

**Decision on Agenda Item 10**  
**Rules, Procedures and Objective Criteria for Project Selection,**  
**Pipeline Management and Cancellation Policy**

1. The Council, having reviewed document GEF/C.30/3, *Rules, Procedures and Objective Criteria for Project Selection, Pipeline Management, Approval of Sub-projects, and Cancellation Policy*, decides that the following should be incorporated into the new project cycle that will be submitted to the Council for approval in June 2007.

*General principles for the project cycle*

2. The project cycle should contain clear rules and criteria and ensure transparency in decision making. Beneficiary countries should be consulted prior to any decision affecting a proposal or project in its country.

*Pipeline and project management*

3. A transparent, time-bound system for pipeline and project management should be developed. Clear benchmarks should be established for monitoring project progress during preparation and implementation. The monitoring of achievement of the benchmarks should be incorporated into the management information system that is under development.

4. The Secretariat should provide regular reports to the Council on action taken to manage the pipeline and to terminate or suspend projects.

5. The Council decides that the following should be applied with respect to project cancellations, terminations or suspensions.

*General principles for Project Cancellations, Terminations or Suspensions:*

6. At any stage of the project cycle, the beneficiary country, the Implementing or Executing Agency, or the Secretariat may recommend cancellation, termination or suspension of a project based on objective criteria approved by the Council.

7. Prior to formal approval of a project by a GEF agency, the CEO is responsible for the decision to cancel a project proposal.

8. After approval of a project by a GEF agency, the Implementing or Executing Agency is responsible for the decision to terminate or suspend a project.

*Cancellation of Project Proposals during the Preparation (prior to formal approval by the GEF agency)*

9. The CEO will take a decision to cancel a project proposal on the basis of objective criteria and after consultation with the beneficiary country and the Implementing/Executing Agency.
10. If a proposal is cancelled prior to Council approval/CEO approval, it should be removed from the pipeline. The Secretariat should inform the beneficiary country and the Implementing or Executing Agency. The Trustee should also be informed if any project development funding has been approved for the proposal. The Implementing or Executing Agency should comply with the Trustee's financial rules and procedures regarding the use of GEF funds.
11. When a proposal is cancelled after Council approval/CEO approval, but before formal approval by the GEF agency, the Secretariat should inform the beneficiary country and the Implementing or Executing Agency.
12. The Implementing or Executing Agency should:
  - (a) submit an official cancellation notification to the GEF Secretariat and the Trustee; and
  - (b) comply with the Trustee's financial rules and procedures regarding the use of GEF funds.

*Termination or Suspension of Projects during Implementation (after formal approval by the GEF agency)*

13. Before recommending to an Implementing or Executing Agency the termination or suspension of a project, the Secretariat should first communicate to the country's GEF operational focal point the basis for such a recommendation.
14. A beneficiary country or the Implementing/Executing Agency may also recommend termination or suspension of a project. In such a case, the GEF Secretariat should be consulted before a decision is finalized.
15. The Implementing or Executing Agency should consult with the beneficiary country before taking a final decision. The agency should ensure that appropriate consultations are also carried out with all the relevant government agencies that are involved in project preparation and/or implementation, and other partners, including co-financiers.
16. The Implementing or Executing Agency should:
  - (a) send an official termination notice to the government;
  - (b) submit an official notification of termination to the GEF Trustee, copied to the Secretariat; and

(c) follow the Trustee's financial rules and procedures regarding the use of GEF funds.

17. The Council furthermore decides that this cancellation policy should be applied to projects entering the pipeline from January 1, 2007, and requests the CEO to apply the policy to any project proposal or project that does not meet agreed benchmarks.

18. The Secretariat is requested to elaborate for Council review and approval, as part of the new project cycle, additional objective criteria to guide decisions on cancellations of project proposals and projects.

19. The Council also decides that the following project cycle policies should be addressed.

*Approval of sub-projects in larger GEF projects and programs*

20. While there was broad support among Council Members for the proposals presented in the document for the approval of sub-projects under larger GEF projects and programs, the Council requests the Secretariat to clarify and simplify the types of umbrella projects and programs to be funded by the GEF. The Council decides that the procedures for the approval of sub-projects under such projects and programs should be further elaborated upon in the new project cycle and that a final decision on the procedures will be taken when approving the project cycle.

*Fees*

21. The Secretariat is requested to prepare a revised fee system, including provisions for tranching disbursements of fees, for discussion at the June 2007 meeting.

*PDFs*

22. The Secretariat is requested to prepare for Council review and approval a proposal for the replacement of the current PDF process with procedures based on the financing of the actual incremental costs of project preparation.