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PROGRESS REPORT ON THE GEF PROJECT CYCLE STREAMLINING AND HARMONIZATION PROCESS

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INTRODUCTION

1. At its November 2012 meeting, the Council approved eight project cycle streamlining measures[1] that the Secretariat, in collaboration with the GEF Agencies and the Trustee, began implementing in January 2013.

November 2013 Council Decision

2. At its November 2013 meeting, the GEF Council reviewed GEF/C.45/04, *Progress Report on GEF Project Cycle Streamlining Measures*. The Council acknowledged the progress on the implementation of project cycle streamlining measures, the status of the project cycle effectiveness indicators, and noted that further work is required to clarify project cycle time-frame targets and to further reduce time elapsed in project preparation.[2]

3. The Council requested the Secretariat to report at the next Council meeting on progress achieved in: (i) the implementation of the eight streamlining measures, including any possible cost savings; (ii) the harmonization pilot with the World Bank, including possible implications for extending this to other Agencies; and (iii) the four inter-agency working groups considering additional streamlining measures. The Council encouraged the Secretariat, the GEF Agencies and recipient countries to work together in order to expedite project preparation. The Council requested the Secretariat, in collaboration with the GEF Agencies, to propose for consideration at its November 2014 meeting (since then rescheduled to October 2014), a policy for cancellation of projects that exceed time-frame targets for project preparation.[3]

GEF-6 Policy Recommendation

4. One of the policy recommendations for GEF-6 (see GEF/C.46/07, *Summary of Negotiations for the Sixth Replenishment of the GEF Trust Fund*) requested the Secretariat, in collaboration with the GEF Agencies, to continue reviewing performance against the current project cycle time-standard of 18 months between Council approval and CEO endorsement to identify: (i) more effective measures to expedite project preparation; and (ii) an appropriate project cycle time-standard for GEF-6. Further, the policy recommendation requested the Secretariat, in collaboration with the appropriate GEF entities, to submit for Council consideration in October 2014 further measures to improve the policies and procedures associated with the full project cycle, including the programmatic approach, and a portfolio management system to keep track of project progress through the partnership.

5. This document, in addition to reporting on the three items outlined in paragraph 3, also reports on the progress achieved in the collaborative process among the Secretariat, the GEF Agencies, and the recipient countries in expediting the preparation of overdue projects. Also

[1] Background and details of the proposals are in *Streamlining of Project Cycle*, GEF/C.43/06, November 2012.

[2] Evaluative work undertaken in the context of the Fifth Overall Performance Study (OPS5) presented in its *Technical Document 18* reported that only 38-44 percent of the GEF-5 approvals met the 18-month time frame standard.

[3] The cancellation policy will be developed along with other project cycle performance enhancement measures that have emerged from GEF-6 replenishment negotiations.

outlined briefly is work underway by STAP to develop a streamlined approach to screening of projects.

IMPLEMENTATION STATUS OF THE EIGHT STREAMLINING MEASURES

6. The eight streamlining measures that are under implementation following the Council's 2012 decision include the following: (i) simplified project preparation grant request process; (ii) increased ceiling for MSPs up to $2 million; (iii) streamlined key project-related templates; (iv) multi-focal area project reviews systematically organized by the Secretariat; (v) modified milestone extension process; (vi) tranched payment of Agency fees at PIF approval and CEO endorsement/approval; (vii) monitoring of Agency service standards; and (viii) streamlined procedures for approval of enabling activities. The implementation status of these measures is shown in Table 1.

Cost Implications of Streamlining Measures

7. While it has been difficult to account for concrete savings in budgetary resources, the implementation of the streamlining measures has revealed some positive savings in terms of review time spans at the GEF Secretariat. The Secretariat has prepared a rough estimate of time savings and associated cost implications, using as examples the following two measures under implementation: (i) increase in the ceiling of medium-sized projects (MSPs) to $2 million; and (ii) simplification of project preparation grant (PPG) request. A summary of the cost implications is shown in Annex 1.

