

**GEF/C.8/5**

August 29, 1996

GEF Council

October 8 - 10, 1996

Agenda Item 8

## **PROPOSAL FOR MEDIUM-SIZED PROJECTS**

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### **RECOMMENDED DRAFT COUNCIL DECISION**

The Council reviewed document GEF/C.8/5, *Proposal for Medium-sized Projects*, and approves the proposal presented in the document for the preparation, approval ([Option A] [Option B]) and implementation of medium-sized projects. The Secretariat is requested to convene a task force, as described in paragraph 31 of the document, to facilitate the early application of these procedures. The Secretariat is also requested to prepare an assessment of the procedures and their effectiveness in promoting the approval and implementation of high-quality medium-sized projects for review by the Council at its first regular meeting in 1998.

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### **INTRODUCTION**

1. At its meeting in April 1996, the Council requested the Secretariat to prepare, in consultation with the Implementing Agencies, a proposal on ways to streamline the processing and financing of medium-sized project proposals (proposals for which GEF-financing does not exceed US\$1 million).
2. As GEF-financed activities, medium-sized project proposals will be consistent with the operational policies and principles of the GEF, including the principles incorporated in the GEF Instrument and the Operational Strategy. In addition, all project proposals developed in accordance with these procedures will be consistent with the eligibility criteria of the GEF Instrument and the Operational Strategy.
3. This proposal for preparing and approving medium-sized project proposals is based upon the GEF project cycle approved by the Council. It suggests ways in which the present procedures may be expedited in view of the fact that medium-sized projects often do not require the same level of preparation and oversight as large-sized ones.
4. The expedited procedures are intended to apply to project proposals submitted by all potential executing agencies, including governments, national institutions, international organizations, local communities, non-governmental organizations, academic institutions and private sector entities.

5. The expedited procedures would be applied to simplify the steps required and to shorten the time needed to complete the GEF project cycle. It should be recognized that project preparation and implementation is primarily the responsibility of the executing agencies, the recipient countries and the Implementing Agencies. The expedited procedures described below do not extend to the procedures of the Implementing Agencies. If approved, the expedited procedures would be available to facilitate GEF processing of medium-sized projects by any of the Implementing Agencies interested in collaborating in promoting the rapid and efficient execution of projects.

## **GOAL AND OBJECTIVES**

6. The goal of these procedures is to establish simplified, expedited procedures that promote high-quality projects requiring up to US\$1 million of GEF-financing.

7. To fulfill this goal, the procedures are aimed at meeting the following objectives:

(a) Ensuring that medium-sized projects are consistent with the GEF policies and operational strategy and are country-driven,

(b) streamlining and simplifying all stages of the project preparation and implementation process, thereby making it "user-friendly" to a wide range of potential executing agencies,

(c) building upon the comparative advantage of GEF entities and project proposers,

(d) strengthening the project preparation and execution capacity of project executors, and

(e) providing an appropriate and efficient level of accountability of project executors and Implementing Agencies to the Council.

## **PROCEDURES FOR DEVELOPING AND APPROVING MEDIUM-SIZED PROJECTS**

8. The steps described below are sequential and assume that a project proposal has 'cleared' each step before proceeding to the next one. It is recognized that preparation of a project proposal may be stopped at any of the steps.

9. As noted above, medium-sized project proposals will be consistent with the operational policies and principles of the GEF. This will include consistency with the GEF operational strategy and operational programs.

### *Step 1. Prescreening of project ideas*

10. Any eligible entity or organization may submit a project idea to the GEF. Project ideas (concept paper) will be submitted directly to an Implementing Agency. Unless the proposer of the idea or the Implementing Agency includes with its communication specific evidence that the national operational focal point has endorsed the idea, the proposer of the project idea or, if it deems it appropriate the Implementing Agency, will transmit the project idea to the operational

focal point concerned for information. It will assume that the operational focal point has no objection to the further development of the project idea unless the focal point indicates otherwise within 15 working days of the transmittal of the project idea to it.

11. Any eligible entity or organization, prior to submitting an idea to an Implementing Agency, may seek the advice of the Secretariat for an initial review as to the consistency of the idea with GEF eligibility criteria and the Operational Strategy. An Implementing Agency may also wish to request the advice of the Secretariat as to the idea's eligibility before proceeding with its consideration of the idea. When a project idea has been submitted to the Secretariat for advice as to its initial eligibility, the Secretariat will respond within 15 working days as to whether the project idea is consistent with the GEF Operational Strategy and policies.

12. The proposer of a project idea may also solicit the good offices of the Secretariat in identifying the appropriate Implementing Agency to consider the project idea further.

