

GEF Council Meeting
November 5 – 7, 2013
Washington, D.C.

Agenda Item 09

**PROGRESS REPORT ON THE
GEF PROJECT CYCLE STREAMLINING MEASURES**

Recommended Council Decision

The Council, having reviewed document GEF/C.45/04, *Progress Report on the GEF Project Cycle Streamlining Measures*, acknowledges progress on the implementation of GEF Project Cycle streamlining measures, and the status on project cycle effectiveness indicators.

The Council decides that the CEO's delegated approval authority of up to \$2 million for medium-sized projects will also cover the expedited approval of enabling activities.

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INTRODUCTION

1. Since January 2013, the GEF Secretariat, in collaboration with the GEF Agencies, has been implementing a number of project cycle streamlining measures that were approved by the Council at its November 2012 meeting.¹ This document presents: (i) an update on the streamlining measures, including the pilot harmonization with the World Bank; (ii) a presentation of the indicators for tracking project cycle effectiveness; and (iii) a request for Council decision on further streamlining of the project cycle by including the expedited approval of the enabling activities under the same delegated approval authority of CEO for medium-size projects up to and including \$2 million.

UPDATE ON IMPLEMENTATION OF PROJECT CYCLE STREAMLINING MEASURES

2. The eight streamlining measures implemented since January 2013 aimed to bring the costs of GEF project cycle to be commensurate with the reduced fees to Agencies. Progress has been achieved on all measures since their implementation. Agencies report that the measures could theoretically reduce their costs, however, it is too soon to be able to provide concrete analyses, especially because the full impact of the implementation of the first round of measures has yet to be assessed. Some measures also require further refinement as reflected in Table 1.

Table 1: Progress on Implementation of Project Cycle Streamlining Measures

Streamlining Measure	Implementation Status	Observation/Remaining Issues
1. Simplify project preparation grant request	Started implementation in January 2013: PPG request is now merged into the PIF template and does not require details; amount of PPG is set in line with project grant amount which has helped to further simplify the process.	The Secretariat has noted that the simplification of PPG has led to an increase in PPG request for both FSPs and MSPs by most Agencies. The impact of the streamlining on total allocation to PPG grants is yet to be fully measured. Further observation and analysis are needed to assess the overall cost impact.
2. Increase ceiling for MSPs to \$2 million	Started implementation in January 2013. At least 25 MSPs above \$1 million have been approved as of October 1, 2013.	Agencies are of the opinion that additional streamlining of MSP is necessary and have requested further discussion. An interagency working group has been set up for this purpose.
3. Streamline all project cycle related templates, including revised review sheets.	Key project templates, PIF, CEO endorsement and Review Sheets have been simplified and implementation of these new templates started in January 2013.	In actual practice, PIFs continue to be long despite the template simplification. Additional streamlining ideas are being discussed through a special working group set up for the purpose.
4. Organize multi-focal area project reviews to be more systematic and consistent.	Procedures for the review of MFA projects are in place.	The Secretariat continues to look for ways to improve the review of MFA projects. Agencies have taken initiative to set up a working group to review further streamlining possibilities.

¹ *Streamlining of Project Cycle*, GEF/C.43/06, November 2012. Annex A provides the measures and the implementation status.

Streamlining Measure	Implementation Status	Observation/Remaining Issues
5. Modify milestone extension process	Started implementation in January 2013, Agencies are not required to send request for extension of milestones in the project cycle. Instead, the Secretariat uploads all delayed projects from PMIS and publishes it on the GEF Program Management Bulletin once a month and also reports the delayed projects in the AMR twice a year. The responsibility to provide an update and bring the delayed projects to current status rests with the Agencies.	Secretariat no longer imposes strict rules to recommend cancellations of projects not meeting the standard of 18 or 22 months, leading to possible weakening of performance against this standard. While countries and Agencies have appreciated the reduction in transaction costs of milestone extension requests, OPS5 draft paper cited the decrease of share of projects prepared within 18 months. The Evaluation Office continues to look into reasons for the delays. Agencies note that not all projects are alike; those that do not make the suggested milestones are often more complex, multi-country/regional, and MFAs. The Secretariat is taking stock of the situation, and in collaboration with the Agencies will implement steps to improve performance against the standards, including possibly reinstating the milestone alerts.
6. Tranche payment of Agency fees	Tranche payment of Agencies fees for FSPs started with the first Council work program in April 2013, with 40% at Council approval and the remaining 60% at CEO endorsement.	While operational costs have increased for GEF Secretariat and Trustee, the Agencies are supportive of this reform that provides for a share of the project cycle management costs upstream. .
7. Monitor Agency service standards	PMIS has been tracking the service standard of the Agencies and this indicator has been included in this paper as well as in AMR, Part I, submitted to Council in November 2013.	The current service standard indicator does not reflect the time Agencies wait for country/proponent response. Fine tuning of this indicator should be reviewed.
8. Streamline procedures for enabling activities (EAs)	The streamlining measures recommended in the November 2012 Council paper included delegation of approval of subprojects to the Agencies. The Secretariat and the Agencies have continued discussion on further simplification of EAs. Further simplification is proposed in this paper for Council approval.	Further streamlining of EAs is proposed in this paper to include EA under the same delegated CEO approval authority of medium-sized projects up to and including \$2 million.