8. Savings can be estimated in terms of project cycle processing time. For example, projects requesting more than $1 million but less than $2 million can now be processed under the MSP modality, leading to a savings of nearly five months per project. In addition, the simplified mode of requesting project preparation grant (PPG) has also led to a savings (in terms of review time) on the part of Secretariat program managers of about one day per PPG.

9. Agencies have not provided any estimates of cost savings.[4]

[4] UNIDO has estimated a savings of one day in processing of PPGs.

Table 1: Progress on Implementation of Project Cycle Streamlining Measures

Streamlining Measure	Implementation Progress	Further Work
1. Simplify project preparation grant request process	Started implementation in January 2013: PPG request is now merged into the PIF template and does not require separate request; amount of PPG is set in line with project grant amount simplifying the process.	Fully implemented and has positive results in saving time for Agencies for not having to prepare PPG proposals and saving time for GEF program managers for not having to review the PPG.
2. Increase ceiling for MSPs up to $2 million	Fully implemented.	Working Group #1 is reviewing the potential for further streamlining of the MSP template and possible restriction to only one-step approach (i.e, only CEO approval) to fully materialize the benefits of an expedited process.
3. Streamline key project cycle related templates, including revised review sheets.	Key project templates have been simplified and implementation started in January 2013. However, the length of proposals continues to be longer than the targeted 5-8 pages.	Working Group #1 is reviewing the potential for further streamlining the templates as well as enforcing the need to avoid increasing the length of documentation.
4. Organize multi-focal area project reviews to be more systematic and consistent.	Procedures for the review of MFA projects are in place within the Secretariat, but operational experience points towards further fine-tuning.	Agencies and GEFSEC will work together to identify specific issues and suggest concrete steps to improve the processing of MFAs.
5. Modify milestone extension process	Started implementation in January 2013. Agencies are no longer required to send request for extension of milestones in the project cycle for individual projects. Instead, the Secretariat publishes all delayed projects from PMIS and publishes it on the GEF Program Management Bulletin once a month and also reports them in the AMR twice a year.	No further work.
6. Tranche payment of Agency fees	Tranched payment of Agency fees for FSPs began with the Council work program in April 2013, with 40 percent of the fee committed to the Agencies at Council approval of the work program and the remaining 60 percent at CEO endorsement.	No further work.
7. Monitor Agency service standards	PMIS has been tracking the service standard of the Agencies and this indicator is reported in AMR, Part I, submitted to Council in November 2013.	No further work.
8. Streamline procedures for enabling activities (EAs)	The Secretariat has streamlined the procedures for enabling activities through: (i) the increased delegated authority by the CEO to approve EAs up to $1 million; and (ii) allowing the processing of such EAs to be implemented through an umbrella project.	No further work.

IMPLEMENTATION STATUS OF THE PILOT HARMONIZATION WITH THE WORLD BANK

10. The launching of the pilot harmonization in late 2012 was an initiative aimed at a collaborative engagement in the project cycle between the Secretariat and at the World Bank. The harmonization process has achieved the following positive effects: (i) increased cooperation between the staff of both institutions; (ii) led to expedited decision making on project clearance and approval; and (iii) avoided duplication of documentation.

11. As of March 5, 2014, there were 15 PIFs and 31 CEO endorsements that were processed through the pilot harmonization procedures.[5] Of the 15 PIFs approved by Council, two have also been CEO endorsed and thus have gone through the entire cycle of harmonization process. Lessons learned from the harmonization process to-date for all harmonized projects, and in particular, from these two projects, included the following:

(a) Upstream consultation: Consultation before concept stage is very helpful, as exchange of views, particularly regarding eligibility of activities for GEF financing improves the concept document and can avoid back and forth reviews between the Secretariat and the Bank.

(b) Facilitation of CEO endorsement: One of the objectives of the harmonization is that the staffs of both organizations continue engagement on project matters from concept stage through CEO endorsement. Where there is consistent engagement between the Secretariat staff and World Bank staff, such as through Secretariat participation in Bank quality enhancement reviews (QERs) undertaken for selected projects, pending issues are resolved prior to CEO endorsement.

