



## Global Environment Facility

GEF/C.24/Inf.5  
October 19, 2004

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GEF Council  
November 17-19, 2004

### GEF PROJECT CYCLE UPDATE: CLARIFICATION OF POLICIES AND PROCEDURES FOR PROJECT AMENDMENTS AND DROPS/CANCELLATIONS

## Executive Summary

This information paper is an update of the GEF project cycle document circulated to Council in November 2003 (*GEF Project Cycle: An Update, GEF/C.22/Inf. 9*), and aims to clarify policies and procedures with regard to:

- | ~~(a)~~ Amendments to projects/Project Development Facility (PDF-B or -C grants) that have been approved by the Council/CEO; and
- | ~~(b)~~ Drops or cancellations of projects/ PDF-B or -C grants that have been approved by the Council/CEO.

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## Amendments

Project amendments are categorized as minor and major depending on the degree of change in project design and implementation.

- (a) Minor amendments are undertaken at the discretion of the Implementing/Executing Agency and reported to the GEF Office of Monitoring and Evaluation through the annual Project Implementation Review reports.
- | ~~(b)~~(a) For major amendments, the Agencies submit a request to the GEF Secretariat on an event basis. The Secretariat circulates the amendment proposal for Council review prior to CEO endorsement.

## Drops and Cancellations in Projects and Project Development Facility Grants

In order to provide timely information regarding any potential drops/cancellations of projects, the Implementing/Executing Agencies periodically brief the Secretariat on portfolio developments and emerging issues, including adaptive management of projects. The Agencies then notify the Secretariat when the project is officially dropped/cancelled.

The Secretariat, on an annual basis through the Work Program Cover Note, will report to the Council at its second meeting of each calendar year on all Council/CEO approved projects that were dropped/cancelled during the preceding fiscal year.

For approved concepts in the pipeline and PDF grants, the agencies shall notify the Secretariat when they are dropped.

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## INTRODUCTION

1. The GEF Project cycle was first adopted by the Council in 1996 with the understanding that it will be updated periodically as experiences are gained from implementing the project cycle and opportunities emerge for further streamlining.<sup>1</sup> The last update (GEF/C.22/Inf.9) was submitted to the November 2003 Council meeting.
2. This update aims to clarify the rules and procedures related to:
  - (a) Amendments to projects/PDF grants that have been approved by the Council/CEO; and
  - (b) Drops or cancellations of projects/ PDF grants that have been approved by the Council/CEO.

## AMENDMENTS TO PROJECTS AND PROJECT DEVELOPMENT FACILITY GRANTS

3. In designing and implementing projects, the GEF encourages adaptive management, i.e., accommodating changes in project design and implementation to changes in context (implementation environment), if any, with the overall objective of meeting project goals and objectives. Several reviews from the GEF M&E Unit, including the annual Project Performance Reports, have stressed the need to clarify policies and procedures in order to encourage adaptive management of projects.
4. The procedures described in this paper apply to all elements of GEF projects except for PDF-As. In the GEF project cycle, Council approves work programs of full-sized projects that are subsequently endorsed by the CEO following a streamlined and delegated authority;<sup>2</sup> following CEO endorsement, the Implementing/Executing Agencies approve the projects and begin implementation. On the other hand, medium-sized projects, and enabling activities under expedited procedures, are approved by the CEO, followed by Implementing/Executing Agency approval and implementation.
5. As defined in the annex of the Project Cycle Update paper in November 2003 (GEF/C.22/Inf. 9), changes/amendments could be classified as “minor” or “major.”

### Minor Amendments of Projects

6. Definitions. These are changes in project design or implementation that include renaming of implementing entities, agreed revision of reporting schedules or formats, changes in the specification of project outputs that do not have significant impact on the project objectives

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<sup>1</sup> Opportunities for clarifying and streamlining the project cycle are identified through the auspices of the GEF Inter-Agency Operations Task Force, chaired by the GEF Secretariat, and comprised of members from the three GEF Implementing Agencies and the GEF Trustee.

<sup>2</sup> Except those projects that are identified by the Council at work program inclusion as requiring recirculation back to Council prior to CEO endorsement.

or scope, change in the implementation plan, grant closing date, grant amount, specific implementation targets or dates, or reallocation of grant proceeds not affecting the project's scope.

