make the agency eligible for project funding from all trust funds managed by the GEF, including the GEF Trust Fund, the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), and the Nagoya Protocol Implementation Fund (NPIF).

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<sup>3</sup> The three GEF Implementing Agencies do not have MOUs with the GEF Secretariat. Their participation in the GEF is governed by the GEF Instrument.

11. The Council agreed that entities that apply for GEF Project Agency status will need to successfully complete a three-stage accreditation procedure, as follows:

**Stage 1: Submission of Stage 1 Application, Value-added Review, and Council Approval.** The purpose of the Value-added Review is to assess whether a new GEF Project Agency will add value to the partnership and provide good strategic fit with the GEF, based on criteria agreed by the Council.

**Stage 2: Submission of Stage 2 Application and GEF Accreditation Panel Review.** The Accreditation Panel Review will assess each applicant's capacity to implement GEF projects and meet GEF Fiduciary Standards and standards on environmental and social safeguards agreed by Council.<sup>4</sup>

**Stage 3: Negotiation and Approval of the Memorandum of Understanding and Financial Procedures Agreement.** The accreditation procedure concludes when each applicant has concluded an MOU with the GEF Secretariat and an FPA with the GEF Trustee.

12. The Council directed the Secretariat to develop an accreditation procedures manual and establish an accreditation panel. It also decided that the following rules will apply to the accreditation of new GEF Project Agencies:

- (a) The same accreditation procedure will apply to all applicants;
- (b) All applications must include the endorsement of at least one GEF country Operational Focal Point;
- (c) Each applicant will undergo a Value-added Review, and its application will need to be approved by the GEF Council based on this review, prior to undergoing the Accreditation Panel Review;
- (d) Applicants will need to meet all the GEF Fiduciary Standards, including the environmental and social safeguard standards to be presented to the Council in May 2011; and
- (e) Applicants will pay for the cost of their accreditation.

13. These policy and procedure issues are reflected in the draft policy attached at Annex I and the draft procedure attached at Annex II. The main outstanding policy issues that need to be addressed by the Council are how to constitute the agreed pilot and how the Value-added Review will operate, including the criteria on which it will be based. Throughout this paper, the terms "GEF project," "GEF financing," and "GEF grant" are interpreted to include projects financed by or financing and grants provided by the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF).

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<sup>4</sup> The GEF Secretariat is presenting a proposal to Council in May 2011 for a Policy on Environmental and Social Safeguards and a Policy on Gender Mainstreaming. It is proposed that GEF Project Agencies meet the criteria in the policies as a condition of their accreditation.



## PILOT ON ACCREDITING GEF PARTNER AGENCIES

14. The Council asked the Secretariat, in consultation with the existing Council Subcommittee, to develop a proposal for a pilot on accrediting GEF Project Agencies, including criteria for choosing the agencies that will be part of the pilot. This will allow the GEF to gain experience with the accreditation of GEF Project Agencies and apply lessons learned to relevant GEF policies and procedures.

15. Several principles should be taken into consideration in constituting the pilot. First, to enable the GEF to accredit new agencies to the network, while not disrupting its on-going business operations, it will be necessary to limit the number of agencies that are accredited to the network under the pilot. Second, the Council has placed a priority on the accreditation of national institutions. Third, the principle of regional balance will be important for the pilot. The GEF will need to accredit national institutions from different GEF regions, and preferably, different groups of countries (e.g. least developed countries (LDCs), small island developing states (SIDS), middle income countries, etc.) under the pilot. Fourth, the pilot will need to allow for experimentation and to allow for the accreditation of different types of agencies, including national institutions, regional organizations, nongovernmental organizations, and if agreed by the Council, bilateral agencies. This will allow the GEF to learn from the experience of accrediting a diversity of types of agencies and better understand the benefits that each type of agency can bring to the GEF. Finally, while it is important for the GEF to have clear goals for the pilot, it is impossible to predict what types of agencies will apply for accreditation, from what regions, and how many will be able to meet the GEF accreditation criteria from each group. Because of this, a degree of flexibility will need to be built into the design of the pilot.

16. The pilot on accrediting GEF Project Agencies will be implemented according to the parameters below.

### Size of Pilot

17. The accreditation of additional agencies will help the GEF better fulfill its mandate, but the introduction of this reform needs to be done in parallel to the GEF's normal business without causing any delays. The Council decided that the best way to balance these objectives would be to have a pilot in which a prescribed number of agencies are accredited. Under the pilot, the GEF will seek to accredit up to ten new GEF Project Agencies. This limit is large enough to enable experimentation and learning, while avoiding disruption of on-going operations.

### Types of Institutions

18. A key goal for the pilot will be to accredit at least five national institutions. To ensure diversity in terms of the country classifications from which national institutions are drawn, the GEF will seek to accredit at least one national institution from an LDC and at least one from a lower middle income country.

19. Entities from the following categories will also be eligible for accreditation under the pilot: regional organizations (which are of particular interest for SIDS), United Nations specialized agencies and programs, other international organizations, and nongovernmental organizations.

20. With respect to the accreditation of bilateral agencies under the pilot, there are two options for the Council to consider under this pilot:

- (a) Bilateral development agencies will be eligible for accreditation under the pilot; or
- (b) Bilateral development agencies will not be eligible under the pilot, but may be considered in the future.

#### Geographic Representation of National Institutions

21. In order to ensure a degree of geographic balance, it is proposed that the national institutions selected for the pilot be drawn from at least three of the regions in which the GEF operates, namely: East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa.<sup>5</sup> The GEF will not accredit more than three national institutions from any one region.

#### Application Review Procedures under the Pilot

22. Applications under this pilot will be processed according to the policies (see Annex I) and procedures (see Annex II) for accrediting GEF Project Agencies approved by the Council. Additional procedures will have to be followed during the pilot for the GEF to meet the goals with respect to the types of agencies mentioned above. It is recommended that the Council adopt the following rule to ensure that national agencies receive priority in accreditation:

- (a) Until at least five national agencies have been approved by the Council, the Secretariat may review applications from regional organizations and non-governmental organizations but will not review applications from other types of organizations.