(c) There is greater appreciation of the project-specific factors that influence a project's evolving design on the GEF Secretariat side, and a greater understanding of the issues most important to highlight for the GEF on the Bank side.

12. The GEF Secretariat and the Bank are working on measures to ensure consistency among project reviews based on experience from the implementation so far. Issues under discussion for resolution include:

(a) Transparency of documentation and timing of disclosure: The timing and manner of sharing of complete Bank project documents[6] with Council Members while respecting the World Bank's Access to Information Policy.

(b) Institutional mandates: Seeking alignment between the GEF's mandate and the World Bank's mandate at the project-specific technical level often results in discussions and delays in processing.

Implications of the Pilot Harmonization Process

13. One of the features of the harmonization is the alignment of the decision points of the two institutions, using the World Bank concept note review meeting and appraisal decision meetings

[5] This excludes GEF participation in additional concept review or decision meetings of projects that have not yet been approved/endorsed, or not requiring such decisions (e.g. concepts under programmatic approaches etc.)

[6] Project Concept Notes (PCNs) and Project Appraisal Documents (PADs).

as the reference points. In both cases, there is a five-day review period for the Secretariat after receiving the full project package. On the Bank's side, task teams are spending less time on double sets of documentation and on responses to comments where these are embedded in the decision meetings. Annex 1 presents some statistics derived from the Secretariat's PMIS that indicates some preliminary influence on project processing. Table 5 shows a quicker turnaround time at concept stage for harmonized projects by 7 days (or 19 percent) as compared to the regular projects. However, the "average business days" per project at CEO endorsement stage is about the same for harmonized projects as for projects going through the regular cycle. This could reflect the fact that almost all of these projects did not go through the full harmonized process (and thus benefit from close engagement throughout the cycle), but only through a part of the process, i.e., the CEO endorsement stage. Hence, based on the two sets of statistics combined, it is difficult to draw a definite conclusion on time savings. The expectation in the harmonized process is that CEO endorsement would be expedited, given the time spent upstream gaining a better understanding of a project. Given that only two projects have gone through the full cycle from PIF to CEO endorsement, the current statistics cannot adequately explain any trend.

PROGRESS REPORT OF THE FOUR INTER-AGENCY WORKING GROUPS

14. In an effort to continue exploring options to enhance project cycle performance, four working groups, comprised of Agency and Secretariat staff, were formed at the margins of the second replenishment meeting in September 2013. The objectives of the working groups are to explore options to improve the GEF project cycle, taking into consideration OPS5 concerns, policy recommendations of the GEF-6 replenishment, and the directives from the Council. All four working groups have been working collaboratively and are expected to continue their work in the coming months in order to provide recommendations for the CEO to put forward for Council consideration. Details of progress in these working groups are outlined in Annexes 2 to 5.

Working Group 1: Project Cycle Streamlining

15. The objective of this working group is to assess the implementation of the November 2012 streamlining measures, identify additional streamlining measures and propose changes to the GEF project cycle. Suggestions that have emerged address issues facing each stakeholder, including the Council, the Secretariat, Agencies, STAP and country operational focal points, each of whom has a specific role to play and each will have to contribute to the streamlining measures by either simplifying the current modality of project approval or by delegation of task to the next level of stakeholders. Without putting at risk the quality of projects, implementation measures include further simplification of project templates and review sheets, strict enforcement of PIF document length, sharpening the focus primarily on eligibility at the PIF review stage and the option for countries to directly propose programs funded by GEF resources (see Annex 2).

Working Group 2: Regional Projects

16. The regional projects are usually complex in nature and involve many stakeholders, contributing to difficulties in project preparation. The objective of the working group is to explore opportunities for multi-country collaboration on common transboundary issues and

promote regional programming. It will also consider implications for GEF programmatic approaches by reviewing the experience to date and making recommendations for improvement (See Annex 3).