7. **Procedures.** When minor changes are proposed for a full-sized project after Council approval, but prior to CEO endorsement, such changes are reflected in the project documentation submitted for CEO endorsement. In endorsing the project, the CEO has the flexibility to increase up to 5 percent the amount of GEF grant approved at work program inclusion. Amounts more than 5 percent are treated as major changes (see para. 9 below).

8. All minor changes, except change in grant amount, after a project has been endorsed by the CEO (or approved by the CEO in the case of MSPs and EAs under expedited procedures) are undertaken at the discretion of the responsible Implementing/ Executing Agency and reported as part of the annual Project Implementation Review (PIR) reports submitted to the independent Monitoring and Evaluation Unit<sup>3</sup>. For a minor change in grant amount, the Agencies have to request CEO approval.

### **Major Amendments of Projects**

9. **Definition.** Major amendments are defined as project restructuring that involves a major change in project scope or design, a change in the project's objectives, re-allocation of GEF grant affecting the project's scope or objectives, increase of grant requested from the GEF by more than 5 percent, change of Implementing/Executing Agency, any other change that substantially alters the project concept, including changes that substantially affect the GEF's Operational Strategy, Operational Programs and/or Strategic Priorities.

10. **Procedures.** When major changes are proposed for a full-sized project after Council approval, but prior to CEO endorsement, these changes are highlighted in a cover note that accompanies the project document submitted for CEO endorsement. The project is re-circulated to Council for review, with a four-week comment period, prior to CEO endorsement.<sup>4</sup> If during the review period, four or more Council members raise objections to the project because in their view the proposed project with proposed amendments is not consistent with the GEF Instrument or GEF policies and procedures, CEO endorsement is withheld and the project is submitted to the next Council meeting for review. Otherwise the CEO endorses the amended project at the end of the review period.

11. Major amendments after a project has been endorsed by the CEO (or approved by the CEO in the case of MSPs and EAs) are subject to CEO endorsement again.<sup>5</sup> In the case of full-

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<sup>3</sup> The CEO has the flexibility to approve a one-time up to 5 percent increase in a GEF grant after the project becomes effective.

<sup>4</sup> This rule would apply even if the Council had at work program reviewed not identified this project for recirculation prior to CEO endorsement.

<sup>5</sup> Use EMail Template I (see Annex 1) to request on an event basis, from the Executive Coordinator of the agency to the GEF Secretariat an amendment of a project under implementation. The Secretariat will respond to the agency within a ten-working day period regarding the status of the requested amendment.

sized projects, the project documents with the proposed amendments are re-circulated for Council review, with a four-week comment period, prior to CEO endorsement of the amendments. If during the review period, four or more Council members raise objections to the amendments because in their view the proposed amendments are not consistent with the GEF Instrument or GEF policies and procedures, CEO endorsement is withheld and the amendment proposal is submitted to the next Council meeting for review. Otherwise the CEO endorses the amended project at the end of the review period.

12. For medium-sized projects and enabling activities under expedited procedures, the CEO approves all major amendments.

#### **Amendments of Project Development Facility Grants**

~~12.13.~~ The GEF CEO approves all major amendments of PDF-Bs and -Cs. Minor amendments of PDF-B and -C grants, and all amendments to PDF-A grants are the responsibility of the Agencies.

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#### **Reporting of Amendments in Projects and PDFs**

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14. The Secretariat includes in its monthly reports to the GEF Trustee all major amendments (and minor amendments that involve changes in grant amounts) for projects and PDFs, approved by the Council or the CEO, that have implications for the Trustee's resource commitments.

#### **DROPS AND CANCELLATIONS IN PROJECTS AND PROJECT DEVELOPMENT FACILITY GRANTS**

15. Definitions. The following definitions are employed to track drops or cancellations of projects through the GEF project cycle:

- (a) Dropped before Council approval: A project that is ended anytime between pipeline entry and Council approval.
- (b) Dropped after Council approval: A project is ended anytime between Council approval and IA approval.
- (c) Cancellation without disbursement: A project is terminated anytime between IA approval and the original completion date of the project, but no disbursements have occurred.
- (d) Cancellation with disbursement: A project that is terminated anytime between IA approval and the original completion date of the project, where disbursements have taken place.