23. To enable the Council to appropriately shape the pilot and seek an appropriate mix of agencies, the Secretariat and Council will follow the following procedures with regard to the Value-added Review and Council approval of applications:

- (a) The Secretariat will receive Stage 1 Applications for the Value-added Review prior to two Council meetings: spring 2012 and fall 2012. The Secretariat will maintain the following cut-off dates for receipt of applications prior to each Council meeting:
  - i. Spring 2012: December 31, 2011
  - ii. Fall 2012: June 30, 2012
- (b) The Secretariat will conduct a Value-added Review on applications received and submit its recommendations to Council in a report. Each report will contain the following information: (a) a list of the agencies that have submitted a Stage 1 Application judged by the Secretariat to be complete, (b) a short-list of the agencies that the Secretariat is recommending for Council approval, (c) assessment reports of the agencies recommended by the Secretariat for approval, explaining how the agencies meet the applicable criteria for the agency, and the scores for each criteria, where relevant.

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<sup>5</sup> We have drawn these regions from the World Bank's operational regions as they overlap well with the groupings of GEF constituencies.

- (c) Prior to each Council meeting, the Secretariat will communicate with each agency that has submitted a complete application as to whether or not it is being recommended for Council approval.
- (d) The Secretariat and Council will consider criteria, such as regional distribution and type of agency, in addition to the scores received through the Value-added Review in making recommendations and decisions. Applicants will need to meet the minimum scores and criteria for the Value-added Review as agreed by Council (and as explained below), but the Council would be able to select the highest ranking applicants from the different groups.

24. After the Council approves an applicant, the CEO will write to the applicant and invite it to submit a Stage 2 Application. The Secretariat will then apply the following rules to manage the pipeline of State 2 applications, so that the GEF can meet its agreed goals in terms of the mix of agencies, regional balance, etc.

- (a) In the case of national institutions, once the Council has approved three applicants from one region, the Secretariat will place a temporary hold on reviewing further applications from that region pending the outcome of the Accreditation Panel Review.
- (b) For regions with three Council-approved applications from national institutions, if one of the applicants does not receive Accreditation Panel approval, or one of the applicants fails to submit a complete Stage 2 Application within six months, then the Secretariat could review further Stage 1 Applications from those regions.
- (c) Once three national institutions from a given region are accredited, the Secretariat would no longer accept applications from national entities in that region.
- (d) For other types of agencies, once the Council has approved one applicant, the Secretariat would place a temporary hold on the processing of further applications from agencies of the same type. If one of these approved agencies fails to submit a complete Stage 2 Application within six months, or does not receive Accreditation Panel approval, the Secretariat will reopen the window for reviewing further Stage 1 Applications.

#### VALUE-ADDED REVIEW

25. Once an agency submits a complete State 1 Application, the Secretariat will conduct a Value-added Review according to the Value-added Review Criteria, as explained below. Six core criteria will be applied to all applicants, and applicants will receive a score for each. Given important differences between different types of agencies, there will be some variation in how they are applied, as described below. The Secretariat will use review sheet templates tailored to each type of applicant agency – national institutions, regional institutions, other international institutions, non-governmental organizations, and bilateral development agencies. There are some additional criteria for certain types of agencies owing to idiosyncrasies of each type, but these will be rated in a binary manner of “pass/fail.” There will be sections in the sheet for assessing each of the criteria as they apply to each type of agency. Independent evaluative evidence and information from recognized third-party experts will be given significant weight in assessing applicants.

26. Each applicant would be given a score of 1 to 4 for each criterion. Applicants will generally need to receive a score of 3 on each of the core criteria in order to be recommended for Council approval. Each applicant will generally need to receive a “pass” rating on the additional criteria in order to be recommended for Council approval.

#### Core Value-added Review Criteria

27. Agencies that apply for accreditation will be assessed according to the six core criteria listed below. Because of the diversity between types of agencies in terms of the contributions that they will bring to the GEF, and different limiting factors, specific guidance relevant to different types of agencies is included. In some cases, the criteria are modulated to be made more specific or stringent for different types of agencies. Independent evaluative evidence and information from recognized third-party experts will be given significant weight in scoring applicants.

#### ***Criterion 1: Relevance to the GEF***

28. This criterion assesses the degree to which an applicant’s mission and/or areas of work align with the GEF’s mission, its focal areas, and other GEF issue areas, including climate change adaptation, sustainable forest management, and sound chemicals management.

#### **(a) Questions to be asked of applicant:**

- i. How is the agency’s mission relevant to the GEF?
- ii. In what GEF focal areas or other GEF issue areas is the agency engaged?
- iii. What experience has the agency had executing GEF projects (funded through GEF Trust Fund, LDCF, or SCCF) or implementing or executing environmental and/or climate change adaptation projects financed by other funders?<sup>6</sup>

**(b) Means of Verification:** Means of verification will include a narrative statement on the application, organization mission statement, project implementation reports (or equivalent), interviews with recognized third-party experts; and independent project evaluations.

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<sup>6</sup> While new GEF Project Agencies would join the GEF network as project implementers, many will have important relevant experience primarily as project executers. The GEF will need to take applicants’ experience with regard to both implementation and execution into regard when assessing their value-added and strategic fit to the GEF.

### **Text Box 1 - Guidance on Scoring Criterion 1: Relevance to the GEF**

4. **Strong Relevance:** The agency's mission and areas of work align well with GEF's global environmental and/or climate change adaptation missions. The agency's mission statement relates to the global environment and/or adaptation. The agency is engaged in at least two GEF focal areas/issue areas on a continuing basis. The agency has been in continuous operation for least eight years. The agency has successfully completed more than five projects funded by major bilateral or multilateral organizations.
3. **Relevance:** The agency's mission and areas of work align to a moderate degree with the GEF's global environmental and/or climate change adaptation missions. The agency is engaged in at least one GEF focal area/issue area on a continuing basis. The agency has been in continuous operation for least five years. The agency has successfully completed at least five projects funded by major bilateral or multilateral organizations.

**International NGOs, UN Agencies and Programs, and Other (non-regional) International Organizations:**

To earn this score, these entities will need to demonstrate the additional, specialized expertise they would bring to the GEF and how they will address important gaps in the GEF portfolio. This will require demonstrating capacity that they are able to implement GEF projects in sectors, regions, or countries in which existing GEF Agencies have had difficulty implementing projects, for example because of their small size or in a niche field of a GEF area or region of the world.