Working Group 3: Co-financing

17. The objective of this working group is to contribute to the design of a revised co-financing policy for the GEF consistent with the streamlining of the project cycle, and reflecting OPS5 findings and GEF-6 policy recommendations. The working group, which has completed its work has focused its discussion on reviewing the existing policy and recommended areas in which related co-financing terms and procedures can be clarified so that the implementation of the co-financing policy during GEF-6 can be streamlined for consistency across all stakeholders. The working group provided critical input and advice in preparing GEF/C.46/09 *Co-financing Policy* that is being presented to the Council for its approval at this meeting (see Annex 4).

Working Group 4: Corporate Activities

18. The objective of the working group is to focus on reducing transaction costs of implementing corporate activities and to increase synergies in the GEF partnership. The working group is clarifying the roles of the GEF Agencies in the following activities: National Portfolio Formulation Exercises (NPFEs), Extended Constituency Workshops (ECWs), the GEF Assembly, knowledge management and results-based management and other ideas for revitalizing the GEF partnership (see Annex 5). It is also working toward development of a more widely shared collective view of the ideals of a well functioning and efficient partnership.

Expediting Preparation of Overdue Projects

19. Since the implementation of the reform eliminating the milestone extension approval process in January 2013, the Secretariat has been tracking and reporting on projects that exceed the project cycle time standard in the weekly program management bulletin that is shared with the GEF Agencies; the status of overdue projects was also reported in the Annual Monitoring Report presented at the November 2013 Council meeting. In January 2014, following the concerns raised by OPS5 regarding overdue projects, the Secretariat and the Agencies took stock of all projects that have exceeded time-frame standards; 126 projects were found to be in this list.[7] In February 2014, the CEO communicated to all recipient country operational focal points requesting their cooperation in expediting project preparation. Since then the Secretariat, with Agency cooperation, has focused on projects that have been most delayed in the pipeline, and is undertaking tripartite discussions (recipient countries, Agencies, Secretariat) towards either cancelling specific projects or agreeing to continue preparation with firm project specific deadlines (no later than December 31, 2014).

Simplification of STAP Screening

20. As part of streamlining of the GEF project cycle, STAP is considering that starting in GEF-6, the screening of projects is undertaken on a selective basis, rather than screening all

[7] 18 months between PIF approval and CEO endorsement for full-sized projects and 12 months between PIF approval and CEO approval for medium-sized projects.

projects submitted to Council. The rationale for this selective screening is based on the fact that not all projects benefit equally from a STAP review; hence targeted screening will direct STAP resources to focus on selective projects deemed to get the most benefit out of such screening, and at the same time contribute to streamlining.

21. STAP will develop criteria for projects for selective screening in consultation with the GEF Secretariat, Agencies and countries, as well as a streamlined process for such screening, and review of the content and nature of such screening. Details of the proposal will be presented for Council consideration in October 2014.

ANNEX 1: COST IMPLICATIONS FROM STREAMLINING MEASURES AND HARMONIZATION

Streamlining Measures

1. Increase of MSP ceiling. In 2013, there is a significant increase of MSP submissions in general (from 21 in 2012 to 89 in 2013), and in particular, a large share of MSPs over $1 million in the total MSP submissions. The positive outcome is that projects between $1 million and $2 million can now be processed employing the shorter one-step MSP approval modality instead of longer two-step FSP modality, leading to savings in project cycle time - estimated at nearly five months - effectively cutting down the time for work program inclusion process and posting for Council review. This saving in project cycle time is also consistent with the project cycle elapsed target for MSPs set at 12 months from CEO approval of PIF to CEO approval of final project document. Considering 36 two-step MSP PIFs approved in 2013 with amounts greater than $1 million, this would be translated into potential savings in project cycle time of 180 months.

