



Global Environment Facility

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GEF Council
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Agenda Item 10

STREAMLINING THE PROJECT CYCLE

Recommended Council Decision

The Council, having reviewed document GEF/C.12/9, *Streamlining the GEF Project Cycle*, takes note of the steps that have been undertaken since the project cycle was first approved in May 1995 to streamline and expedite the preparation and implementation of GEF-financed projects. The Council requests the Secretariat and Implementing Agencies to continuously seek ways to simplify and facilitate the preparation and implementation of projects, and to bring to the Council's attention any proposals to this end. In particular, the Secretariat and the Implementing Agencies are encouraged to proceed with their efforts to simplify the determination of incremental costs and to report to the Council on these efforts at its meeting in May 1999.

In order to expedite further the project cycle process, the Council agrees that:

(a) the CEO may endorse the draft final project document for approval by an Implementing Agency without circulating the document to the Council unless, at the time when a project proposal is approved for inclusion in the work program, the Council decides that the proposal should be reviewed again by the Council before CEO endorsement;

(b) if the CEO determines that a draft final document differs substantially from the project proposal approved in the work program, the CEO should refer it to the Council for review and comment; and

(c) the CEO, in consultation with the Implementing Agencies, should regularly inform the Council of projects that he has endorsed with an explanation as to how Council comments and comments of the STAP reviewer have been addressed in the final project document.

Furthermore, the Council agrees that any written comments by Council Members on project proposals are to be provided to the Secretariat by the close of the Council meeting during which the relevant work program is approved, or in the case of approval of an intersessional work program, at the time that a Council Member informs the Secretariat of the constituency's views concerning the approval of the work program.

BACKGROUND

1. In approving the GEF project cycle in May 1995, Council agreed that the cycle “*should be upgraded by the Secretariat, as necessary to reflect any additional policies approved by the Council as a result of its future work.*” A number of policy decisions since then have expedited the cycle for certain new categories of projects, while the GEF Secretariat and the Implementing Agencies have worked together to streamline procedures within the existing cycle. Calls for further streamlining were made by the first GEF Assembly, in the *Study of GEF’s Overall Performance* and in forums such as the meetings of the Conferences of the Parties to the Climate Change and Biodiversity Conventions.

2. The Council, Secretariat and the Implementing Agencies are always conscious of the need to streamline the project cycle and expedite procedures where possible. There can be little doubt that this will be an ongoing effort, as further opportunities are identified in light of operational experience. Accordingly, this paper:
 - a. provides an overview of Council decisions and guidance that have contributed to streamlining/expediting the project cycle since its approval in May 1995;
 - b. catalogues the efforts of the GEF Secretariat and the Implementing Agencies to streamline procedures within the existing cycle, and indicates further measures that are under discussion and consideration; and
 - c. proposes steps to streamline procedures related to Council review of project proposals and documents.

3. The paper does not discuss streamlining opportunities at the country level, since that is clearly within the prerogative of the recipient country. However, it should be recognized that the recipient country is the lead partner in project development and implementation, and to the extent that the country is responsible for steps in the project cycle, country’s procedures and their efficiency will have a significant influence on the timing and effectiveness that can be achieved in processing of project documentation and the implementation of project activities.¹ It is expected that efforts to strengthen country-level coordination would contribute directly to expediting the steps of the project cycle.²

EXPEDITED FEATURES OF THE PROJECT CYCLE

¹ For example, the Council is invited to review *Review of Experience with Medium-sized Project Procedures*, GEF/C.12/Inf. 7, which notes that the process of obtaining country focal point endorsement for medium sized projects often contributes to a significant delay in project processing.

² See document GEF/C.12/8, *Country Ownership of GEF Projects*.

4. Since the GEF project cycle was approved by Council in May 1995, modified procedures and new approval pathways have been adopted for intersessional work programs, enabling activities, medium sized projects.³ These procedures are briefly summarized below.

INTERSESSIONAL WORK PROGRAM

5. The procedures for approving intersessional work programs, adopted by the Council in April 1996 and modified to include approval of the work program on a no-objection basis, expedites the preparation of full scale GEF projects that do not raise new or policy issues.⁴ Providing for the approval of four work programs each year has not only streamlined the cycle by facilitating timely entry of projects into the work program, but has also promoted better quality in preparation of proposals by easing the bunching of projects and reducing 'now or never' pressures on the GEF Secretariat and the Implementing Agencies which existed when work programs were only approved every six months.