2. **Weak Relevance:** Low alignment with GEF objectives and mission. The agency's mission statement does not overlap well with the GEF's objectives, but the agency can show some areas of relevance. The agency has been in continuous operation for least three years. The agency has successfully completed less than five projects funded by major bilateral or multilateral organizations.
1. **Almost No Relevance:** The agency has hardly any experience relevant to the GEF's objectives. The agency has almost no relevant experience with the GEF, but is interested in pursuing projects in GEF focal areas/issue areas. The Agency has operated for less than three years and has completed less than three projects funded by major bilateral or multilateral organizations.

### ***Criterion 2: Demonstration of Environmental or Climate Change Adaptation Results***

29. This criterion assesses whether the applicant has a track record of achieving clear, positive environmental benefits in its areas of engagement relevant to the GEF. Also, this criterion considers if the agency seeks to holistically integrate social, cultural, economic, environmental and/or political dimensions in its work. Whether the agency seeks to incorporate gender equity in all aspects of its work and also pursues a path of improving the general quality of the groups and communities that it works with is also included in this criterion.

**(a) Questions:**

- i. What are the clear, quantified (GEF-relevant) outcomes that the agency helped achieve through the projects it has implemented or executed? (Please document/provide evidence for up to five projects.)
- ii. What were the outcome ratings given to the projects implemented/executed by the agency in the terminal evaluation reports or equivalent?

- iii. If terminal evaluation ratings are not available, what are the relevant implementation ratings for the projects?

(b) **Means of Verification:** For Non-Governmental Organizations, Regional Organizations and Other International Organizations, narrative statements, terminal evaluation reports, and project implementation reports will be used.

**Text Box 2 - Guidance on Scoring Criterion 2: Demonstration of Environmental Results**

- 4. The agency can document consistent achievement of satisfactory GEF-relevant outcomes in the projects that it has implemented or executed. The agency can show several examples (up to five) of projects that have achieved strong results in improving the quality of the global environment, or providing climate change adaptation benefits. Independent project evaluations generally rate the agency’s GEF-relevant project outcomes as “satisfactory” or equivalent.
- 3. The agency can demonstrate that it generally achieves moderately satisfactory GEF-relevant outcomes in the projects that it has implemented or executed. The agency can show a few examples (three to five) of projects that have achieved strong results in improving the quality of the global environment, or providing climate change adaptation benefits. Independent project evaluations generally rate the agency’s GEF-relevant project outcomes as at least “moderately satisfactory” or equivalent. If independent project evaluations are not available, then project implementation reports or other third party expert assessments demonstrate achievement of GEF-relevant outcomes as “moderately satisfactory” or equivalent.
- 2. The agency generally achieves less than moderately satisfactory achievement in terms of GEF-relevant project outcomes. The agency can show only one or two projects that have achieved strong results in improving the quality of the global environment, or providing climate change adaptation benefits. Independent project evaluations generally rate the agency’s GEF-relevant project outcomes as at least “moderately satisfactory” or equivalent. If independent project evaluations are not available, then project implementation reports or other third party expert assessments demonstrate achievement of GEF-relevant outcomes as “moderately satisfactory” or equivalent.
- 1. The agency generally achieves unsatisfactory or highly unsatisfactory outcomes in its GEF-relevant projects or project components. Independent project evaluations, if available, generally rate the agency’s GEF-relevant project outcomes as unsatisfactory or highly unsatisfactory. The applicant is rarely able to achieve a satisfactory or moderately satisfactory outcome.

***Criterion 3: Scale of Engagement***

30. This criterion assesses whether the applicant is likely to have the capability to implement or execute a project at least at the level of the GEF grant that it is seeking for the project identified in the endorsement letter from the GEF Operational Focal Point.

(a) **Questions:**

- i. What is the average size of project that the agency has either implemented or executed in the past five years?
- ii. What is the largest size project it has implemented/executed? What was the evaluation rating on this project?

- iii. What are the multilateral or bilateral agencies that the agency has received funding from in the past five years, and for what projects?

(b) **Means of Verification:** Narrative statement on the application, project implementation reports (or equivalent), project terminal evaluation reports, or equivalent (preferably from an independent source), and interviews with previous and/or current funders of the agency will be used.

### **Text Box 3 - Guidance on Scoring Criterion 3: Scale of Engagement**

4. The agency has project experience to enable it to engage in regular GEF full-size projects. It can document successful completion of at least three projects for major bilateral or multilateral organizations, such as the World Bank, the GEF, etc. The agency can document successful completion of projects with total financing of at least \$10 million USD (e.g. approximately two-times the average full-size project GEF grant in GEF-4). The agency has adequate paid staff with demonstrated absorptive capacity to work with the GEF at this scale.
3. The agency has project experience to enable it to engage in average medium-size GEF projects. It can document successful completion of at least two projects for major bilateral or multilateral organizations, such as the World Bank, the GEF, etc. The agency can document successful completion of projects with total financing of at least \$1.8 million USD (e.g. approximately two times the average medium-size project in GEF-4). The agency has adequate paid staff with demonstrated absorptive capacity to implement the project it has identified in its application for accreditation.

**National Institutions:** Will need to demonstrate, based on previous project experience, a track record of successfully implementing or executing projects at a scale that is: (i) similar to previous GEF projects in the country, and (ii) similar in size to the initial project endorsed in the Operational Focal Point endorsement letter.

2. The agency has low capacity to engage with the GEF. It can document successful completion of one project for a major bilateral or multilateral organization, but it has only implemented or executed projects with total financing of less than \$1.8 million USD. The agency does not appear to have adequate staff to implement the project it has identified in its application for accreditation.
1. The agency has weak capacity to engage with the GEF. It is unable to document successful completion of a project for a major bilateral or multilateral organization. The agency has not implemented a project with a total value greater than \$1 million USD. The agency does not appear to have adequate staff to implement the project it has identified in its application for accreditation.

### ***Criterion 4: Capacity to Leverage Co-financing***

This criterion assesses whether the applicant has the capacity to leverage co-financing for projects at a meaningful level in the context of the GEF. It will also need to demonstrate an ability to commit its own resources to GEF projects, which will be assessed based on past performance of its projects. From inception to date, GEF Agencies have leveraged cofinancing at a level of 4.4 dollars for each GEF dollar of GEF financing. There has, however, been critical variance in co-financing among the focal areas. For instance, average co-financing in climate change has been 1:6.2 whereas it has only been 1:1.6 for persistent organic pollutants (POPs). For biodiversity, it has been 1:3.1. There has also been important variance between agencies.