2. Simplification of PPG Request: This measure has provided savings to both the Secretariat and the Agencies – for the Agencies, in not having to submit a separate PPG template, and for the Secretariat, in not having to review PPG requests since PPG amounts are now approved based solely on the size of the project grant. For the PPGs approved in 2012, an estimated 56 days average processing time per PPG was recorded in the PMIS. While this may roughly be used as an estimate of savings for the 2013 PPGs approved, the caveat of this cost savings estimate is that while in terms of service standard measures counting from day one of receiving the PPG until the day of PPG approval, it may take average of 56 days, but staff most likely does not spend 56 full days for each PPG. Interview with the GEF Secretariat program managers provided a more conservative estimate of staff time savings that attributed approximately a day of Secretariat staff reviewing time per PPG.[8]

3. The tables below provides project cycle time saving estimates from the implementation of the streamlining measures discussed in the paragraphs above, focusing on two measures related to the increase in the MSP ceiling amount and the simplification of PPG request. Table 1 shows that the share of resources approved through MSPs to total project approvals increased from 2 percent in 2012 to 11 percent in 2013, thereby indicating that more projects were processed in an expeditious manner, resulting in quicker start of implementation on the ground.

Table 1: MSPs approved and as Share of all Projects

Calendar Year	# of MSPs approved	Share of MSPs to total GEF Grant (%)
2010	39	6
2011	12	2
2012	21	2
2013	89	11

[8] UNIDO is the only GEF Agency that provided an estimate of one-day saving in the simplification of PPG request in terms of staff processing time.

Table 2: Project Processing time

Project Type	Average Preparation Time in #Months
FSP*	18.65
MSP	14.00

*FSPs are those with grant amounts ranging from $1 million and $2 million in 2011 and 2012.

Table 3: PPGs Approved (in $million)

Year	No of PPGs	PPG Amount	Total PPG Amount & Fee	Average PPG grant	Project Grant[9] Total	Project Grant Average	PPG Ave/ Project Grant Ave
2012	125	14.25	15.57	0.11	646.83	5.17	2.20%
2013	198	21.31	23.27	0.11	743.65	3.76	2.87%
Total	**323**	**35.56**	**38.84**		**1,390.47**		

4. The above table shows that average PPG share has increased from 2.2 percent in 2012 to 2.8 percent in 2013 which could be attributed to the simplification of PPG request.

Table 4: PPG Request Submitted in 2012 (prior to the reform)

Year	#PPGs approved	Average time from first request to PPG approval (#Business Days)
2012	125	56

Harmonization Process

5. Table 5 compares elapsed time in projects that went through the harmonized project cycle process with the regular process. For PIFs, it indicates a processing savings of 7 days, whereas for CEO endorsement, harmonized process actually indicates one day more per project compared to regular process. In terms of number of submissions per project, harmonized process experienced 1.7 submissions per project (24/14) while regular process experienced 2.1 submissions per project (395/191), a slight savings in the harmonization process although it could be further reduced as one of the objectives of the harmonization is to use existing review mechanisms while minimizing formal submissions.[10]

6. The data reflects the shortened time period for GEF Secretariat review to 5 days before the concept review or decision meetings, but not all time spent is recorded in the PMIS. For example, Secretariat staff spent more time and efforts in the harmonized process, either before these decision point meetings to contact the Bank project team staff, or after the meetings with

[9] Project grant amounts are the sum of all projects approved with PPG requests, and excluded projects without PPG.

[10] The ratio is the same for both processes when one looks at CEO endorsement (53/31=1.71 and 222/108=2.1).

follow up questions, to ensure that all required information is in place that will meet the Secretariat information and database requirements.

7. The table and the statistics indicating small savings in the harmonized process is not a conclusive argument that harmonized process is more expedited than regular process for processing GEF projects. The gains from the harmonization are of qualitative nature in that there is more interaction and collaboration between the staff of the two institutions. To reach a more conclusive or quantitative argument for the harmonization process would require a longer timeframe and more projects going through the process from concept (PIF) to CEO endorsement. As more projects will be processed through the harmonization process, a more meaningful analysis that provides lessons learned on cost implications maybe possible at the end of another year.

Table 5: Comparison of Elapsed Time of Regular vs Harmonized Projects[11]

	Project Concept Review		**CEO Endorsement Review**	
	Regular	**Harmonized**	**Regular**	**Harmonized**
Number of Projects	191	15	108	31
Average Business Days/Project[12]	44	37	45	46
Number of Submissions for all Projects	395	24	222	53

Note: Only 2 projects have been processed through the full harmonized cycle from PIF approval to CEO endorsement

[11] This table is to be interpreted with caution since more analysis on the outliers, focal area and regional context is needed, and only a small share of the regular PIF and CEO endorsement are from the World Bank and therefore comparable (7 of the 191 PIFs; 7 of the 108 CEO endorsements); and the World Bank CEO endorsements include projects that had Concept Notes, earlier PIFs, or under programmatic approaches without PIFs.