ENABLING ACTIVITIES

6. Expedited procedures for enabling activities were approved by the Council in April 1996. These have proved effective in reducing the time and documentation required for preparing and approving enabling activity projects that are consistent with the agreed criteria. As experience in applying these procedures has been gained during the past two years, the Secretariat and the Implementing Agencies are continuously seeking improved modalities to make the process as simple and efficient as possible

7. Under the GEF monitoring and evaluation work program stocktakings of GEF enabling activities in both biodiversity and climate change will be undertaken in 1998 and 1999. Issues emerging from these stocktakings will be brought to the attention of the Council, and may lead to new proposals for streamlining those procedures even further.

MEDIUM SIZED PROJECTS

8. Expedited procedures for medium-sized projects were approved by Council in October 1996. While these procedures have significantly reduced the time from concept to final approval, additional actions, including use of innovative modalities and strategic partnerships, are needed if GEF is to manage the volume of proposals being receive. Council document GEF/C.12/Inf.7, *Review of Experience with Medium-sized Project Procedures*, contains further explanation of the expedited features for medium-sized projects and includes proposed actions to improve and further expedite the processing of projects.

GEF SECRETARIAT/ IMPLEMENTING AGENCY EFFORTS AT STREAMLINING

³ Procedures for PDF approvals are included in the project cycle.

⁴ Details of the procedure are contained in GEF/ C.7/ 7

9. The Secretariat and the Implementing Agencies have worked together closely to address conceptual or procedural constraints in the project cycle, to expedite internal procedures, and to adopt effective, time-bound systems for consultation and coordination. These efforts have extended to both the project preparation phase and the process of review before submission to the CEO for inclusion in the work program.

SIMPLIFYING 'INCREMENTAL COSTS'

10. Application of the incremental cost principle is perhaps the most frequently mentioned challenge in discussions about applying the GEF project cycle. The challenge is twofold : 1) to simplify the concept and standardize its application, and 2) to disseminate its principles widely. As requested by the Council, the Secretariat, in consultation with the Implementing Agencies and the secretariats of the Biodiversity and Climate Change Conventions, is undertaking work to clarify definitions and to further facilitate the application of the concept of incremental costs. To better inform its work, a consultative process has been initiated to clarify further the experiences and concerns of a broad range of stakeholders concerning the process for determining of incremental costs. A report on these consultations is before the Council as document GEF/C.12/Inf.4. It is expected that the report will assist the Secretariat and its collaborators in preparing operational criteria that respond to the concerns of those most directly involved in preparing GEF project proposals. The Secretariat, the Implementing Agencies and the secretariats of the conventions are in the process of developing the requested operational criteria. Draft material developed to date will be made available to the Council at its meeting in October with a request for review and comment.

11. Dissemination of material concerning incremental costs will be undertaken as a part of the country-level outreach and communication activities proposed in document GEF/C.12/ 5. An information kit on incremental costs is under development, and it will include the operational criteria referred to in the above paragraph.

INTRODUCING THE LOGICAL FRAMEWORK APPROACH

12. Following Council requests that a logical framework approach be applied in the preparation of projects, the GEF has phased in a "logframe" approach to the analysis of all projects submitted for Council approval as an important measure to improve project quality and review. Agreement has been reached with the Implementing Agencies on the format for this analysis, and a logframe annex is now included in all project briefs (and subsequently in final project documents). Further efforts are being made to promote the logframe methodology as a means to streamline GEF project cycle management, since its full value may best be realized when it is applied systematically as a design, management and evaluation tool. A series of regional GEF training workshops for operational partners has been organized by the Secretariat in collaboration with UNDP and co-sponsored by the German Foundation for International Development.

INTERNAL PROCEDURES - IMPLEMENTING AGENCY EFFORTS

13. The Implementing Agencies have taken steps to expedite their internal procedures for preparation of GEF-financed projects and, as noted in the *Study of GEF's Overall Performance*, both the Bank and UNDP have reduced the time lag between project identification and agency approval. In addition to the streamlining steps noted in the *Study*⁵:

- a. UNDP is working on a harmonized format for project briefs and project documents which will eliminate delays in transformation of information from the former to the latter. UNDP lays great emphasis on understanding and ownership of GEF procedures as key elements in streamlining the project cycle and has initiated training programs for field staff for this purpose. Application of the logical framework approach, in particular, has been identified as a crucial skill for field staff to acquire;
- b. UNEP has included the Secretary of its Project Approval Group (PAG) in the GEF Coordination Committee. This upstream involvement ensures that PAG concerns are articulated and addressed early in the project cycle, and helps reduce subsequent PAG review time of project documents. Timely PAG review is also facilitated by sharing formal UNEP/ GEF project proposals with its Secretary when submissions are made to the GEF Secretariat.
- c. the World Bank has adapted its recently introduced expedited project processing system and documents (PCD and PAD) for use in all Bank-GEF operations.⁶ Two additional ideas it proposes to further streamline GEF project processing are : 1) apply its new concepts of 'Learning Investment Loans' (LILs) and Adaptable Learning Instruments (APLs) and their expedited approval procedures to GEF-financed activities,⁷ and 2) develop,

⁵ *Ibid.*, paragraphs 411 to 416

⁶ In July 1997, the World Bank introduced new, simplified project documents for its investment operations - the Project Concept Document (PCD) and Project Appraisal Document (PAD). These replaced the Initial Executive Project Summary, the Executive Project Summary and the Staff Appraisal Report. The PCD and PAD are more concise documents than those they replaced and use a common, form-based structure, so the PCD evolves into the PAD. In parallel, the Bank introduced a new streamlined project cycle, which reduced the former internal multi-step project approval process to just two key decision meetings: Concept Clearance, which is based on the PCD, and Appraisal Decision, which is based on the draft PAD. The Bank quickly aligned its GEF business practices and documentation with the new streamlined approach. The PCD and PAD formats were customized to provide the additional information fields required by the GEF, and the same two-stage internal project approval process was adopted for Bank/GEF operations. In combination, these new documents and processing arrangements have significantly simplified the Bank's internal GEF project cycle.

⁷ In order to further streamline GEF project processing, the Bank intends, where appropriate, to make full use of two new streamlined investment instruments and their expedited approval procedures for processing GEF operations. The two new instruments are Adaptable Program Loans (APLs) and Learning and Innovation Loans (LILs).

The APL concept reflects the reality that some development challenges take many years to resolve and the priority actions required to address them vary over time. APLs respond to such situations by defining and funding a long-term development program over say a ten-to-fifteen year time horizon. The

apply and monitor adherence to rigorous service standards for its technical advisory and clearance responsibilities at each key stage of GEF project processing – project concept, PDF, Council proposal and final project document.

SECRETARIAT REVIEW OF PROJECT PROPOSALS

14. A major responsibility of the GEF Secretariat is to review project proposals in collaboration with the Implementing Agencies, Convention Secretariats and STAP to ensure that high quality work programs which are in compliance with GEF criteria and Council guidance are presented to the Council in a timely fashion. At its meeting in April-May, 1997, the Council was provided detailed information (GEF/ C.9/ Inf. 4) on measures that had been agreed to streamline the consultation and coordination processes among the Secretariat, Implementing Agencies, Convention Secretariats and STAP with regard to identification and preparation of projects and their review before inclusion in a proposed work program. The main features of these processes are :

- a. *upstream consultation* among the Implementing Agencies and the Secretariat to identify concepts and opportunities for GEF activities and relate them to operational programs, portfolio status and balance, country drivenness, eligibility and other parameters that might encourage the development of particular projects or kinds of projects; and
- b. *bilateral review* of project proposals on a rolling basis between the GEF Secretariat and the Implementing Agency concerned, whenever a few projects are ready for such review.

15. In July 1998, the GEF Secretariat introduced a *Project Review Sheet* through which criteria-based comments on project proposals are systematically conveyed to the Implementing Agencies. This transparent process eliminates most surprises from the

Bank's Board approves the first loan for an APL program, the length and content of the program, and the performance indicators that will trigger the release of subsequent loans. The approval of the subsequent loans is then delegated to Senior Management. In the GEF context, the APL concept is clearly appropriate for addressing the challenge of biodiversity conservation, and has already been utilized for the Indonesia COREMAP and the Ghana Natural Resource Management Projects. The concept may also prove appropriate for GEF activities in the International Waters focal area. However, if the Bank is to take full advantage of the instrument's streamlined procedures for the release of GEF funds, the Council will need to consider how its procedures might be harmonized with those of the Bank's Board.

