

GEF Council Meeting
October 28 – 30, 2014
Washington, D.C.

Agenda Item 07

IMPROVING THE GEF PROJECT CYCLE

¹ This revision reflects an amendment of paragraph 35. (b).

Recommended Council Decision

The Council, having reviewed document GEF/C.47/07, *Improving the GEF Project Cycle*, approves the following: (i) the updated Project Cancellation Policy as proposed in this paper and set out in Annex 2; and (ii) a revised Programmatic Approach modality as proposed in this paper.

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EXECUTIVE SUMMARY

1. Improving the policies and procedures that drive the GEF project cycle has been a continuing effort in recent years between the Council, Secretariat, and the GEF Agencies. The GEF 2020 Strategy and the policy recommendations from GEF-6 replenishment reflect the intentions to continue and deepen this reform effort.
2. Findings from OPS5 alerted the Council to the issue of long preparation times still experienced by projects in the GEF project cycle. At its November 2013 meeting, Council requested the Secretariat, in collaboration with the GEF Agencies, to propose for consideration at the October 2014 Council meeting, a policy for cancellation of projects that exceed time-frame targets for project preparation.
3. This document presents for Council consideration an analysis of key issues, alongside immediate opportunities and proposals relating to streamlining the project cycle. It contains the following focus areas: (i) in an effort to help address the persistent issue of long project preparation times, an updated cancellation policy is proposed to remove from the pipeline those projects that exceed maximum project preparation time-standards; (ii) an update on the status of implementation of the eight project cycle streamlining measures approved by the Council in November 2012; (iii) an update on the status of the pilot harmonization of procedures between the GEF Secretariat and the World Bank; and (iv) a proposal to refine the programmatic approach to encourage greater use of this modality.
4. Council decision is sought on: (i) the updated cancellation policy; and (ii) the proposal to refine the programmatic approach.

INTRODUCTION

1. Reform and innovation of the GEF business processes are essential to maintain its relevance in a rapidly changing world – this was the core message of the GEF 2020 Strategy. As such, in recent years, there has been a concerted effort by the Council and GEF partnership to continually improve the GEF project cycle, and a number of actions and streamlining measures have been proposed and implemented. These include, among others, the eight measures to reform and streamline the project cycle, the pilot to harmonize project cycle procedures with the World Bank, the establishment of service standard for the GEF Secretariat and the GEF Partner Agencies, and time-line standards for project preparation.²
2. Nevertheless, further innovation is needed to reduce the amount of time taken in project preparation, to reduce transaction costs for all stakeholders, and to increase portfolio quality. OPS5 found “considerable delays entailed in moving project proposals from one GEF decision point to the next...”³ Speeding up the preparation time is a particularly important consideration given opportunity cost of funds remaining unused in the context of the urgency of the global agenda and a need to build in flexibilities to deploy funds to the most ready projects first.
3. In May 2014, the Council, in approving the policy recommendations of the GEF-6 replenishment, requested the Secretariat to present, for its consideration in October 2014, further measures to improve the policies and procedures associated with the GEF project cycle, including the programmatic approach, and a portfolio management system to keep track of project progress through the partnership.⁴
4. In line with the Council request, this paper presents for its consideration an analysis of key issues, alongside immediate opportunities and proposals relating to streamlining the project cycle. This paper contains the following focus areas: (i) in an effort to help address the persistent issue of long project preparation times, an updated cancellation policy is proposed to remove from the pipeline those projects that exceed maximum project preparation time-standards; (ii) an update on the status of implementation of the eight project cycle streamlining measures approved by the Council in November 2012; (iii) an update on the status of the pilot harmonization of procedures between the GEF Secretariat and the World Bank; and (iv) a proposal to refine the programmatic approach to encourage greater use of this modality. The GEF Results-Based Management Action Plan, submitted separately to this Council, considers the further development of the portfolio management system.
5. In the context of a constantly evolving operating environment for the GEF, the Secretariat and the GEF Partner Agencies agree that further opportunities must be explored. For example, the potential for streamlining data-gathering will be assessed as part of the Results-Based Management Action Plan.

² These past measures and actions are summarized in more detail in Council Document GEF/C.39.Inf.03, *GEF Project and Programmatic Approach Cycles*, November 2010.

³ *OPS5 Final Report: At Crossroads for Higher Impact*, 2014.

⁴ Joint Summary of the Chairs, 46th Council Meeting, Agenda Item 6, page 2, endorsing the *Action Plan for Implementing GEF-6 Policy Recommendations* set out in GEF/C.46/07/Rev.01, *Summary of the Negotiations of the Sixth Replenishment of the GEF Trust Fund*, May 22, 2014 (Annex B, Table 4).

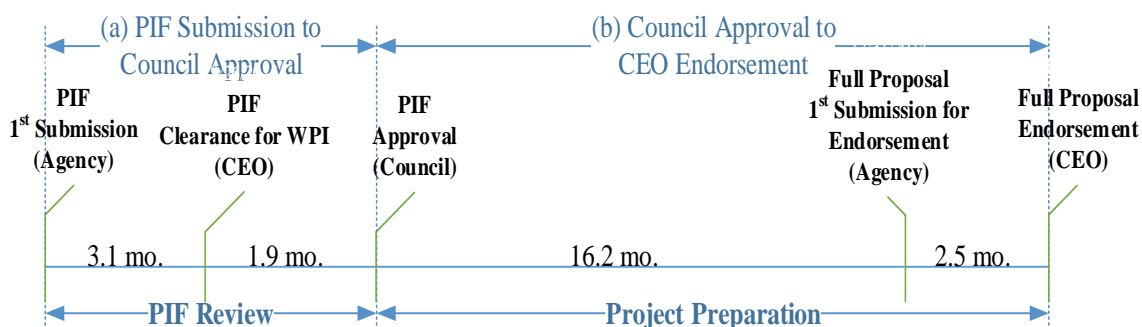
AN UPDATED CANCELLATION POLICY

6. A key issue that remains a concern on the GEF project cycle is the amount of time it takes to complete the preparation of full-sized projects (FSPs) compared to the established GEF project cycle time-standards. The Secretariat and the GEF Partner Agencies recognize that further steps need to be taken to ensure that target time-line standards are met without compromising quality-at-entry. Overall, available data suggest that, despite streamlining efforts underway, only about one-third of projects so far submitted for CEO endorsement in GEF-5 meet the 18-month time standard.

Elapsed Time between PIF Approval and CEO Endorsement

7. In the GEF project cycle, design of full-sized projects prior to CEO endorsement consists of two major phases as shown in Figure 1 below: (i) PIF review from first submission of the concept to the Secretariat for CEO clearance (for work program inclusion) to approval of the PIF by the GEF Council as part of a work program; and (ii) project preparation from PIF approval by Council to endorsement of the project document by the CEO.