[12] For PIFs: Average number of working days from first submission to CEO PIF clearance; For CEO Endorsement: Average number of working days from first submission to CEO endorsement.

ANNEX 2: WORKING GROUP 1 - PROJECT CYCLE STREAMLINING

Objectives

1. The objectives of the working group are threefold: (i) review implementation of streamlining measures from Nov 2012 and propose corrective action for measures that are not being implemented effectively; (ii) identify additional streamlining measures to the project cycle (not to include topics being covered by other working groups); and, (iii) develop proposals for a new GEF project cycle concept. Working Group 1 is comprised of the following Agency members: FAO, IDB, IFAD, STAP, UNEP, UNDP, World Bank and the GEF Secretariat, and is led by IDB.

Background

2. In January 2013, in recognition of the need to improve efficiency in the GEF project cycle, the Secretariat initiated implementation of a series of streamlining measures. The simplification of the PPG request, increase in MSP ceiling, simplification of CEO Endorsement template, and agency fee tranche payment have been important to facilitate project cycle processes. Very little is known of the impact of the WB harmonization pilot and its prospects for extending it to other agencies. The simplification of the PIF template has shown mixed results. In particular, a key element of the new PIF template, the reduction in the length of the PIF, has been unsuccessful. In some ways, this reflects a recurring issue in the process of GEF project cycle streamlining. As OPS5 has noted, the "short" PIF introduced after the 2007 Project Cycle evaluation became lengthier over the years as information expectations increased. This front loading of information and differing expectation between Agencies and GEFSEC on what is acceptable at the concept stage continues to be a struggle affecting the efficiency of the GEF project cycle. Other issues identified by OPS5 and the working group include:

(a) Limited GEF Council PIF approval decision times during the year;
(b) Significant time invested in PIF and CEO Endorsement review stages;
(c) A large percentage of CEO Endorsements are not been approved within the 18 month standard; and
(d) Low compliance with the 10 day service standard

3. Both OPS5 and GEF's management response to OPS5 coincide on the need to address bottlenecks in the GEF project cycle. As we wrap up GEF-5 and move into GEF-6, the timing is right to take new decisive actions to further improve efficiency in the project cycle and move towards a more seamless integration of GEF and Agency project cycles, while maintaining due-diligence and quality of entry.

Recommendations

4. In addressing the need to expedite project preparation and realize cost savings, while maintaining project quality, the working group is considering the following principles and actions:

Principles

- Draw on comparative advantage, responsibilities and strengths of GEF partners
- Focus on eligibility issues at concept stage (this principle goes back to the 2007 project cycle evaluation)
- Limit GEFSEC micromanagement of project design issues
- Encourage broader country programming GEF resources
- Provide a level playing field for project cycle initiatives among GEF agencies

Actions

- *Council:* PIF approval on a rolling basis (cumulative approved PIFs presented in semi-annual Council meetings),
- *GEFSEC:* At PIF stage, review PIF with clearly defined eligibility criteria (proposed draft review sheet available) and provide comments focusing on technical (strategic) guidance for design. At CEO Endorsement stage focus review on consistency of project with eligibility criteria at PIF and incorporation of comments by GEFSEC, Council and STAP. Move to five day review standard. If needed, conduct ex-post review of Agency compliance with GEF policy.
- *Agencies:* Submit FSP CEO Endorsement request within 16 months of PIF approval.
- *STAP:* Review of selected PIFs by request from GEFSEC or Agency. May choose other PIFs for review.
- *Country OFP:* Can opt for submitting program for total or partial use of their STAR allocations (a minimum 50% of STAR allocation should be included), identifying agencies associated with specific projects within program. Implementation: Program submitted for GEFSEC review and Council approval, PIF not required, PPG included in Program proposal, and agencies submit CEO endorsement requests.
- *Templates and modalities:* (a) PIF: (i) template to be reviewed under eligibility concept; (ii) page length limit of (revised) part II to be enforced strictly by GEFSEC; (b) MSP: (i) simplify template (draft available), (ii) only one-step MSP option (with a max reimbursement of up to $50,000 for project preparation activities).
- *Harmonization pilot:* extend harmonization option to other agencies, particularly for blended operations.