Because some agencies might concentrate their work in certain issue areas, the Secretariat and Council will need to take this variance into account in scoring applicants and making decisions based on this criterion.

(a) **Questions:**

- i. What is the average amount of financing that the agency has leveraged/ raised to finance its projects to date? From what sources did it raise this funding?
- ii. What is the percentage of these resources that came from the agency's own budgetary resources?

(b) **Means of Verification:** Narrative statement on the application, project implementation reports (or equivalent), interviews with recognized third party experts, project terminal evaluation reports (or equivalent), and budget documents will be used.

**Text Box 4 - Guidance on Scoring Criterion 4: Capacity to Leverage Co-financing**

4. The agency can demonstrate that the average amount of financing raised for its projects to date equals four times the amount of the GEF grant expected for its first GEF project. The agency will need to demonstrate an ability to commit its own resources to GEF projects. Furthermore, the agency will also need to prove that it would not depend heavily on the GEF for its continued sustainability and that it already has other relevant sources of support.
3. The agency can demonstrate that the average amount of financing raised for its projects to date is greater than three times the amount of the GEF grant expected for its first GEF project. The agency will need to demonstrate an ability to commit its own resources to GEF projects. Furthermore, the agency will also need to prove that it would not depend heavily on the GEF for its continued sustainability and that it already has other relevant sources of support.

**National Institutions:** "Own budgetary resources" will be interpreted to include other domestic resources.

**UN Agencies and Programs and Other International Organizations:** Will need to demonstrate an ability to mobilize co-financing out of their own resources at a ratio of 1:1 of the proposed GEF grant based on past project performance.

2. The agency can demonstrate that the average amount of financing raised for its projects to date equals two times the amount of the GEF grant expected for its first GEF project. The agency would have difficulty in committing its own resources to GEF projects. The agency does not have many other sources of funding for its projects beyond the GEF.
1. The average amount of financing raised for its projects to date equals the amount of the GEF grant expected for its first GEF project. The agency has weak capacity in terms of committing its own resources to GEF projects and might become heavily reliant on GEF funding for its mission.

***Criterion 5: Institutional Efficiency***

31. This criterion assesses how efficiently the institution converts inputs into outputs. Reflecting approaches within the GEF, this criterion has two primary sub-criteria: (a) administrative efficiency and (b) project cycle efficiency. Because of differences among organizations – e.g. larger institutions are able to capture economies of scale; some provide



financing in the form of loans, others in grants – some flexibility will be needed in interpreting this criterion. Important characteristics of an efficient institution are that it be able to document a track record of continuing efforts to improve efficiency and considers cost effectiveness in decision making.

**(a) Questions:**

- i. Please describe and provide evidence of measures implemented by the agency to enhance efficiency over the past five years, particularly with regard to controlling administrative costs and improving the efficiency of the agency’s project cycle (the cycle used to develop, appraise, and approve projects).
- ii. For the past five years, please provide evidence of the agency’s total administrative costs and total program funding.
- iii. How long does it take the agency to bring a project from the stage of concept development to approval by the agency (either by the Board or management, whichever is applicable)? Please provide evidence for the past five years.

**(b) Means of Verification:** Agency budgets from the past five years, independent assessments/evaluations of the agency, and project terminal evaluation reports (or equivalent) will be used.

**Text Box 5 - Guidance on Scoring Criterion 5: Institutional Efficiency**

4. The agency has a well developed system for tracking and improving its efficiency over time. It benchmarks its performance to that of similar organizations, learns from its performance, and bases management decisions on evidence. It has a system in place to measure its efficiency, and management bases its decisions on evidence. (a) Administrative costs are generally maintained in the range of 10% to 15% of program costs. (b) It takes the agency, on average, approximately 18 months to move a project from concept development to agency approval.
3. The agency has developed a system, including clear indicators, for measuring its efficiency and has started to track its performance over time. It has a system in place to measure its efficiency, and management bases its decisions on evidence. (a) Administrative costs are generally maintained in the range of 15% to 20% of program costs. (b) It takes the agency, on average, approximately 20 months to move a project from concept development to agency approval.
2. The agency has either only started to develop a system for measuring its performance or evidence of efficiency improvement is weak. Available evidence indicates that efficiency improvements are needed. If information is available, (a) administrative costs are in the range of 20% to 25% of program costs and (b) it takes the agency, on average, approximately 22 months to move a project from concept development to agency approval.
1. The agency either does not have evidence on its performance in terms of administrative efficiency or, if evidence is available, the agency clearly performs at a substandard level. If evidence is available, (a) administrative costs are more than 25% of program costs and (b) it takes the agency, on average, more than 24 months to move a project from concept development to agency approval.

***Criterion 6: Networks and Contacts***

32. The agency has at its disposal networks of collaborators and experts, at the regional and national levels, such as civil society organization (CSOs), with which it could collaborate on the implementation of GEF projects.

**(a) Questions:**

- i. Can the agency describe the range of organizations and experts with which it regularly collaborates, and break this out, as relevant, to the national, regional, and international/global levels, on the implementation of environmental projects?
- ii. Has the agency provided resources to other organizations to execute a project under its supervision?
- iii. How have collaborations between the agency and other organizations contributed to improvements in project quality?

**(b) Means of Verification:** Narrative statement on the application, organization mission statement, project implementation reports (or equivalent), interviews with recognized third party experts, and project terminal evaluation reports (or equivalent) will be used.

### Text Box 6 - Guidance on Scoring Criterion 6: Networks and Contacts

4. The agency can document that it has developed a wide network of collaborators and experts (either at the national, regional or global level, as appropriate to the organization), with which it can collaborate on the implementation of projects. It can document more than three examples of global environmental or adaptation projects that it has implemented through an agreement with an executing agency under its supervision that had satisfactory outcomes. It can also demonstrate several examples of projects (five to ten) in which it has collaborated with other partners, including beneficiaries, and experts to deliver global environmental/adaptation benefits.
3. The agency can document that it has at its disposal a network of collaborators and experts (either at the national, regional or global level, as appropriate to the organization), with which it can collaborate on the implementation of projects. It can document one example of a global environmental/adaptation project that it has implemented through an agreement with one or more executing agencies under its supervision that had satisfactory outcomes. It can also provide examples of projects (at least five) in which it has collaborated with other partners, including beneficiaries, and experts to deliver global environmental/adaptation benefits.