### *Step 2. Preparation of project proposal*

13. The Implementing Agency will be responsible for working with the proposer of the project idea in the preparation of a project proposal it has agreed to sponsor. If project preparation financing is required, the Implementing Agency may provide PDF Block A financing consistent with PDF guidelines and procedures. Medium-sized project proposals are not expected to require project preparation financing beyond the Block A ceiling of US\$25,000. It should be recognized that preparation of a project proposal is the responsibility of the project sponsor, and a request for project preparation financing from the GEF is likely to indicate that a longer time will be required for project development. Implementing Agencies can only be held responsible for the processing time after an acceptable project proposal has been received by them.

14. Once the proposer has submitted a project proposal to the Implementing Agency, the Implementing Agency will request the operational focal point to endorse the proposal. Prompt government review of project proposals will help facilitate the approval process. The written endorsement of the operational focal point should be submitted to the Secretariat together with the project proposal.

### *Step 3. Review of project proposal*

15. Once the project proposal has been prepared, the Implementing Agency will submit it to the GEF Secretariat and will circulate copies of the project proposal for comment to the other Implementing Agencies, STAP and, for projects in the appropriate focal area, to the Convention Secretariats. Medium-sized project proposals under US\$ 750,000 will not require a technical review by an expert from the STAP roster, but an Implementing Agency may request such a review if it thinks it beneficial. For proposals requesting GEF-financing above \$750,000 a technical review by an expert from STAP would be required. In order to facilitate a consistent approach to the appraisal of medium-sized projects, the Secretariat will prepare a check-list of matters to be considered in reviewing the proposals.

16. The comment period will normally not exceed 15 working days. The Secretariat will prepare a consolidated list of all comments, and on the basis of the comments received, the Secretariat will recommend to the CEO that the project proposal be: (i) submitted for approval, (ii) returned to the Implementing Agency for revision in light of the comments, or (iii) not be developed further. The Secretariat recommendation will be formulated within 10 working days of the close of the comment period.

17. The Implementing Agency will be responsible for notifying the proposer of the recommendation resulting from the project proposal review.

18. For projects that require revision, the Implementing Agency will promptly undertake the steps necessary to have the project proposal revised by its proposer. The Implementing Agency will be available, if so requested, to advise on the proposal's revision. The revised project proposal should be submitted to the Secretariat for review in accordance with the above paragraphs.

*Step 4. Approval of the project proposal*

19. If the Secretariat recommends that a project proposal be approved, approval may follow one of two precedents, both of which are based on the requested level of GEF financing. The Council is requested to determine which of the options should be followed.

*Option A*

20. *Following the normal procedures of the GEF, the project proposals will be included in the proposed work programs presented to the Council for approval.*

21. The benefit of this approach is that the Council would continue to exercise directly its responsibility for reviewing and approving the work programs of the GEF. This, however, could delay further development of the project proposal by a few months until such time as the Council met or a work program is approved by the Council by mail.

*Option B*

22. *Following the procedures approved for PDF grants, the Council would delegate to the CEO/Chairman of the GEF responsibility for approving project proposals that do not request more than \$750,000 of GEF-financing. Medium-sized proposals requesting more than \$750,000 in financing will be included in the first proposed work program subsequent to the recommendation of the Secretariat to be considered for approval by the Council. In approving project proposals, the CEO should specifically confirm that the proposal is consistent with the operational strategy and other GEF requirements. The CEO/Chairman would regularly inform the Council of any medium-sized project proposals that he approves under the authority delegated to him.*

23. The benefit of this approach is that it would further expedite the development, approval and implementation of project proposals.

*Step 5. Preparation of the final project document and final approval of the project*

24. The Implementing Agency is responsible for the preparation of the final project document as well as for final approval of the project in accordance with its internal procedures. The time between approval of the project proposal by the Council or the CEO and the approval of the final project document by the Implementing Agency should not normally exceed eight weeks.

25. In order to facilitate the early implementation of project activities, the Implementing Agencies may include in the project proposal's budget a component, costing up to 15% of the total project budget, which would be available to the Implementing Agency and the executing agency for preparatory assistance to ensure prompt initiation of on-the-ground project activities. Once the project proposal has been approved [by the Council] [by the CEO], the Implementing Agency will promptly inform the executing agency and will immediately start working with that entity to finalize the project document and other contractual arrangements with a view to ensuring early implementation of project activities. The immediate release of the financing included in the project proposal's budget for preparatory assistance should expedite this process.

*Step 6. Project Implementation*

26. The project will be implemented by the executing agency. The Implementing Agency will oversee the management of the project and will be accountable to the Council for the project's implementation consistent with GEF policies and procedures, including policies on public involvement and monitoring and evaluation. The Implementing Agencies will seek to expedite their procedures, including those concerning procurement and disbursements, with a view to promoting rapid and efficient execution of the project.