ANNEX 3: WORKING GROUP 2 - REGIONAL PROJECTS

1. In addition to the overall objective of identifying streamlining and cost savings measures, Working Group (WG) 2 recognized the particular nature and different cost structures of regional/multi-country projects and is discussing how to identify opportunities for multi-country collaboration on transboundary and common issues and promote regional programming. The WG includes representatives from all ten GEF Partner Agencies, the GEF Secretariat (GEFSEC), and the Evaluation Office, and is chaired by FAO. Working Group 2 continued the work of the earlier working group on streamlining regional projects which was comprised of UNEP, AfDB and FAO, and was convened twice between November 2013 and February 2014. This report summarizes progress made in this time period.

Key issues addressed

- Definition of regional projects: a) transboundary projects; b) multi-country projects that are not necessarily transboundary, c) inter-regional projects; d) multi-country global projects; e) global or regional normative projects.
- Need for better incentives for countries to collaborate on regional initiatives. Countries want to use their STAR allocations in their own countries, rather than to support regional and coordination aspects. There is a need for as much flexibility as possible in putting STAR/set aside resources together. There was some discussion about the need for a separate allocation for regional projects or a mechanism similar to the SFM incentive mechanism, Regional Technology Network or Public-Private Partnership Program, but not a STAR.
- Need for greater flexibility in submitting Letters of Endorsement (LOEs) and co-financing letters. WG recommends that PIFs be submitted for technical review without all of the LOEs, but recommended for Work Program inclusion only upon receipt of all LOEs. Given the different financial cycles of the countries, it is recommended that regional projects can be submitted for CEO endorsement without all of the co-financing letters, but endorsed upon receipt of the letters. There was also discussion about the possibility of endorsement on the condition that all co-financing letters would be received within 6-12 months after endorsement.
- The higher transaction costs of global and regional projects was recognized throughout all stages of the project cycle, including with respect to mobilizing endorsement and co-financing letters. The WG recommends flexibility in the level of the PPG so that more funds are available for preparation with the provision of a justification. Project Management Costs (PMC) are also significantly higher than for single country projects, and the WG recommends increasing PMC to 10%.
- Consideration should be given to adapting tracking tools to focus better on “regionalism”. Most global/regional projects are multi-focal, and the WG discussed the possibility of

developing one tracking tool for MFA projects, rather than completing 2-4 tracking tools depending on the number of focal areas.

- Programming and identification of thematic and geographic areas for regional initiatives was discussed. Agencies do not want to create a parallel process what they are already doing. Countries could be advised in an advance of ECW that transboundary/regional issues will be discussed. NPFE guidelines could mention that countries also consider regional/transboundary priorities.

Next steps

2. The WG will collaborate with the GEF Secretariat in expanding the concept of GEF Workshops that are described in the GEF-6 Programming Directions document (paras 11-12 on 194) and will discuss regional programming, identification thematic and geographic areas, and other issues. Given the potential inter-linkages between regional projects and programmatic approaches, the WG will involve in in discussions on programmatic and integrated approaches.

ANNEX 4: WORKING GROUP 3 - CO-FINANCING

Objectives

1. The objective of Working Group (WG) 3 is to identify streamlining and cost saving measures related to the issue of co-financing in the GEF project cycle, and to provide recommendations on ways to improve the management of co-financing in the GEF. Based on GEF Secretariat co-financing data and the OPS5, the WG has reviewed GEF and agency definitions of co-financing, GEF policies on co-financing and incremental cost, and identified co-financing issues related to the GEF project cycle.