**International NGOs:** The agency will need to document a track record of collaborating with local NGOs and CSOs at the national level in GEF recipient countries and building their capacity.

**Regional Organizations:** The agency will need to document examples of projects in which it has either helped build capacity at the regional level to address global environmental issues or capacity to adapt to climate change. They will also need to demonstrate strong networks at the regional level, including with governments, NGOs, CSOs, and scientists relevant to the GEF issue areas.

**UN and Other International Organizations:** The agency will need to document examples of how it has built capacity and helped sustain local action in GEF issue areas.

2. The agency has experience in collaborating on the execution of environmental projects and has started to build a network of collaborator organizations experts (either at the national, regional or global level, as appropriate to the organization), but this network is not very extensive. It has not implemented a project in which it has supervised the execution of a project by another agency. It can only provide a few examples (three to five) in which it has collaborated with other partners, including beneficiaries and experts, on projects that deliver global environmental or adaptation benefits.
1. The agency has only collaborated on a few environmental/adaptation projects and does not have a deep network of collaborators and experts (either at the national, regional or global level, as appropriate to the organization), that it can draw on. It has only participated in the execution of projects or project components. It has only collaborated on three or fewer global environmental or adaptation projects. The agency is interested in building its network of collaborators or networks related to the global environment and adaptation.

### Additional Value-added Review Criteria for Specific Types of Agencies

33. The following additional criteria and standards will be used to assess the value-added of applicants of the listed types. Rating will be conducted in a binary manner: each applicant will either receive either a “pass” or “fail” rating for each criteria listed.

34. **National Institutions** will need to pass the following additional criteria and standards:

- (a) **Project Experience:** Does the agency implement and/or execute projects in their countries as a core part of their business? (Normally, national institutions primarily engaged in policy formulation will not be eligible for accreditation as GEF Project Agencies.)

- (b) Type of Project: Has the agency implemented a similar type of activity previously?
- (c) Enhancement of Country Ownership: Will accepting the agency help the GEF enhance country ownership? How will implementation of GEF projects by the agency help ensure that GEF funding is better aligned with country priorities for the generation of global environmental benefits, including as contained in country strategies?

35. **Nongovernmental Organizations** and **regional organizations** will need to pass the following additional criterion:

- (a) Previous Execution of a GEF Project: The agency must document previous execution of a GEF project under a GEF Agency and have achieved an outcome rating of satisfactory or better on the project.

#### Bilateral Development Agencies

36. Arguments for and against accreditation of bilateral development agencies have been made by Council Members. As mentioned above, there are two options for the Council to consider regarding the accreditation of bilateral development agencies: (1) they are deemed to be eligible for accreditation under the pilot or (2) the accreditation of bilateral agencies should be reconsidered at some point in the future.

37. If the Council agrees to the first option, it might wish to consider additional criteria for the accreditation of bilateral agencies, as proposed in (a) below. It is also recommended that certain post-accreditation rules apply to bilateral agencies, as proposed in paragraph 40. These rules would be added to those contained in the policy document at Annex 1.

- (a) First, for the pilot, the GEF would accredit no more than one bilateral development agency.
- (b) A bilateral development agency would need to pass the following additional criteria during the Value-added Review:
  - i. Co-financing: Demonstrate a capacity to provide co-financing to GEF projects at a ratio higher than 1:6.2, which is the average co-financing ratio for GEF Trust Fund projects during GEF-4.<sup>7</sup>
  - ii. Agency of a GEF Donor Country: They are the agency of a GEF donor country that has contributed resources during at least the last two replenishment cycles.

38. On an on-going basis, the rules below would apply to any bilateral development agency accredited as a GEF Project Agency.

- (a) Project Fees: The bilateral agencies would only receive project fees at the same level as they receive budget support from their national budgets for the oversight of nationally-funded projects.
- (b) Ceilings on GEF Project Grants: There will be a ceiling on project approvals for bilateral agencies from a single country. There are different views among

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<sup>7</sup> Per OPS-4, during GEF-4, up to June 30, 2009, promised co-financing of has averaged \$6.20 per dollar of GEF financing approved.

Council Members on this limit. Some believe the ceiling should be set at 5% of the host government's pledged contributions during a given replenishment period. Others believed that the ceiling should be set at 20% of the host government's pledged contributions.

- (c) Co-financing: Each project will need to leverage co-financing at a ratio greater than 1:6.2.
- (d) Agency Comparative Advantage: Each project identification form (PIF) presented by a bilateral agency will be required to provide a compelling justification for how the agency offers a clear comparative advantage in terms of its ability to fill gaps in the context of the GEF or the specific project. This gap could, for example, be of the following types: (1) geography – the project is in an underserved region or country; (2) innovation and expertise – the agency has significant capacities that are lacking among other GEF Agencies and can therefore catalyze innovations that other agencies cannot; (3) leverage – due to its operations in the country/region or other factors, the agency is able to bring considerable co-financing to the project; and (4) sectors – the agency operates in sectors and/or technologies that are either underserved or in which they have a unique capacity that other agencies do not generally have.

#### CEILINGS ON GEF GRANTS AND CO-FINANCING REQUIREMENTS

39. When the Secretariat recommends an agency for Council approval, the Secretariat will recommend in its report a specific ceiling on GEF grant financing for the applicant once accredited, which the Council will be invited to approve. This ceiling would be comprised of two elements:

- (a) The GEF will not approve GEF grants for the agency greater than the largest project it had implemented (or executed) to date.
- (b) At any time, total GEF grants under implementation shall not make up more than 20% of the total projects that agency has under implementation at any given time.

40. The objectives of these limits are to ensure that an applicant does not take on GEF projects it cannot handle and to ensure that applicants do not become overly dependent on GEF financing. The Secretariat will base its recommendation on the first element on its assessment of the information provided by the applicant on its project history. The Secretariat will recommend an initial limit on total project approvals for the second element based on the agency's project portfolio at the time of application.