16. Tables 1 and 2 summarize these definitions for drops and cancellations in Full-Sized projects as well as in Enabling Activities and Medium-Sized Projects.

**Table 1: Drops/Cancellations in Full-sized projects**

<b>Phase of Project Cycle</b>	<b>Proposed Term</b>
1. Pipeline Entry ⇒ Council Approval	Dropped before Council approval
2. Council Approval ⇒ IA Approval	Dropped after Council approval
3. IA Approval ⇒ Completion	Cancellation without disbursement
4. IA Approval ⇒ Completion	Cancellation with disbursement

**Table 2: Drops/Cancellations in Medium-sized projects and Enabling Activities**

<b>Phase of Project Cycle</b>	<b>Proposed Term</b>
1. CEO approval ⇒ IA Approval	Dropped after CEO approval
2. IA Approval ⇒ Completion	Cancellation without disbursement
3. IA Approval ⇒ Completion	Cancellation with disbursement

17. Procedures: Responsibility for country dialogue and decision-making on dropping or canceling projects lies with the Implementing/Executing Agencies, in accordance with their policies and procedures. In order to provide timely information regarding any potential drops/cancellations of projects, the Implementing/Executing Agencies periodically brief the Secretariat on portfolio developments and emerging issues, including adaptive management of projects. The Agencies then notify the Secretariat when the project is officially dropped/cancelled.<sup>6</sup> For all drops/cancellations, the Implementing/Executing Agency confirms that it has consulted with the concerned country.

18. For approved concepts in the pipeline and PDF grants, the agencies will notify the Secretariat when they are dropped, and will confirm that the Agency has consulted with the country regarding the drop.

**Reporting of Cancelled/Dropped Projects**

19. The Secretariat includes in its monthly reports to the GEF Trustee all projects that were cancelled/dropped during the preceding month, which have implications for the Trustee’s resource commitments. The report also includes the amount of un-disbursed GEF allocation and/or the fee returned by the Agencies.

20. The Secretariat, on an annual basis through the Work Program Cover Note, will report to the Council at its second meeting of each calendar year on all Council/CEO approved projects that were dropped/cancelled during the preceding fiscal year.

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<sup>6</sup> For PDFs, EMail template II (Annex 2) provides the proforma reporting while EMail Template III (Annex 3) is for projects.

**Annex 1**

**Template I (Request for Project Changes)**

Name of Amended Project

(Name of agency) would like to request approval from the GEF Secretariat for the amendment of the following project:

- Agency Project ID
- Focal Area
- Project Type
- Project Name
- Country
- Project Approval Date. Council approval date for Full Size Projects, CEO approval date for EAs and MSPs.
- Project Approval Amount by IA/ExA
- CEO Endorsement Date (FSPs and non-expedited)
- Endorsed Amount (FSPs and non-expedited)
- Agency Approval Date
- Amendment date
- Changed amount or objective
- Explanation for amendment



**Template II (Official Notification of Dropped/Cancelled PDF)**

Name of Dropped PDF

(Name of agency) would like to inform the GEF Secretariat that the following PDF has been dropped:

- Agency Project ID
- Focal Area
- Project Type
- Project Name
- Country
- PDF Approval Date
- PDF Amount
- Dropping date
- Financial Closure Date
- Undisbursed PDF amount
- Explanation

**Template III (Official Notification of Dropped/Cancelled Project)**

Dropped/Cancelled Project

(Name of agency) would like to inform the GEF Secretariat that it is dropping/canceling the following project:

- Agency Project ID
- Focal Area
- Project Type
- Project Name
- Country
- Project Approval Date. Council approval date for Full Size Projects, CEO approval date for EA's and MSP's.
- Project Approval Amount by IA/ExA
- Fee approved
- Fee transferred by Trustee to the agency (if different from above)
- CEO Endorsement Date (for Full Size and Non-Expedited Projects)
- CEO Endorsement Amount (for Full Size and Non-Expedited Projects)
- Agency approval date
- Drop/Cancellation date
- Financial Closure Date
- Undisbursed grant amount
- Unutilized fee to be returned
- Explanation for dropping/canceling