Figure 1: Average Elapsed Times between Various Milestones during PIF Review and Project Preparation



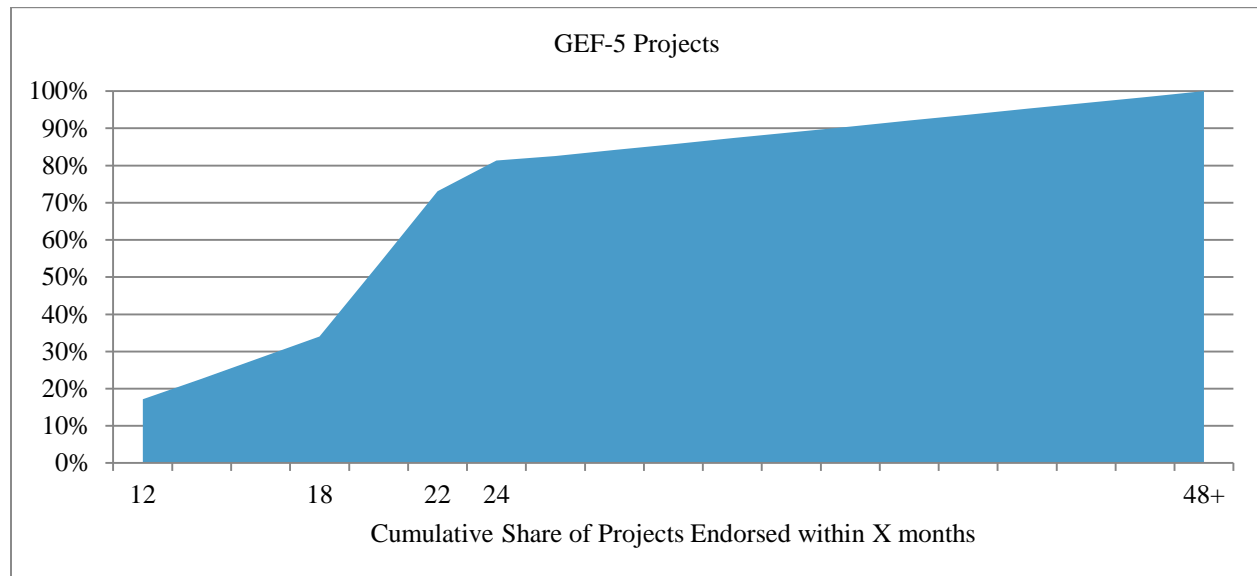
8. Figure 1 above, using available GEF-5 data⁵, shows that the main part of the overall GEF project design period is the project preparation phase, which takes place after approval of the Project Identification Form (PIF). In particular, it shows that this took on average 18.7 months in GEF-5 – an average which may well increase as the projects that have not yet been endorsed will add longer delay periods when they are finally endorsed and enter this data set. Of the project preparation phase, the majority (16.2 months) of the time taken is the period in which the GEF Partner Agency is working with the recipient country directly before submission for CEO endorsement.

9. It is also important to look beyond averages and assess overall distribution. A metric employed by the GEF Evaluation Office in OPS5 is to assess the share of projects that exceed

⁵ Analysis was undertaken based on the total number of FSPs (262) for GEF-5 up to a cut-off date of February 2013. The cut-off date for GEF-5 is applied so that PIFs approved within the last 18 months are not included in the sample, following the methodology used by the Independent Evaluation Office. Of these 262 projects, 204 have been CEO endorsed. Of the 58 projects that have not been endorsed, 35 are yet to be submitted to the GEF Secretariat for CEO endorsement review.

the project time standards (18 months in GEF-5) between PIF approval and CEO endorsement. Such an analysis (Figure 2) shows that of the CEO endorsed GEF-5 projects whose PIFs were approved prior to February 2013, 34 percent of GEF-5 projects have so far met the 18-month target established for GEF-5. Annex 1 provides disaggregated analysis for projects in countries categorized as “LDCs and SIDS” and by GEF Partner Agency.

Figure 2: Performance and Time Standards for CEO Endorsement



10. Following the analysis of this issue in OPS5, the GEF Secretariat has been engaged in an ongoing effort to take stock of projects that have exceeded project preparation time standards through tripartite meetings involving the Secretariat, GEF Partner Agencies, and the recipient governments. As of September 16, 2014, 84 projects (including both FSPs⁶ and MSPs⁷), representing a total of \$460 million of approved PIFs are overdue for CEO endorsement and approval – this is a significant amount of funding that is therefore unavailable for programming elsewhere.

11. Discussions with Agencies, and the above analysis, suggest that it is important – as a measure to expedite project preparation – to update the GEF’s policy provisions on project cancellation, which are part of the broader GEF Policy titled *Project Cancellation, Termination, and Suspension* (hereafter referred to as the Project Cancellation Policy).⁸ At its November 2013 meeting, the Council requested the Secretariat, in collaboration with the GEF Agencies, to propose

⁶ 63 full-sized projects representing \$430 million that have exceeded the 18-month standard; 42 projects have exceeded 22 months, while 4 projects have exceeded 36 months.

⁷ 21 medium-sized projects presenting \$29 million that have exceeded the 12-month standard; 2 projects have exceeded 18 months.

⁸ The Council approved this Policy in December 2006 based on its review of Council Document GEF/C.30/3, *Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-projects, and Cancellation Policy*. The Council approved criteria for Cancellation, Termination, or Suspension of Projects in May 2007, which were contained in Council Document GEF/C.31/7, *GEF Project Cycle*.

for consideration at the October 2014 Council meeting, a policy for cancellation of projects that exceed time-frame targets for project preparation.

Factors Leading to Project Delays

12. There is no single dominant factor causing project design delays. Delays are often related to project specific factors. The Secretariat has convened a number of tripartite meetings (Secretariat, GEF Partner Agency, and operational focal points in recipient countries) to understand better the reasons for delays, and has undertaken data analysis to assess the causes - a preliminary statistical analysis of overdue projects found no major correlation between project preparation time and characteristics such as GDP, region, focal area, GEF Partner Agency and the country.

Proposed Update of the Cancellation Policy

13. The incentives in the system at times do not appear to be leading the stakeholders in this process to make hard decisions either to speed up processing to meet the targets or, if not feasible, to cancel projects. For achieving the global environmental benefits and objectives of the GEF, however, and using its grant money well, these delays are of significant concern because they tie up resources which could be programmed elsewhere.

14. The Secretariat therefore proposes using a defined project cancellation threshold to meet the GEF Council target of a maximum of 18 months for full-sized projects. Accordingly, this paper proposes an updated Project Cancellation Policy⁹ that builds on the existing policy that was approved by Council in December 2006 by adding a phased approach:

- (a) After 12 months from the date of Council approval of a PIF, if a project has not been submitted for CEO endorsement, the Secretariat notifies the Partner Agency and recipient country operational focal points¹⁰ in writing of the Secretariat's expectation to receive the project for endorsement within the next six months.
- (b) After 18 months from the date of Council approval of the PIF, if the project (with the required documentation) has not been submitted for CEO endorsement,¹¹ the CEO notifies the Partner Agency, the recipient country operational focal point, and the Trustee informing them of the cancellation of the project stating an effective date for the cancellation.¹²

⁹ Note that the update only applies to projects being cancelled prior to CEO endorsement.

¹⁰ In the case of regional and global projects communication will be directed to all the participating country Operational Focal Points.

¹¹ Note that the cancellation policy requires *submission* of documents for CEO endorsement no later than the 18th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 18th months for final CEO endorsement.

¹² A list of all projects cancelled under this policy will be reported to the Council as part of the bi-annual Programming Report. STAR resources for projects cancelled within a replenishment period where the PIF was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

- (c) Country Operational Focal points (or Partner Agencies for global and regional projects) may request an exception from the CEO to the cancellation of a project before this 18-month deadline only in cases of an extraordinary event or circumstances clearly beyond the control of the parties, such as a war, flood, earthquake or epidemic, which prevents them from meeting this deadline. After consideration of the exception request and provided that the request is received prior to the last day of the 18th month, the CEO determines whether to grant a one-time exception for up to twelve months, and communicates such decision in writing. The CEO communicates any exception decision to the Council for information and posts the information on the GEF website.
- (d) If a project is cancelled by the CEO in accordance with the paragraphs 14 (a-c), parties may resubmit the project for CEO endorsement within one year from the effective date of cancellation without resubmitting a PIF. Subject to availability of resources in the GEF Trust Fund (and in the country's STAR allocations), and the project meeting the required criteria for endorsement, the Secretariat circulates the project for a four-week review¹³ by the Council prior to CEO endorsement.