The LIL instrument is designed for situations where experimentation or pilot testing of a new development approach on a modest scale is the most appropriate and cost-effective step. LILs can be for up to \$5 million and are approved by Bank management, which streamlines their processing. LILs are particularly appropriate for development processes that require extensive self-learning on the part of affected groups and/or involve the formation of new partnerships with other development agencies. These two circumstances are encountered frequently in the design of biodiversity conservation initiatives, and the Bank therefore believes that LILs will be appropriate for use in its GEF biodiversity portfolio. Their streamlined internal approval process will shorten processing time and accelerate the provision of GEF resources.

bilateral meetings that follow, and also helps to focus Secretariat review on policy matters rather than technical detail for which the Implementing Agencies bear responsibility. The bilateral meetings thus have become more predictable, transparent and effective.

16. Other initiatives that are being worked upon include:
 - a. to encourage wider sharing of *pipelines* of projects in order to facilitate planning for future work programs, promote inter-agency coordination, better monitor pre-project activities such as PDFs and, in general, to contribute to the upstream consultation process.
 - b. to *fix a schedule* a year in advance for preparation of the next four work programs and corresponding deadlines, thereby enabling the Secretariat, Implementing Agencies, field staff and recipient countries to schedule project preparation activities in light of work programs and delivery dates.

COUNCIL REVIEW PROCEDURES

17. Specific steps of the project cycle that involve the Council include the following:
 - a. work programs proposed for Council approval are mailed to Council Members and all political focal points *four weeks* prior to the Council meeting;
 - b. the Council approves work programs. After approval of a work program at a Council meeting, Council Members have another *three weeks* to transmit their technical comments on the project proposals to the GEF Secretariat (which transmits them to the Implementing Agencies);
 - c. the Implementing Agencies prepare a final project document based on Council comments, including technical comments, for CEO endorsement prior to final approval of the project document by the Implementing Agency. At this stage, prior to endorsing the draft final project document, the CEO sends the document to Council Members for review during a *four week* period.
 - d. if four or more Council Members raise objections to a project because in their view the project is not consistent with the GEF Instrument or GEF policies and procedures, CEO endorsement is withheld, and the project is submitted to the next regular Council meeting for review. Otherwise, the CEO endorses the project at the end of the four week period.
18. The *Study of the GEF's Overall Performance* recommends that the Council review of the draft final project document should not be mandatory. It argues that the purpose of this review is to verify that comments made earlier have in fact been reflected in the

revised document. It notes that the experience of the GEF Secretariat and the Implementing Agencies during the past few years in revising and reviewing project documents based on Council comments is evidence that this function can be performed by the GEF Secretariat. It concludes that the second Council review has become a routine function, and notes that no projects have been objected to at the review stage during 1996 and 1997.

19. The Council considered this matter during its last meeting. A proposal was considered that the Council agree to delegate this second review of projects to the CEO except with regard to:

- a. innovative projects;
- b. projects that raise significant policy issues;
- c. projects that differ significantly at the time of endorsement from the proposal approved by the Council in the work program; and
- d. projects for which the Council indicates at time of approval in the work program that it should undertake a second review prior to endorsement.

It was also suggested that when a project is endorsed, the CEO should inform Council Members of the endorsement and provide information as to how policy issues and comments raised by the Council and the STAP reviewer have been addressed in developing the draft final project document.

20. A number of reservations were raised about this proposal. The Council agreed to take a decision on it at its meeting in October.

21. While the Secretariat and the Implementing Agencies fully support the basic purpose of the proposal since they believe that this would serve to expedite the final approval of project documents, they would like to suggest some modifications to the

proposal considered by the Council at its last meeting. The Council is invited to consider the following:

- a. rather than listing categories of projects for which the Council may specifically request a second review, it is proposed that the Council agree that the CEO may endorse the draft final project document for approval by the Implementing Agency without circulating the document to the Council unless at the time when a project proposal is approved for inclusion in the work program the Council decides that the proposal should be reviewed again by the Council before CEO endorsement;
- b. if the CEO determines that a draft final document differs substantially from the project proposal approved in the work program, the CEO will refer it to the Council for review and comment;
- c. the CEO, in consultation with the Implementing Agencies, should regularly inform the Council of projects that he has endorsed and as to how Council comments and comments of the STAP reviewer have been addressed in the final project document

22. This approach would clearly establish the presumption that the Council will not need to review project proposals before CEO endorsement. However, as was discussed at the Council Meeting in April 1998, the Council may request a second review on an exceptional basis. At the same time it would confirm the responsibility of the CEO and GEF Secretariat to ensure that Council and STAP reviewer's comments are incorporated in final project documents, and that any substantial revisions are brought to Council's attention before endorsement.