41. As with projects from the existing GEF Agencies, PIFs from GEF Project Agencies would need to include a baseline project supported with co-financing, and the Secretariat would assess the amount of co-financing. In order to maintain the high degree of leverage attained in GEF-4, GEF Project Agencies would be expected to bring co-financing at least comparable to the average ratios for planned co-financing demonstrated in each focal area during GEF-4.<sup>8</sup>

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<sup>8</sup> The GEF-4 average ratios for planned co-financing are follows: climate change - 1:8.4; biodiversity: 1:3.6; IW – 1:10; LD – 1:4.5; multifocal area projects – 1:4.3; ODS – 1:1.2; POPs – 1:2.1.

## MONITORING AND EVALUATION

42. It will be important for the GEF to be able to evaluate the success of the pilot so that the GEF can learn from it and adjust policies and procedures. The Evaluation Office should initiate an evaluation at the earlier of either (a) two years after the first five agencies have been accredited or (b) January 2015, which is approximately two years after the Council reviews the last set of applicants under the pilot.

43. Based on the findings from the evaluation, the Council will decide whether to continue accrediting GEF Project Agencies and whether, and if applicable how, the policies and procedures on accrediting such agencies should be amended.

## Introduction

1. The GEF Council has determined that the inclusion of agencies with different strengths and capabilities will add value to the GEF network, including by providing recipient countries with greater choice in terms of the agencies with which to work, and will help the GEF accomplish its mandate.
2. Accreditation of a GEF Project Agency will make the agency eligible for project funding from all three trust funds managed by the GEF – the GEF Trust Fund, the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), and the Nagoya Protocol Implementation Fund (NPIF).
3. GEF Project Agencies will, like the existing GEF Agencies, assist recipient countries in preparing and implementing GEF-financed projects. They will follow the same procedures as the GEF Agencies, which signed financial procedures agreements with the Trustee and an MOU with the GEF Secretariat. GEF Project Agencies would be responsible for disbursing project funds and for appraising and supervising projects in accordance with the agencies' policies and procedures, which, through the accreditation process, the GEF Accreditation Panel will have assessed as fully meeting the GEF Fiduciary Standards, including GEF safeguard standards. The Trustee would provide funding to the agencies under financial procedures agreements signed with the GEF Project Agencies. As with the existing GEF Agencies, the Trustee would not have any responsibility to the GEF for the use of funding transferred to GEF Project Agencies.

## Types of GEF Agencies

4. Henceforth, there will be two types of GEF Agencies – the current ten *GEF Agencies* and *GEF Project Agencies*. GEF Project Agencies will be those that are accredited under the accreditation procedure described in Council Document GEF/C.39/8/Rev.2, *Procedure for Accreditation of GEF Project Agencies*. In terms of project activities, there will be no distinctions between GEF Agencies and GEF Project Agencies. Collectively all entities entitled to receive GEF resources directly will be referred to as GEF Partner Agencies.
5. The GEF Agencies will continue to be entitled to engage with the GEF Secretariat on corporate activities, particularly the formulation of GEF-wide policies through the GEF Focal Area Task Forces,<sup>10</sup> as well as the GEF Network meetings.<sup>11</sup> The ten GEF Agencies will continue to receive compensation for corporate activities, unless determined otherwise by the GEF Council through policies on fees and administrative costs. GEF Project Agencies will not be eligible for corporate activity fees.

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<sup>9</sup> This draft policy reflects Council decisions to date. It will be updated to reflect decisions made by the GEF Council at its 40<sup>th</sup> meeting in May 2011.

<sup>10</sup> The Task Forces are chaired by the focal area Team Leaders at the Secretariat and include focal area specialists from the Secretariat and the relevant GEF Agencies.

<sup>11</sup> The GEF Network meetings, chaired by the GEF Secretariat and comprised of representatives of the GEF Agencies, the Trustee, the Evaluation Office, and the Science and Technical Advisory Panel (STAP), are held once every two weeks to discuss strategy, policy, and administrative issues.

## **GEF-5 Pilot**

6. During GEF-5, new agencies will be accredited to the GEF in a staged manner, following the principles below. This will allow the GEF to gain experience with the accreditation of new agencies:

- (a) The GEF will accredit up to ten new GEF Project Agencies during GEF-5; and
- (b) Priority will be given to the accreditation of national institutions, and the GEF will aim for at least five of the new GEF Project Agencies to be national institutions.

## **General Provisions for Accreditation of GEF Project Agencies**

7. The Secretariat recommends that the following general rules apply to the accreditation of new GEF Project Agencies:

- (a) The same accreditation procedure will apply to all applicants;
- (b) All applications must include the endorsement of at least one GEF Operational Focal Point;
- (c) Each applicant will undergo a Value-added Review, which will need to be approved by the GEF Council prior to undergoing the Accreditation Panel Review;
- (d) Applicants will need to meet all the GEF Fiduciary Standards, as well as environmental and social safeguard criteria; and
- (e) Applicants will pay a fee sufficient to cover the cost of the Accreditation Panel Review.

## **Value-added Review**

(To be updated based on Council decisions at its May 2011 meeting.)

## **Conflict of Interest**

8. To guard against potential conflicts of interest, the Council Member representing the country of either a bilateral development agency or national institution seeking accreditation as a GEF Project Agency would not be permitted to intervene at Council meetings when the application for accreditation is being considered by the Council

9. Similarly, when accredited bilateral development agencies or national institutions bring projects to the Council for approval, the Council Member representing the host government of the agency would not be permitted to intervene in the relevant discussions. Such Council Members would also be required to refrain from contacting the GEF Secretariat or other Council Members to influence decision making related to these projects or accreditation decisions.



## **Cost of Accreditation Review and Payment**

10. Applicants will pay a fee sufficient to cover the cost of the Accreditation Panel Review, including associated Secretariat costs. This is important for enabling this reform to be cost neutral to the GEF. The fee will be paid to the GEF after Council approval of the application and prior to the start of the Accreditation Panel Review. It will be non-refundable, even if an applicant fails to receive accreditation.

11. For those applications requiring further evaluation, the panel will estimate the required extra level of review, and the applicant will be assessed an additional fee prior to further work. If the applicant does not pay the further assessment, the application will be deemed to have been withdrawn.

12. The GEF will need to budget resources up front for the Secretariat to start the process. Over time, these funds will be repaid as accreditation fees are paid. In turn, proceeds from fees will be used to pay for the costs of the Accreditation Panel Review and associated Secretariat and Trustee costs.