15. The full text of the updated Policy, which replaces and supersedes the existing policy, is set out in Annex 2. The policy will be applied only to full-sized project PIFs that have been approved by the Council following the approval of the cancellation policy.¹⁴ To ensure that the updated cancellation policy is effective, an emphasis will be placed on clear and consistent application and enforcement of its provisions.

16. Within two years after the Policy is adopted by Council, the Secretariat and Agencies will review its impact and report to Council on any issues that may arise.

PROGRESS IN THE IMPLEMENTATION OF PROJECT CYCLE STREAMLINING MEASURES

17. During the Council meeting of May 2014, the Secretariat provided an update on progress in implementing the eight specific project cycle streamlining measures proposed in the fall of 2012.¹⁵ The streamlining of the project cycle is an essential ongoing initiative both to help reduce the time taken to prepare and deliver projects and to achieve other efficiencies and quality improvements.

The Eight Streamlining Measures

18. Since late 2013, four Inter-Agency Working Groups have been meeting to discuss these eight reform measures (summarized in Table 1 below) and other potential steps that could further improve the performance of the project cycle.

¹³ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF—this can be deleted as have included this in the body now.

¹⁴ This policy, if approved by the Council at the October 2014 meeting, will apply to all projects approved as part of the work program at the October 2014 Council meeting.

¹⁵ Council document GEF/C.43/06, *Streamlining of Project Cycle*, November 2012.

Table 1: Implementation Progress of the Project Cycle Streamlining Measures

| Streamlining Measure | Implementation Progress | Further Work |
|---|---|---|
| 1. Simplify project preparation grant request process | Fully implemented. | No further work |
| 2. Increase ceiling for medium-sized projects (MSPs) up to \$2 million | Fully implemented. | The option of PIFs for MSPs to obtain PPGs will be discontinued and instead PPGS will be provided on a reimbursement basis when a MSP is approved by the CEO. |
| 3. Streamline key project cycle related templates, including revised review sheets. | Key templates were revised to reflect GEF-6 focal area strategic objectives. | Inter-Agency Working Group has proposed further simplification of the review sheet and presentation format; currently under review at the Secretariat and will finalize it together with the Agencies by December 2014. |
| 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 (for projects not meeting project time standards) process | Fully implemented , and superseded by cancellation policy proposals | No further work |
| 6. Tranche payment of Agency fees | Fully implemented | No further work |
| 7. Monitor Agency service standards ¹⁶ in the project cycle | Fully implemented, but recently experienced some issues with the database. | Secretariat to fix the database issues. |
| 8. Streamline procedures for enabling activities (EAs) | Fully implemented | No further work |

19. The inter-agency working groups and the Secretariat continue to explore further streamlining measures. For example, one of the measures under consideration is a consolidated tracking tool for multi-focal area projects instead of employing multiple tracking tools as practiced currently.

PROGRESS IN IMPLEMENTING THE PILOT HARMONIZATION PROCESS

20. As described in Council Document¹⁷ the GEF Secretariat has coordinated with the World Bank, as one of its Implementing Agencies, on a pilot program to harmonize project cycle procedures. This harmonization process is another initiative to improve the efficiency and effectiveness of the project cycle, and also reflects a desire to innovate and cooperate in updating

¹⁶ This is the amount of time taken for an Agency to respond to a review comment from the Secretariat.

¹⁷ Council Document GEF/C.43/06, *Streamlining of Project Cycle*, November 2012

and improving project cycle operations more generally since many of the fundamental issues it grapples with are relevant to the wider agency streamlining agenda.

21. The pilot has two important aspects: (i) the synchronization of processes (and to a lesser extent simplification of documentation) seeks to reduce time lost through the iterative back and forth exchange of comments and documents with the GEF as a key donor partner at Bank decision points, and improved quality of engagement with the GEF; and (ii) the Secretariat presence at the decision table aims help to strengthen the approach to how the global environment agenda is integrated into Bank projects and programs in real time with Bank management, and through dialogue lead to a broader understanding of the challenges and integrative potential of GEF funds with core development finance. The success of the pilot is predicated on learning by doing and mutual appreciation from the perspectives of reinforcing, but different, institutional perspectives.

22. The Secretariat staff has engaged with World Bank staff, beginning with participation in the Bank's project concept note review process, any quality enhancement processes, and participation in the World Bank's decision meeting to reduce the need for a lengthy iterative exchange of documents at the CEO endorsement stage.

23. The Secretariat has reviewed data on the number of projects and time spent in project preparation under the Pilot. As of August 20, 2014, there are 25 FSP PIFs that were Council approved and 51 projects that were CEO endorsed¹⁸ that have gone through the pilot harmonization procedures. Out of the 25 PIFs, nine have been CEO endorsed within 15 months or less. The remaining 16 projects yet to be endorsed have an average length of 9 months from Council approval and are therefore still within the target of 18 months or less. This means that the harmonization process seems to be having a positive influence on reducing the project cycle processing time.

24. The experience from the pilot harmonization process has shown improving engagement. There are benefits from working closer together partly due to the proximity of the two institutions to discuss and clear issues at an earlier stage in the project cycle and in a less iterative step-wise way. Most importantly, there has been a documented decrease in the preparation processing time by the convergence of key decision points. Many of the issues raised by several GEF Agencies in terms of the nature, scope, sequence and timing of the GEF review process are being surfaced in the process, making this a good ongoing laboratory for testing project cycle issues that once resolved successfully in this effort, could be extended or adapted to reviews with other Agencies. It has also contributed to a greater awareness on the side of Bank staff on which specific global environment issues or metrics to measure impact are of greatest importance to the GEF objectives. Finally it has helped to create a better common understanding of the complexities and multiplicity of operational conditions and decision making factors that need to be considered for a project or program to have measurable and effective impacts on the ground.

¹⁸ Of the 51 projects endorsed through the harmonization process (only nine PIFs went through the full cycle of the Pilot process with both PIF approval and CEO endorsement; the other 42 PIFs were approved prior to the Pilot and only endorsed under the Pilot), 41 percent of the projects met the target of 18 months or less. This compares favorably against the system-wide 34 percent of endorsed projects that met the target of 18 months during GEF-5.

25. As a next step, a stocktaking exercise on lessons learned will be undertaken by end-2015 and this learning will be shared throughout the GEF partnership.

Pending Issues

26. The Secretariat and the World Bank are engaged in more frequent dialogue to iron out some lingering issues in the application of agreed procedures and required documentation, e.g., timing of submission of OFP endorsement letters and tracking tools, and means to document co-financing.

27. The World Bank document included in the Work Program presented to Council is a Project Information Document (PID), rather than a PIF. The GEF Secretariat reviews the World Bank's Project Concept Note (PCN), which is the underpinning internal deliberative document, and participates in the Bank's review meeting to provide inputs from a GEF perspective in the context of a broader set of quality enhancement review comments.