2. The WG includes representatives from all ten GEF Partner Agencies, WWF-US, the GEF Secretariat (GEFSEC), and the Evaluation Office, and is chaired by the World Bank. The WG convened six times between September 2013 and February 2014, and this report summarizes progress made in this time period.

3. The WG has worked closely with the GEF Secretariat in the update of the policy on co-financing (from 2003), and the associated guidelines.

Key issues addressed

- Differentiation of issues in policy or guidelines, consistent with the GEF new approach to codifying policy framework.
- Clarification of the objectives of GEF co-financing, which may include goals such as efficiency, effectiveness, ownership and sustainability.
- Update of terms and definitions to reflect current terminology and programming (such as ‘leveraging’ and the role of private sector, baseline, parallel co-financing etc.)
- Clarification of the conceptual basis of co-financing as it relates to the reasoning around GEF increment, linkages to baseline and intended results.
- Clarification of roles and responsibilities related to co-financing, including recipient countries, agencies and the GEF Secretariat.
- Streamlining of the timing and treatment of co-financing throughout the project cycle from concept, to approval and implementation.
- Simplification of co-financing requirements within the GEF project cycle, in terms of formats, documentation requirements, and reporting.
- Consolidation of the types and sources of GEF co-financing, for consistent recording and monitoring.
- Identification of parameters for flexibility; country and project context; and review criteria.
- Consideration of the implications of GEF-6 Replenishment recommendations related to co-financing, differentiation and co-financing ratios.

Next steps

4. The WG will support the finalization of the draft co-financing policy, and guidelines. Based on these documents, templates related to co-financing will be revisited, and systems for monitoring, measurement and reporting will be established. The WG will also support an update of the guidelines on the incremental cost reasoning, to ensure consistency with the approach to co-financing.

ANNEX 5: WORKING GROUP 4 - CORPORATE ACTIVITIES

Objectives

1. The objective of Working Group (WG) 4 is to propose measures to reduce the transaction costs incurred through undertaking GEF corporate activities. These measures will focus primarily on reducing duplication between the GEF Secretariat and the GEF Agencies, and increasing synergies in the GEF partnership. The specific corporate activities that will be reviewed include: National Portfolio Formulation Exercises (NPFEs); Extended Constituency Meetings (ECWs); the GEF Assembly; Knowledge Management and RBM; other ideas for revitalizing the GEF Partnership.

2. The WG includes representatives from IABD, IFAD, FAO, GEF Secretariat (GEFSEC), UNEP, UNDP, and WB. The WG was chaired by UNEP until early March. As UNEP is no longer able to assume this role, UNDP will Chair the WG for the remainder of 2014. The WG convened five times between September 2013 and February 2014, and this report summarizes progress made in this time period.

3. The WG discussed the role of the GEF Agencies in the GEF Assembly, and the GEF Secretariat is now leading this discussion in coordination with all GEF Agencies.

National Portfolio Formulation Exercises (NPFEs)

4. The GEFSEC shared an early draft of a revised GEF-6 NPFEs guidance document with the WG for comment. It was agreed that NPFEs have been useful for country ownership, and that GEF Agency engagement has helped to bring international best practice to the attention of national decision makers. There were however a number of challenges with NPFEs in GEF-5, as noted in OPS5.

5. The comments provided by the WG aimed at clarifying the role of OFPs, GEF Agencies - including acknowledging their potential contributions to country deliberations – and GEF SEC; emphasizing the voluntary and non-binding nature of NPFEs and highlighting that country programming can continue without an NPFE and before an NPFE is prepared; and, highlighting that NPFEs are not intended to create new/additional national strategies but are intended to build upon existing strategies. . It was also agreed that where appropriate GEF Agencies will provide comments to the NPFEs once submitted by the OFPs.

Next steps

6. The WG will examine the roles and responsibilities of different entities in the GEF partnership, including the role of MEA Secretariats and OFPs for example. Other issues to be discussed include creating incentives for greater GEF Agency cooperation on projects; and, building greater dialogue in the GEF partnership – including the Focal Area Task Forces, dialogue with the CEO, and Head of Agency meetings.