## **Additional Provisions**

13. The following provisions will apply to accredited GEF Project Agencies:

- (a) GEF Project Agencies will have to submit an annual audit on their GEF activities to the GEF.
- (b) For single country projects, GEF Project Agencies will only be eligible to implement projects in countries where they have a presence;
- (c) For regional projects, GEF Project Agencies will only be eligible to implement and/or execute projects in regions where they have a presence; and
- (d) All external communications on GEF co-financed projects will need to clearly identify the project as a GEF project. This will be stipulated in the MOUs with all GEF Project Agencies and the GEF Secretariat will renegotiate its MOUs with the ten GEF Agencies to include this rule.

## **Monitoring and Evaluation**

14. It will be important for the GEF to be able to evaluate the success of this reform. Solid monitoring and a robust evaluation of the results of this new policy will be critical to learning from the process and adjusting it over time, as appropriate. The Council requests that the GEF Evaluation Office conduct an evaluation on the outcome of this reform. The Evaluation Office should initiate an evaluation at the earlier of either (a) two years after the first five agencies have been accredited or (b) January 2015, which is approximately two years after the Council reviews the last set of applicants under the pilot.

## ANNEX II. DRAFT PROCEDURES FOR ACCREDITATION OF GEF PROJECT AGENCIES<sup>12</sup>

1. The GEF Project Agency accreditation procedure will consist of the following Stages:

**Stage 1:** Submission of Stage 1 Application, Value-added Review, and Council approval;

**Stage 2:** Submission of Stage 2 Application and Accreditation Panel Review; and

**Stage 3:** Conclusion of Memorandum of Understanding and Financial Procedures Agreement.

2. As part of the Stage 1 Application, applicants will provide the GEF Secretariat with a letter from a GEF country Operational Focal Point endorsing its application as a GEF Project Agency (hereafter referred to as a Project Agency endorsement letter). This requirement will apply to all applicants – both national institutions and international/multilateral institutions operating in multiple countries.

3. The Project Agency endorsement letter will need to identify the initial project for which the applicant is being endorsed. There are no restrictions on the type of project; it can be a single country project, a regional project, or a global project. In the case of regional or global projects, applicants will only need to receive an endorsement letter from the Operational Focal Point of one of the countries in which the project will be implemented/executed. Moreover, Project Agency endorsement letters will only be required once, when an applicant entity is applying for accreditation. After an entity is accredited as a GEF Project Agency, it will submit regular project endorsement letters for each subsequent project, as is required for the existing GEF Agencies.

4. The stages of the accreditation procedure include the following stages and sub-steps. The Secretariat will develop and maintain a tracking system to record progress on all applications received.

### **Stage 1: Submission of Stage 1 Application, Value-added Review, and Council Approval**

#### Sub-Step1: Endorsement and Submission of Application

5. An entity that is interested in applying to become a GEF Project Agency will submit a Stage 1 Application Form. The purpose of the Stage 1 Application is to inform the GEF that an agency is interested in becoming a GEF Project Agency and describe how the agency will add value to the GEF partnership based on the Value-added Review Criteria discussed in Document GEF/C.39/7/Rev.2. The application will need to be accompanied by a Project Agency endorsement letter from at least one GEF recipient country OFP.

- (a) A GEF Operational Focal Point will be limited to endorsing up to one and in an exceptional case two national institutions.

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<sup>12</sup> These draft procedures reflect Council decisions to date. It will be updated to reflect decisions made by the GEF Council at its 40<sup>th</sup> meeting in May 2011.

- (b) The Project Agency endorsement letter will need indicate the project or type of project that the potential GEF Project Agency would implement if accredited.

6. The GEF Secretariat will review the Project Agency endorsement letter and confirm its authenticity. The Secretariat will review the Stage 1 Application to ensure that it is complete and enter the applicant in an established tracking system.

#### Sub-Step 2: Value-added Review and Council Approval

7. The initial application will be assessed according to a set of Value-added Review Criteria and a procedure to be agreed by Council. Those applicants approved by Council will move forward to Stage 2. The Secretariat will notify the applicant of the Council's decision.

#### **Stage 2: Accreditation Panel Review**

8. Applicants approved by the Council will submit a Stage 2 Application Form that provides information on its ability to meet the GEF Minimum Fiduciary Standards adopted by the Council for GEF Agencies (hereafter referred to as the GEF Fiduciary Standards), which includes their ability to successfully implement GEF projects. The applicant will also need to provide information in the Application Form on its ability to meet the policy objectives and operational principles on environmental and social safeguard standards that are approved by the Council.

9. The Secretariat will review the application to ensure that all sections and questions were answered and that sufficient information has been provided to enable the Accreditation Panel to perform its work.<sup>13</sup>

10. After completeness has been ensured, the applicant will pay the required accreditation fee. (Note: For those applicants requiring a more in-depth review, an additional fee will have to be paid at a later point in this Stage, as described below.) The Secretariat will then forward the completed application to the Accreditation Panel.

11. Next, the Accreditation Panel will conduct a criteria-based review of the application based on the GEF Fiduciary Standards, which include project and governance framework criteria and the environmental and social safeguard criteria. A description is further provided below. The Accreditation Panel Review will include three sub-steps:

- (a) Sub-step 1: Preliminary assessment of each application. This step consists mostly of a desk review. The Panel may engage directly with the applicant to request further information in the form of alternative documentation, clarification of capabilities, or identification of where short-term mitigation strategies might be possible. The interaction between the Panel and the applicant is solely focused on receiving more information.

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<sup>13</sup> The GEF Secretariat can reject an application due to incompleteness if repeated attempts by the applicant to provide the required information does not substantially improve the application. Moreover, when the GEF Secretariat requests further documentation to complete an application, the applicant will have 45 days to respond to the Secretariat. Failure to do so may result in rejection of the application. In either case, the accreditation cycle would restart from the beginning, if the applicant were to reapply.