28. Some Council Members have expressed concerns about not being able to review a PIF-equivalent document. The PID generated by the World Bank is a publicly-disclosable summarized version of the PCN covering all the same elements. The PCN contains some additional World Bank related internal information such as budgets and team composition, which are not required in the GEF PIF. Upon request, the Secretariat and the World Bank will work together to provide any interested Council Members and/or their Advisors with a broader set of relevant meeting documents and Secretariat comments that could be helpful to address specific concerns, as relevant deliberative documents are being stored in the Secretariat's *Project Management Information System*. The World Bank also has indicated its willingness to engage in any bilateral discussions or respond to any Council specific questions on individual projects where there is an interest in more information.

29. Overall, while recognizing teething problems, the Secretariat and the World Bank teams have welcomed the pilot and consider it an improvement for processing of GEF grants.

REFINING THE GEF PROGRAMMATIC APPROACH MODALITY

30. As part of the initiative to further improve GEF operations, a policy recommendation of the GEF-6 replenishment requested the Secretariat, in collaboration with the GEF Agencies, to propose at its October 2014 meeting further measures to improve the programmatic approach.

The Programmatic Approach

31. A "programmatic approach" is an overarching vision for change that generates a series of interconnected projects under a common objective, and whose anticipated results are more than the sum of its components. Its individual yet interlinked projects aim at achieving large-scale impacts on the global environment.¹⁹ Its overall objective is to secure larger-scale and sustained

¹⁹ Quoted from "Adding Value and Promoting Higher Impact through the GEF's Programmatic Approach," a Global Environment Facility Publication.

impact on the global environment through integrating global environmental objectives into national or regional strategies and plans using partnerships.²⁰

32. In general, two types of programs have been identified as viable to be implemented under the proposed programmatic approach modality. These are: (i) thematic programs; and (ii) geographical programs (country or regional). These two types of programs are described in more detail in Annex 3 to this paper. Both types of programs will be processed following the same programmatic modality.

Advantages of the Programmatic Approach

33. Programmatic approaches are a potentially powerful tool to leverage more results from GEF engagement. They facilitate: (i) engagement on typically complex and evolving upstream drivers of change; (ii) generation and use of project-learning; (iii) regional cooperation; (iv) South-South exchange; (v) partnership-building and programmatic cofinancing; and (vi) institutional change and scale-up.

34. However, from a share of 32 percent in overall programming in GEF-4, programmatic approaches decreased to a share of 12 percent in GEF-5. Key elements in the current modalities provide significant disincentives to undertaking programs: reduced fee levels for Agencies with Boards (the IFIs) undertaking programmatic approaches, continued complexity of processing modalities for the UN Agencies, a reduction in set-aside funding for program approaches, and differential approaches between IFIs and UN Agencies that may limit joint programs.

Refining the Programmatic Approach – 8 Proposed Changes

35. The Secretariat and Agencies are therefore committed to developing a newly streamlined and impactful programmatic approach modality for GEF-6. This paper proposes the following changes to the 2010 Program Approach Paper to make this happen:

- (a) A clearer common understanding between the Secretariat, Agencies and recipient countries on what constitutes a programmatic approach compared to a series of stand-alone projects: the scope and objectives of the programmatic approach modality are noted in paragraphs 30-31 above and in Annex 3. A programmatic approach is typically more ‘partnership intensive,’ but this can yield greater results. Case-by-case upstream discussions involving the Lead Agency²¹ and other stakeholders will clarify whether a programmatic approach is the right modality compared to a full-sized project (FSP), help identify respective roles and key

²⁰ Quoted from the Council document GEF/C.33/06, *From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio*, March 2008.

²¹ The Lead Agency plays an important role to ensure coherence of the program and will be responsible for coordinating all aspects of the program implementation. The Lead Agency will thus play a close coordination and liaison role with any additional participating Agencies and the GEF Secretariat for the program. The Lead Agency will also be responsible for all enquiries regarding program implementation progress and program-level reporting, mid-term evaluation, final program completion and the achievement of program-level higher impact on the global environment. There is no change in the fee sharing arrangement for the Agencies – each participating Partner Agency will receive fees related to the child project(s) that it implements.

partners, and help ensure an overarching program description that is strategic and simple.

- (b) A single programmatic approach modality for all Agencies - instead of the existing two separate modalities for IFIs and UN Agencies: all GEF Partner Agencies would be able to employ the two-step approval process currently only available to the IFIs – steps will include: (i) Council approval of a Program Framework Document (PFD) included in a work program; and (ii) CEO endorsement of “child projects”²² under the program (based on GEF Partner Agency project documents when the projects are fully prepared). Child projects submitted to the Secretariat will be circulated to Council for review and comments four weeks in advance of CEO endorsement/approval²³. The Secretariat, Agencies and countries will undertake close consultation upstream on the concept of the program as it is designed and presented to Council for approval – this will include thorough discussion of the proposed criteria for selection of child projects to ensure their coherence with the program objective.
- (c) Enable project concepts to be developed during program implementation – rather than all in advance: PFDs will include: (i) clear and measurable criteria for the selection of child projects; and (ii) a list of anticipated child projects, and operational focal point endorsements for expected use of STAR allocations in the program.
- (d) Consistency in application of fee policy – rather than the current provision of lower fees for all programs developed by IFIs: all programmatic approaches will receive the same Agency fee as the stand-alone projects, i.e. 9.5 percent for programs up to \$10 million and 9.0 percent for programs exceeding \$10 million.²⁴ This reflects implementation experience that programs – if done well – require significant additional efforts to leverage the expected program-level results set out in paragraph 31 above.
- (e) Provision for child project preparation grants – which is currently not available to IFIs wishing to undertake programmatic approaches: if Partner Agencies require project preparation grants (PPGs) for child projects, such requests can be made by submitting a PPG request to the Secretariat.
- (f) A tailored cancellation approach for unspent programmatic funds – rather than the current 18-month limit for the submission of all “child projects” after PFD approval: recognizing the longer duration of some programs compared to single stand-alone projects, the proposed project-level 18-month time standard will not

²² Child projects are sub-projects under a program that are prepared and implemented following the project cycle procedures of the GEF Agency.

²³ This arrangement of circulation to Council of child projects for review and comments four weeks in advance of CEO endorsement/approval will be reviewed at the June 2017 Council meeting.

²⁴ To clarify, the program-level fee will apply to all child projects, irrespective of the size of the child project. Fees for GEF Project Agencies will be at 9 percent.

apply to Program Approaches as a whole. The proposed cancellation policy for funds committed for Programmatic Approach is as follows:

- (i) The PFD will contain an agreed deadline (the 'PFD commitment deadline') before which all child projects will need to be submitted for CEO endorsement.
- (ii) Six months before the PFD commitment deadline, if there are still program funds that are awaiting submission as child projects for CEO endorsement, the Secretariat sends a notification to the Lead Agency notifying it of the upcoming cancellation of such program funds.
- (iii) After the passing of the agreed PFD commitment deadline, if there are still program funds that are awaiting submission as child projects for CEO endorsement,²⁵ the CEO notifies the relevant Lead Agency and the Trustee in writing of the cancellation for the remaining program funds stating an effective date for the cancellation - the Lead Agency informs all relevant stakeholders engaged in the program of the cancellation.²⁶
- (g) Greater flexibility in program design prior to the PFD commitment deadline – rather than the current fixed country and child-project plan that does not enable program evolution: Under the proposed approach, GEF Partner Agencies have the flexibility to seek Council approval through revised PFDs, prior to PFD commitment deadline for: (i) proposed changes to allocations from the STAR compared to the original list of child projects; and/or (ii) additional financing needs compared to the original overall agreed program cost
- (h) Consideration of program-level results monitoring in the context of the RBM workplan – rather than monitoring only at the child project level. One of the issues identified with the existing programmatic approach modality is often the lack of results relating to program results and processes to share this. So far, the results based management process has focused on child projects, and there is no effective mechanism in place to capture program level impact. Efforts will be made to solve this problem by emphasizing the importance of program level results and impacts, and this will be addressed as part of the RBM Workplan. The Lead Agency will have the lead role for program-level monitoring and reporting under the updated Programmatic Approach, and will submit overall Program Implementation Reports to the Secretariat at midterm and completion of the

²⁵ Note that the cancellation policy requires *submission* of documents for CEO endorsement no later than the 18th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 18th months for final CEO endorsement.