27. By defining more specifically, for purposes of medium-sized projects, the requirements of paragraph 22 of the GEF Instrument that an Implementing Agency is to be "accountable to the Council", it might be possible for the Implementing Agencies to streamline some of their internal requirements pertaining to project implementation and reporting. The following procedures are proposed for purposes of meeting an Implementing Agency's accountability to the Council. It is proposed that each project proposal include a plan for project monitoring and evaluation. This plan should set forth the strategic objectives proposed for the project, indicators to be used to measure progress toward those objectives and risks of implementation. Accountability would be met through requiring an annual programmatic report addressing the objectives, indicators and risks presented in the monitoring and evaluation plan, an annual financial report, and an end-of-project programmatic and financial report. The annual financial reports might not normally need to be independently audited, although the Implementing Agency would reserve the right to require independent audits when the Implementing Agency deems its necessary. It is clear that for their own purposes, the Implementing Agencies may require additional reporting requirements. Nevertheless, the GEF Council may determine that for its purposes, the above procedures would be sufficient for an agency to demonstrate appropriate responsibility for the medium-sized projects it sponsors.

28. By limiting the accountability of the Implementing Agencies to well-defined responsibilities, it might be possible to reduce the administrative costs of the agencies as compared to the

administrative costs for larger GEF-financed projects. A target of 10% percent of the GEF project financing is suggested.

29. As a corollary to better defining the accountability of the Implementing Agencies, the Council may consider common reporting formats for the executing agencies of medium-sized projects. These reports could be routinely copied to the GEF Secretariat, so as to be taken into account in the monitoring and evaluation work of the GEF Senior Monitoring and Evaluation Officer.

## **REVIEW OF PROCEDURES FOR APPROVING MEDIUM-SIZED PROJECTS**

30. The process for approving medium-sized projects will be kept under review by the Council. The Secretariat will prepare, for the Council's review at its first regular meeting in 1998, a comprehensive analysis of these procedures and their effectiveness in promoting the approval and implementation of medium-sized projects. The analysis will include information on how the Implementing Agencies have expedited their own procedures, including those concerning procurement and disbursements, with a view to promoting the rapid and efficient execution of the projects.

## **IMPLEMENTATION OF PROCEDURES**

31. Upon approval of these procedures, the Secretariat will convene a task force composed of representatives of the Implementing Agencies to reach a common understanding on any practical steps that may be needed to facilitate the application of the procedures. The CEO may invite to the task force meeting other interested parties, such as representatives of potential executing agencies referred to in paragraph 28 of the Instrument, who may usefully contribute to the work of the task force.

32 The task force should also agree on criteria and indicators on which the effectiveness of the procedures will be assessed in accordance with paragraph 30.

*[The following table is available on request from the GEF Secretariat]*

### **TIME LINE**

Dependent on proposer of project idea:

15 working days for review by national operational focal point and/or Secretariat

Dependent on proposer of project idea and review by national operational focal point

15 working days for internal GEF review:

10 working days for preparing recommendation of Secretariat on basis of comments made during review period:

if revision required, time period will depend upon work needed to be undertaken by project proposer

Option A: Project proposal will be included in earliest possible work program considered by Council

Option B: The CEO will decide upon approval of project proposal within 5 working days

Eight weeks

Dependent on specific project: Annual and end-of-project reporting

## **STEPS**

### **PRESCREENING OF PROJECT IDEAS**

1. Project idea submitted to Implementing Agency
2. National operational focal point endorsement on no-objection basis
3. Secretariat review for eligibility may be requested

### **PREPARATION OF PROJECT PROPOSAL**

1. PDF Block A for funding may be provided
2. National operational focal point endorsement on a no-objection basis

### **REVIEW OF PROJECT PROPOSAL**

1. Review of project proposal by GEF Secretariat, other Implementing Agencies, STAP and appropriate Convention Secretariat. Comments submitted to Secretariat which is responsible for recommending further action to CEO
2. Review by STAP expert, voluntary if under US\$750,000
3. Implementing Agency to notify proposer of recommendation resulting from the review
4. If necessary, project proposer to undertake revision of project proposal to respond to comments made during review
5. Revised proposals to follow steps 1 to 3 above

### **APPROVAL OF PROJECT PROPOSAL**

#### **Two Options**

Option A: Council approval

Option B; CEO authorized to approve project

### **PREPARATION OF FINAL PROJECT DOCUMENT AND FINAL APPROVAL OF PROJECT**

1. Implementing Agency is responsible for preparation and approval of final project document, consistent with its internal procedures

### **PROJECT IMPLEMENTATION AND MONITORING AND EVALUATION**

1. Project will be implemented by the executing agency

2. Implementing Agency will oversee management of the project

3. Annual programmatic report addressing the objectives and indicators of monitoring and evaluation plan, annual financial report, an end-of-project programmatic report and an end-Of-project financial report will be prepared.