- (b) Sub-step 2: Written assessment of each application: The Panel will develop a written report of its findings on each application. Based on its collective assessment, the applications will be grouped into three categories - “Approved”, “Requires Further Review” or “Rejected.” The Panel’s written report will explain the reasons for the assessment in each case. When the members are not in agreement on the assessment, which occurs when at least one member scores the application in the “Requires Further Review” category, the application is classified as “Requires Further Review.”
- (c) Sub-Step 3: Further review of mid-range applicants: If the Panel places an applicant in the "Requires Further Review" category, the applicant will need to undergo a further review to be accredited. In such cases, the Panel and Secretariat will estimate the required amount of additional costs, to be paid prior to the start of additional review work. The Panel will investigate further and discuss with the applicant areas of concern to determine whether it meets the standards in question or whether mitigation strategies can be immediately put in place that will bring the applicant to an acceptable level.

12. Accredited applicants will move forward to Stage 3. For those recommended for Rejection, the Panel will include in its assessment an explanation of sufficient depth to provide the applicant with the necessary information on what the applicant will need to do to improve its standards and capabilities such that, if they choose to reapply at a later date, they will be better positioned to meet the standards.

13. There may be cases where the Panel is convinced that the applicant will complete the necessary steps to fully adhere to the GEF Fiduciary Standards and environmental and social safeguard criteria within a short period of time. In that case, the application may move forward to Stage 3 on the condition that the Financial Procedures Agreement (FPA) that enables the Trustee to commit and transfer funds cannot be finalized until the Accreditation Panel has confirmed that all the necessary steps have been completed, and there is full adherence to the GEF Fiduciary Standards. This will normally be done within a timeframe of six months. If the standards have not been met, the entity will need to reapply for accreditation at a future date, which will begin the accreditation process anew.

### **Stage 3: Conclusion of Memorandum of Understanding and Financial Procedures Agreement**

14. Approved GEF Project Agencies will agree to a MOU with the Secretariat, in which they will commit to follow all relevant GEF policies and procedures. The GEF Trustee will enter into a FPA with the GEF Project Agency that will enable the Trustee to commit and transfer funds.

15. Upon conclusion of the MOU and the FPA, the agency will be accredited and be eligible to submit PIFs for resources from the trust funds managed by the GEF: the GEF Trust Fund, the LDCF, and the SCCF.

## **Criteria-based Review by Accreditation Panel**

16. The Accreditation Panel will review applicants based on three sets of important criteria. The two first sets are embodied in the existing GEF Fiduciary Standards,<sup>14</sup> which are divided into “Project Criteria” and “Governance Framework Criteria.” The third includes criteria on environmental and social safeguards and gender mainstreaming, as determined by GEF Council approved policies. The Stage 2 Application will ask for documents and other evidence indicating how the applicant meets these standards, including evidence of previous, successful project implementation.

### **Project Criteria**

17. These criteria are all those included in Section B “Project/Activity Processes and Oversight” of the GEF Fiduciary Standards, which can be divided into the following categories:

- (a) Procurement Processes;
- (b) Monitoring and Project-at-Risk Systems; and
- (c) Evaluation Function.

### **Governance Framework Criteria**

18. These criteria are all those included in section A (Audit, Financial Management and Control Framework), and section C (Investigations) of the GEF Fiduciary Standards, which can be divided into the following categories:

- (a) External Financial Audit;
- (b) Financial Management and Control Frameworks;
- (c) Financial Disclosure;
- (d) Codes of Ethics;
- (e) Internal Audit;
- (f) Investigations Function; and
- (g) Hotline & Whistleblower Protection.

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<sup>14</sup> The GEF Fiduciary Standards are defined in the GEF Policy Paper *Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies* of July 2007. This policy paper can be found at the following link: [http://www.thegef.org/gef/sites/thegef.org/files/documents/Recommended\\_Minimum\\_Fiduciary\\_Standard.pdf](http://www.thegef.org/gef/sites/thegef.org/files/documents/Recommended_Minimum_Fiduciary_Standard.pdf). It is based on Council Document GEF/C.31/6, with some additional changes that were requested by Council Members. As decided by the Council in June 2009, the Secretariat will manage a third party process to review minimum fiduciary standards in 2013. They will be reviewed every four years thereafter.

## **Environmental and Social Safeguard and Gender Mainstreaming Criteria**

19. The Accreditation Panel will assess whether applicants have established adequate policies and standards, and have sufficient implementation practices and capacity, to be able to apply environmental and social safeguard standards as agreed by the GEF Council. The Panel will also assess whether applicants have established policies that meet the criteria of the GEF's policy on gender mainstreaming.

20. The Accreditation Panel will include an expert on environmental and social safeguard policies and their application, as well as gender issues.

## **Roles of Different GEF Entities**

### **Role of the GEF Council**

21. The GEF Council will have two primary roles. First, the Council will establish and keep under review policies and procedures, with regard to the accreditation of new agencies. Second, the Council will approve applications for GEF Project Agency status based on the Value-added Review. This will happen prior to the Accreditation Panel Review and prior to the payment of the accreditation fee.

### **Role of the GEF Secretariat**

22. The GEF Secretariat's role in the accreditation process should be minimal, so as to avoid the perception that it is allowing its own value judgment or interests to influence the accreditation decision. The Secretariat will provide administrative support to the Accreditation Panel and the Council. The Secretariat will also undertake the following:

- (a) Review of applications for completeness: The Secretariat will receive all Stage 1 and Stage 2 applications and review them to ensure that all sections are complete and responsive. The Secretariat will return those applications deemed inadequate, with guidance on what information was lacking. Stage 1 applications deemed complete will undergo the Value-added Review. Stage 2 applications deemed complete will undergo the Accreditation Panel Review.
- (b) Reporting to Council: The Secretariat will provide reports to Council, as requested.

### **GEF Trustee**

23. The GEF Trustee will be responsible for concluding FPAs with GEF Project Agencies, working with the Secretariat to establish systems so that the Secretariat may receive accreditation fees, and for managing other necessary financial transactions, such as allocations, commitments, disbursements. As with the existing GEF Agencies, the Trustee will not have any responsibility to the GEF for the use of funding transferred to GEF Project Agencies.

## **Accreditation Panel**

24. After Council approval of applicants, the Accreditation Panel will assess all applications. The Secretariat shall establish an Accreditation Panel consisting of three members with expertise in the following areas:

- (a) Development project implementation and execution;
- (b) Governance and accountability issues in developing country contexts, including expertise with regard to fiduciary issues, financial management, and auditing; and
- (c) Environmental and social safeguards and gender mainstreaming.

25. The Secretariat will draft terms of reference and acquire the services of the necessary experts to constitute the Accreditation Panel.