²⁶ STAR resources for programs cancelled within a replenishment period where the PFD was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

program.²⁷ These reports can be an integrated assessment both of the program as a whole, and the role, status and contribution of child projects in this context.²⁸

36. To operationalize the proposed programmatic approach modality, the Secretariat will work with the Agencies to determine whether any further guidelines are required to clarify the measures outlined in this paper.

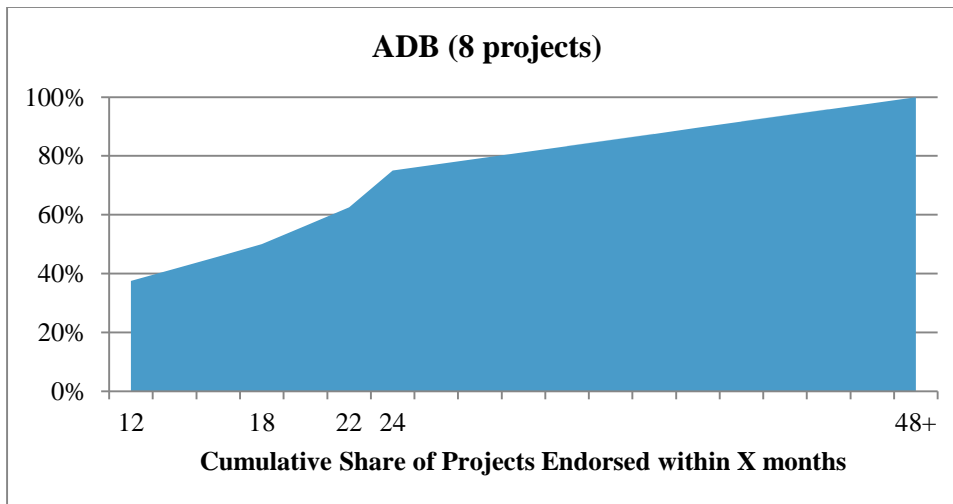
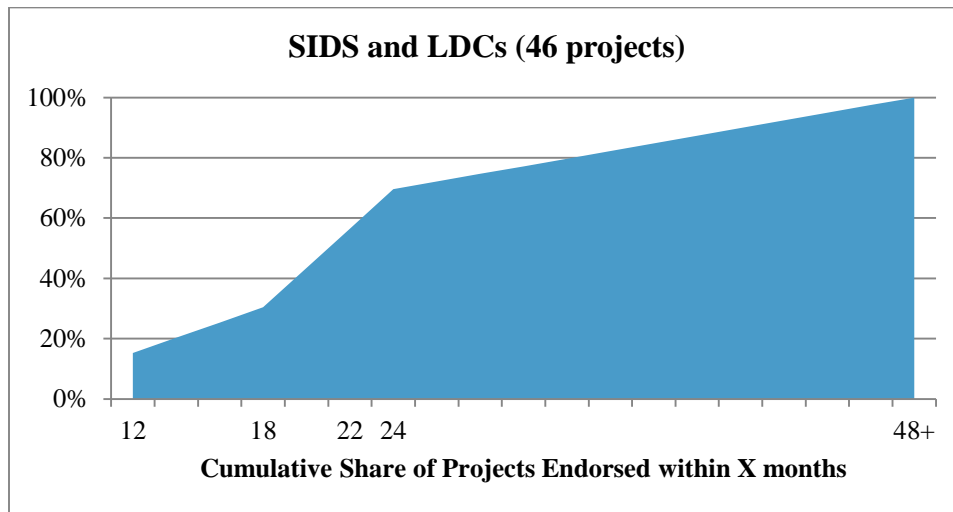
²⁷ The Lead Agency is responsible for collecting and aggregating data from participating Partner Agencies that implement and supervise the child projects.

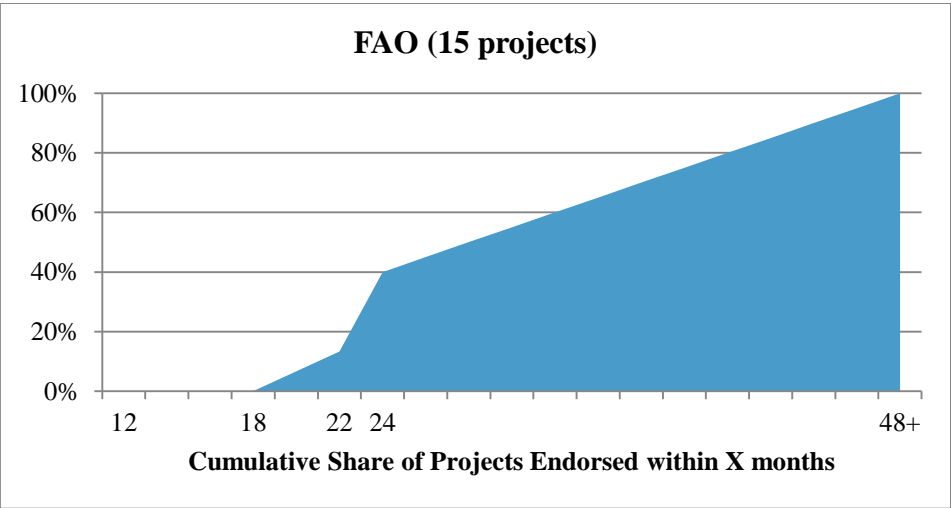
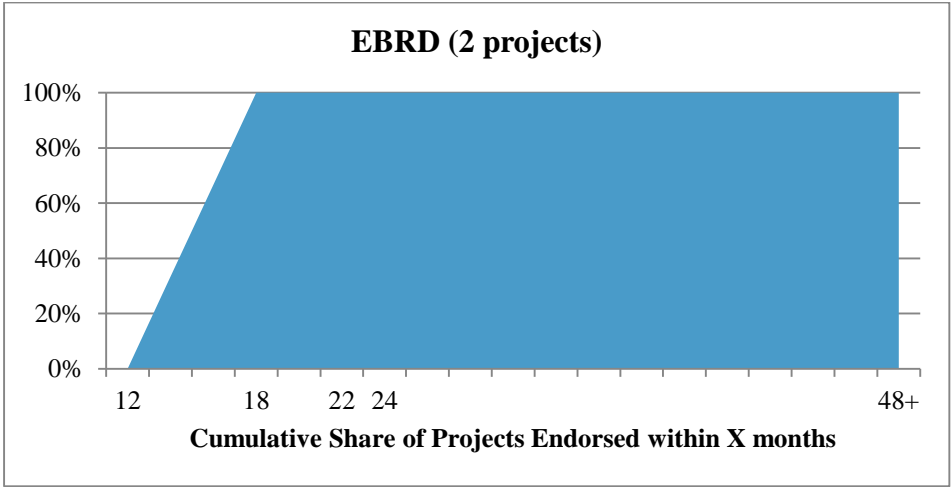
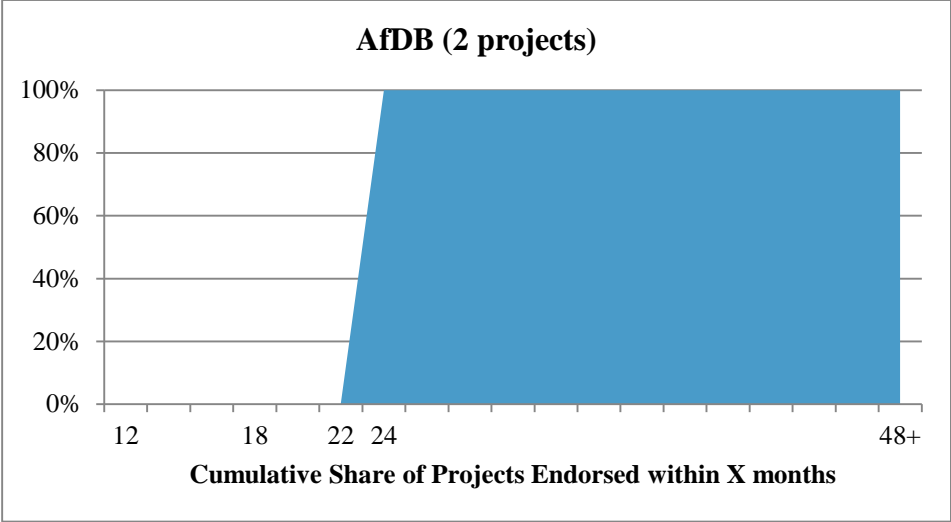
²⁸ The issue of whether tracking tools and annual PIRs need to be submitted for child projects, in addition to overall Program Implementation Reports, will be resolved in the context of the implementation of the work plan for GEF RBM. Current tools requiring full child project reporting will remain in place until then.