23. For intersessional work programs, it is proposed that there is no need to provide for exceptions to the basic presumption since: a) by definition, innovative projects or those that raise policy issues are not included in the intersessional work program; and b) present procedures allow any Council Member to request that a particular project proposal be considered at a Council meeting prior to its inclusion in the work program. In the latter instance, at the Council meeting, the Council would have the opportunity to request another review before the final project document is approved.

24. Another procedural step involving the Council in the project cycle that might usefully be reconsidered with a view to streamlining the project cycle is the three week period following Council meetings during which written technical comments on proposals in the work program can be submitted to the Secretariat. Recognizing that Council documents, including the work program, are transmitted to the Council Members four weeks before the Council meets and that the work program is now also posted on the GEF Website, it is proposed that the Council agree that all written comments on project proposals are to be submitted to the Secretariat by the close of the Council meeting. Since the introduction of intersessional work programs, each work program contains fewer project proposals. Also, efforts are continuously being made to make the project

proposals more concise. These steps should facilitate review by GEF Participants in the four weeks prior to the Council. Eliminating the additional three weeks would enable the Implementing Agencies and the recipient countries to advance project preparation without delay after the Council decision on the work program.

STRATEGIC PARTNERSHIPS

25. Another approach to the programming of GEF resources pursuant to the operational strategy that might facilitate the preparation and implementation of project activities is the identification of strategic partnerships. Strategic partnerships provide for the establishment of a program framework for medium to long-term collaboration, with an agreed mission, objectives and system for collaborative evaluation and learning, that should facilitate the preparation of quality project activities contributing to the achievement of the objectives of the partnership as well as the GEF. The Small Grants Program is an example of such a partnership, and it has provided some valuable lessons that can usefully be applied in moving forward in expanding that program. (See paragraphs 27 and 28 below.) The GEF Secretariat is also carrying out discussions with regard to a potential GEF-World Bank Renewable Energy Partnership. The GEF CEO and the President of the World Bank have agreed to jointly explore the idea of a renewable energy partnership to increase the scale and pace of renewable energy development. A working group has been established to prepare the elements of a possible proposal for Council review. The broad objective is to develop a more programmatic approach to transforming the markets for renewable energy in cooperation with interested countries. The initiative is expected to contribute to GEF policies and policy development concerning funds, engaging the private sector, and promoting a more streamlined and efficient project cycle. The working group is also exploring the Bank's new instruments (see footnote 6) that allow for longer term and more adjustable lending, and how these could facilitate the Bank's collaboration in the partnership.

26. It is expected that the approach of strategic partnerships could also contribute to expedite the advancement of other programmatic objectives of the GEF operational strategy, and these will be brought to the attention of the Council as and when they are identified.

SMALL GRANTS PROGRAM

27. The highly decentralized and participatory Small Grants Program (SGP) managed by UNDP was approved as a project in an initial pilot phase and subsequent operational phase, each lasting about two years. In general, the SGP has been hailed as a successful and important constituent pathway contributing to the achievement of long-term goals of the GEF. Both phases of the SGP have been evaluated leading to distinct recommendations for improvements.

28. The approach of approving a new project document every two years to provide financing for the SGP leads to unpredictability about the future of the program and creates uncertainty among country clients and staff as each phase starts and ends. A streamlined approach for approving GEF financing for the SGP has now been proposed in order to build continuity and flexibility into the program without losing accountability or detracting from normal approval procedures. The new approach is described in UNDP's project proposal included in the Work Program (document GEF/C.12/3), as well as in the *Corporate Business Plan* (document GEF/ C.12/11).

CONCLUSION

29. This paper summarizes the many and diverse steps that have been initiated to expedite procedures for preparing and approving GEF-financed activities since the project cycle was approved in May 1995. Clearly, this is a continuous process, and the Secretariat and the Implementing Agencies are committed to improving procedures whenever possible, and to bringing proposals for streamlining the project cycle arising from experience or new circumstances to the attention of the Council for its review and consideration.

30. The Council is invited to consider, with a view to their approval at this meeting, proposals contained in paragraphs 21 and 24 concerning the Council's review of proposed final project documents and submission of written technical comments on project proposals.