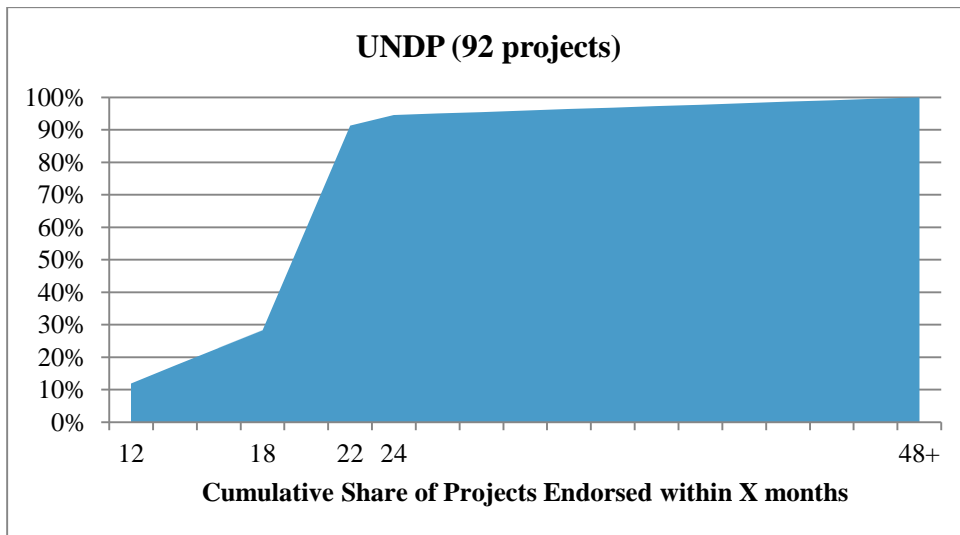
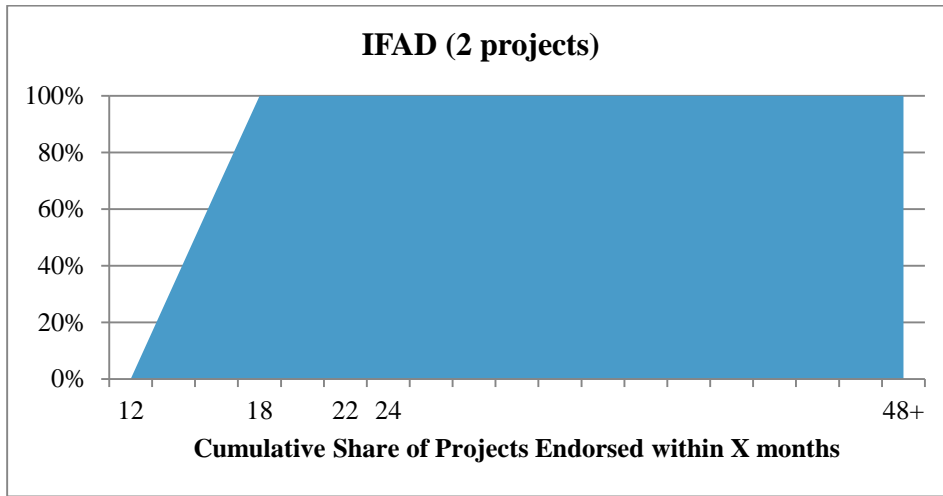
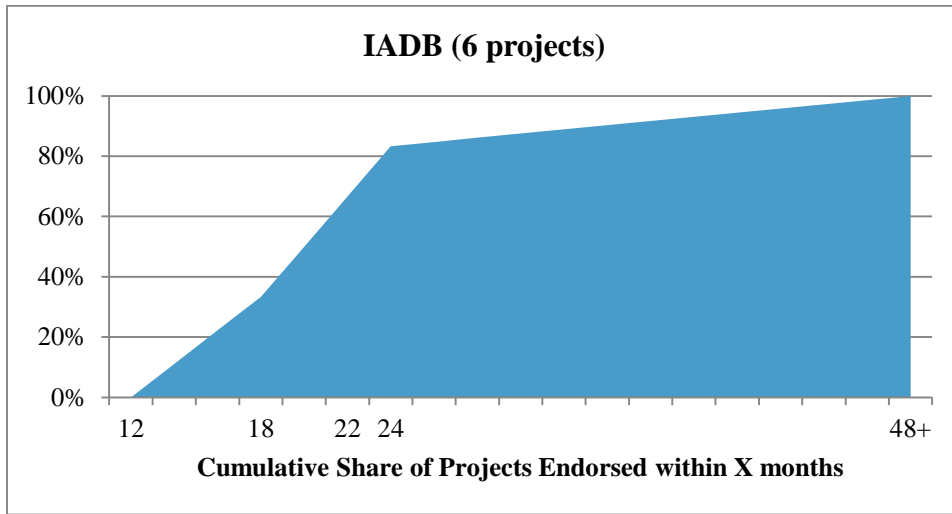
ANNEX 1: PERFORMANCE IN MEETING PROJECT CYCLE TIME STANDARD BETWEEN PIF APPROVAL AND CEO ENDORSEMENT

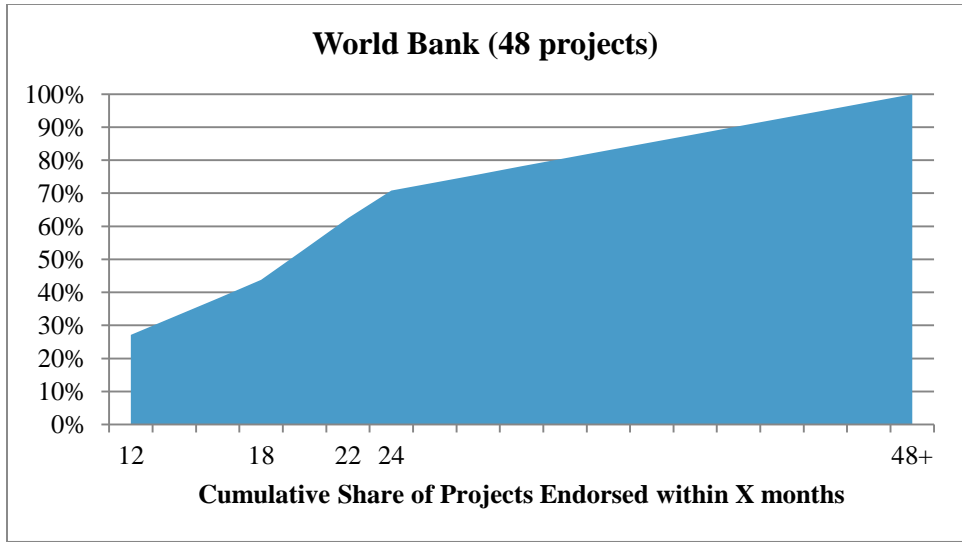
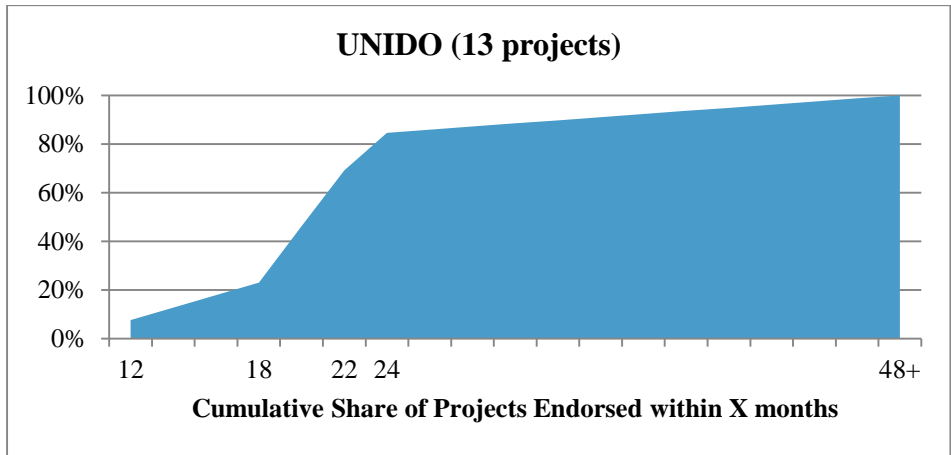
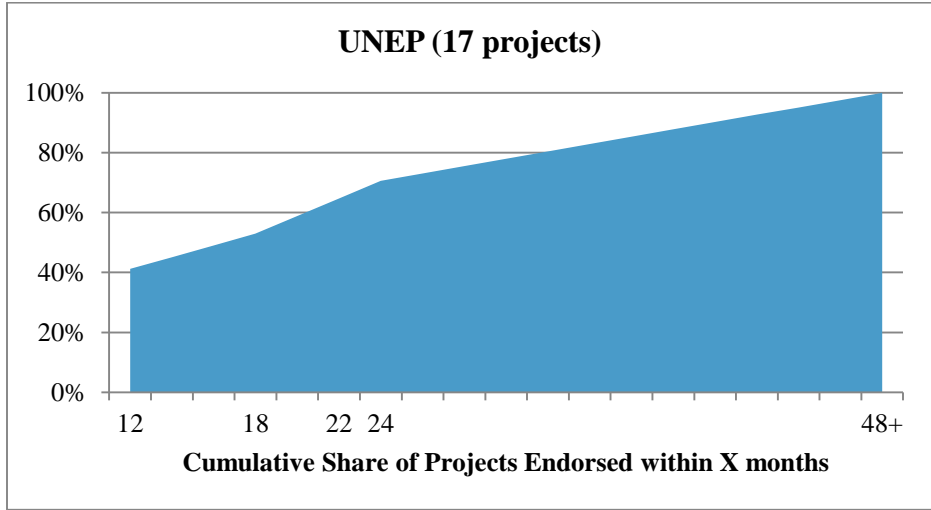
Project Cycle Timeline

1. The figures in this annex present performance by GEF Partner Agency and for LDCs and SIDS in meeting the time-standard between PIF approval and CEO endorsement employing the metric followed by the GEF Evaluation Office.











POLICY: thematic code (TBD)/PL/number (TBD)

October 09, 2014

GEF Council Meeting
October 28 – 30, 2014
Washington, D.C.

**ANNEX 2:
UPDATED POLICY - PROJECT CANCELLATION**

Summary: This Policy sets out principles, rules, and procedures to cancel or suspend projects/programs.

Background: This Policy was approved by the GEF Council at its 47th Meeting in October 2014. It replaces and supersedes the policy statements and criteria regarding project cancellation and suspension contained in Council Documents GEF/C.30/03 and GEF/C.31/07.

Applicability: This Policy applies to projects/programs approved by the Council or the GEF CEO and where a PIF or PFD is submitted on or after the date of effectiveness of this Policy.

Date of Effectiveness: October 28, 2014.

Sponsor: GEF Secretariat, Director for Policy and Operations.

I. INTRODUCTION

1. This Policy aims to improve the GEF's operational efficiency, particularly in terms of the amount of time it takes to prepare and deliver projects, as a means to accelerate the achievement of the GEF's objectives in terms of global environmental benefits and adaptation to climate change. It also aims to ensure that GEF-financed projects remain relevant to the objectives and priorities of the GEF and recipient countries. It does so by requiring improved management of the portfolio of GEF-financed projects and programs, provision of incentives for the timely preparation, processing, and implementation of projects; and clarification of criteria and requirements for the cancellation or suspension of projects.

II. OBJECTIVES

2. This Policy sets out principles, rules, and procedures to cancel or suspend projects/programs at different stages in the GEF project cycle.

III. KEY PRINCIPLES

3. The Secretariat, in consultation with recipient countries and in collaboration with the GEF Partner Agencies, actively manages the GEF project cycle according to the following time-standards that have been approved by the GEF Council as part of the GEF project cycle:

- (a) Full-size projects (FSPs) receive CEO endorsement no later than 18 months after the Council approves the relevant work program that included the Project Identification Form (PIF).
- (b) Program Framework Documents (PFD) for programmatic approaches include a commitment deadline (hereafter PFD commitment deadline) before which the participating GEF Partner Agencies are required to submit child project documents for Secretariat review for CEO endorsement. Such deadlines are to be agreed with the Lead Agency prior to submission of the PFD for Council approval.

4. The recipient country, the GEF Partner Agency or the CEO may cancel or suspend a project as follows:

- (a) Prior to CEO endorsement/approval of a Project, as set forth in paragraph 5 below.²⁹ Partner Agencies, after consultation with countries, may also cancel a project.
- (b) After CEO endorsement/approval, the Partner Agency may terminate or suspend a project in accordance with its policies and procedures.

²⁹ As previously decided by Council, the CEO may also cancel a project on the basis of detection of corruption or fraudulent practices during procurement of a contract, if confirmed by the GEF Partner Agencies according to its policies and procedures, where the grantee/borrower has failed to take action acceptable to the GEF to remedy the situation. See GEF/C.31/07, *GEF Project Cycle*, approved by the Council in June 2007.

IV. CANCELLATION PRIOR TO CEO ENDORSEMENT

Projects

5. The Secretariat and the Partner Agencies will use the following procedure to help ensure that the project time- standard set forth in paragraph 3 (a) is met:

- (a) After 12 months from the date of Council approval of a PIF, if a project has not been submitted for CEO endorsement, the Secretariat notifies the Partner Agency and recipient country operational focal points³⁰ in writing of the Secretariat's expectation to receive the project for endorsement within the next six months.
- (b) After 18 months from the date of Council approval of the PIF, if the project (with the required documentation) has not been submitted for CEO endorsement,³¹ the CEO notifies the Partner Agency, the recipient country operational focal point, and the Trustee informing them of the cancellation of the project stating an effective date for the cancellation.³²
- (c) Country Operational Focal points (or the Partner Agencies for global and regional projects) may request an exception from the CEO to the cancellation of a project before this 18-month deadline only in cases of an extraordinary event or circumstances clearly beyond the control of the parties, such as a war, flood, earthquake or epidemic, which prevents them from meeting the business standards in paragraph 4 (a). After consideration of the exception request and provided that the request is received prior to the last day of the 18th month, the CEO determines whether to grant a one-time exception for up to twelve months, and communicates such decision in writing. The CEO communicates any exception decision to the Council for information and posts the information on the GEF website.
- (d) If a project is cancelled by the CEO in accordance with the paragraphs 6 (a-c), parties may resubmit the project for CEO endorsement within one year from the effective date of cancellation without resubmitting a PIF. Subject to availability of resources in the GEF Trust Fund (and in the country's STAR allocations), and the project meeting the required criteria for endorsement, the Secretariat circulates the project for a four-week review³³ by the Council prior to CEO endorsement.

³⁰ In the case of regional and global projects communication will be directed to all the participating country Operational Focal Points.

³¹ Note that the cancellation policy requires *submission* of documents for CEO endorsement no later than the 18th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 18th months for final CEO endorsement.

³² A list of all projects cancelled under this policy is reported to the Council as part of the bi-annual Programming Report. STAR resources for projects cancelled within a replenishment period where the PIF was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

³³ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF.

Programs

6. The Secretariat and the Partner Agencies use the following procedure for cancellation of funds committed under a program:

- (a) In accordance with paragraph 3(b), the PFD will contain an agreed deadline (the 'PFD commitment deadline') before which all child projects need to be submitted for CEO endorsement.
- (b) Six months before the PFD commitment deadline, if there are still program funds that are awaiting submission as child projects for CEO endorsement, the Secretariat sends a notification to the Lead Agency notifying it of the upcoming cancellation of such program funds.
- (c) After the passing of the agreed PFD commitment deadline, if there are still program funds that are awaiting submission as child projects for CEO endorsement,³⁴ the CEO notifies the relevant Lead Agency and the Trustee in writing of the cancellation for the remaining program funds stating an effective date for the cancellation – the Lead Agency informs all relevant stakeholders engaged in the program of the cancellation.³⁵

7. When the CEO cancels a project proposal or remaining funds under a program, the following actions are taken:

- (a) The Secretariat removes the proposal from the project pipeline, informs the recipient country and the GEF Partner Agency, and informs the Trustee of any project development funding that it has approved for the proposal.
- (b) If return of GEF funds is required, the Partner Agency will comply with the provisions of Financial Procedures Agreement with the Trustee regarding the return of funds.

V. CANCELLATION OR SUSPENSION OF PROJECTS AFTER CEO ENDORSEMENT/ APPROVAL

8. The decision whether to cancel or suspend a project³⁶ after CEO endorsement/approval rests with the GEF Partner Agency. When a Partner Agency considers cancellation or suspension of a project, in accordance with its policies and procedures, the Agency consults with the recipient country, all relevant government agencies, and other partners, including co-financiers, prior to such cancellation or suspension.

³⁴ Note that the cancellation policy requires *submission* of documents for CEO endorsement no later than the 18th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 18th months for final CEO endorsement.

³⁵ STAR resources for programs cancelled within a replenishment period where the PFD was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

³⁶ Including any child project approved under the programmatic approach.

9. When such cancellation or suspension occurs, the following actions are taken by the Agency: (i) written notification to the recipient country government; (ii) written notification to the GEF Secretariat and the Trustee; and (iii) returns any GEF funds, if required, consistent with the provisions of Financial Procedures Agreement with the Trustee regarding the return of funds.

VI. DEFINITIONS

10. The terms and acronyms used in this policy have the meanings set forth below:

- (a) **Child project:** A child project is an individual project under a GEF-financed Program that is prepared and implemented in accordance with the policies, rules and procedures of the GEF Partner Agencies.
- (b) **GEF Agency:** Any of the 10 institutions that were entitled to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects as of November 2010. They include the following organizations: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Fund for Agricultural Development, the United Nations Development Program, United Nations Environment Program, and the United Nations Industrial Development Organization.
- (c) **GEF Partner Agency:** Any of the institutions eligible to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects. This category includes both the ten GEF Agencies and GEF Project Agencies.
- (d) **GEF Project Agency:** Any of the institutions that the GEF has accredited to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects apart from the ten GEF Agencies.
- (e) **Lead Agency:** A GEF Partner Agency that coordinates all activities under a GEF-financed Program, including preparation of the program and drafting of the Program Framework Document; liaising with the GEF Secretariat and other GEF Partner Agencies participating in the program; and implementation, supervision, monitoring, reporting, and evaluation activities at the program-level.
- (f) **Program Framework Document (PFD):** A document that defines the scope of a GEF-financed program, states the resources requested, and describes, among other things, the scope of activities to be undertaken, the proposed child projects under the program, and arrangements for implementation, monitoring, and evaluation.
- (g) **Program:** A strategic combination of projects and activities with a common focus that build upon or complement one another to produce results (outcomes and/or impacts) unlikely to be achieved by a project-by-project approach. Programs are sometimes referred to as Programmatic Approaches (PAs).

ANNEX 3: PROGRAM TYPES

1. Over the last 20 years, GEF has implemented a number of programmatic approaches that were structured and focused on different areas of interest. Depending on the need or implementation arrangement, these programmatic approaches may have a thematic or geographical (country/region) focus. While these program types may each have their own unique features, they are not mutually exclusive. In short, a country program may also have a thematic focus. Likewise, a geographical/regional program may also have thematic focus but is processed as such to highlight the inclusion of countries within a region.

2. Depending on the needs of the country(s) or relevant stakeholders, programmatic approaches can be initiated by a country, a GEF Agency or the collaborative effort of both where GEF engagement as a strategic partner is established. The GEF-6 newly identified Integrated Approach Pilot (IAP) may use one of the program types below or may be processed as stand-alone full-sized projects, depending on the objectives and structure of each of the identified IAPs. The following provides a short description of the features of these different program types.

Thematic Programs

3. A thematic program is a type of programmatic approach that addresses an emerging issue (e.g. driver of environmental degradation) or opportunity that is globally significant to warrant engagement by wide range of stakeholders (countries, private sector, civil society, etc.). It is focused around specific themes, technologies, or sectors that can be addressed with common approaches and interventions. Programs would be designed to provide an over-arching framework and specific guidance for design of child projects that could be rapidly replicated in any interested country. Examples of potential thematic programs include sustainable energy access, innovation and technology transfer promotion, energy efficient appliances and equipment, transboundary SFM, and climate smart agriculture efforts.

Geographical Programs

4. A geographical program may focus on a country or a region. It starts with identifying an established need to secure large-scale and sustained impact for the environment and development in a particular geography (landscape, ecosystem, district, provinces, country, etc), and may focus on particular sectors in this broader context (e.g. energy, transport, agriculture, forestry). For country focused programs, country ownership will be a special feature which will serve as basis for a long-term strategic partnership with the GEF.