3. The Secretariat and the Agencies will continue to collaborate through inter-agency working groups on issues that need further clarification and simplification, many of which can be implemented without Council approval. The Secretariat will periodically report on progress on such streamlining measures with the overall objective of producing savings commensurate with the fee reduction.

PROGRESS ON IMPLEMENTATION OF PILOT HARMONIZATION PROCESS

4. In November 2012, the GEF Secretariat and the World Bank embarked on a project cycle harmonization initiative. Harmonization of the project cycles of the two institutions aims to: (i)

reduce duplication in documentation by simplifying the GEF templates; and (ii) make review processes more effective and interactive by synchronizing review and decision stages of the Bank and GEF. Such an engagement is expected to result in more upstream consultation as well as interaction with task teams during project preparation, which is expected in turn to result in high quality projects that respond more directly to GEF's strategic priorities.

5. It was agreed between the Secretariat and the Bank that: (i) project documentation will be consolidated using the Bank's project templates, while GEF specific information will be provided in an annex; and (ii) the timing of the Secretariat's project identification form (PIF) approval and the Bank's project concept note (PCN) review stages are aligned, with similar alignment between the Secretariat's CEO endorsement and the Bank's Project Decision Meeting (DM) prior to appraisal. In some cases, the GEF Secretariat has also been able to engage during the formulation process through the Bank's Quality Enhancement Reviews (QERs). The Secretariat and the Bank will examine how the QERs can be more structurally formalized in the overall harmonization process.

6. Since the pilot harmonization process started in November 2012, a total of 25 projects have entered the streamlined process at PCN stage. Despite the pilot's short experience, a few preliminary issues emerge. First, at the Bank's PCN stage, the documentation that is made available to the Secretariat for review generally includes less detailed information than that available in PIFs before the pilot.² This generally reflects the fact that the Secretariat is engaging at the early stage of the project concepts in the Bank cycle, and the project review and approval by the Council tend to be made on the basis of this early body of information. Recognizing the upstream nature of concept reviews, the Secretariat has been providing specific guidance regarding the expectations of details to be reflected in project design, which will be carried through to the QER and endorsement stages.

7. Second, improvements related to initiation of the harmonization process include, simplification of project documentation, shortening of the Secretariat's project review period to align it with the Bank's cycle (from a 10-day to a 5-day review) and, familiarization of Secretariat staff with the Bank's procedure and quality assurance mechanisms while in tandem, a broader set of Bank staff have become familiar with the review and funding requirements of the GEF. At the same time, introduction of the harmonization pilot with the Bank has led to the situation of two different project cycles, one for the Bank and another for other Agencies, requiring adjustments within the Secretariat with regards to processing, reviewing, and filing the projects in a timely and transparent manner. Currently, the time spent by the Secretariat staff on reviewing and processing projects overall has therefore increased.

8. In general, the Secretariat and the Bank consider the pilot as a valuable measure to enhance strategic engagement. Of the 25 projects that entered the streamlined process at the PCN stage, no project has yet completed the full preparation cycle under the harmonized process, from concept to endorsement. As a result, more experience with a complete project cycle

² The Bank's advises that this is in line with its upstream project development process, which is iterative and guidance-based.

overview is needed to derive any definitive assessment of the impacts in terms of efficiency and effectiveness. Meanwhile, the Secretariat and the Bank will continue to work on: (i) options to ensure that information made available both to the Secretariat and the Council at the two decision stages is sufficient enough for the Secretariat and the Council to make decisions; and (ii) options to document and disclose the relevant project documentations, including project review comments and responses, in an effective manner. The Secretariat and the Bank will further analyze the experience and data, and provide updates to the Council at the June 2014 Council meeting to discuss further recommendations toward the process.

PROJECT CYCLE EFFECTIVENESS INDICATORS

9. At its November 2012 meeting, the Council requested the Secretariat to report on the effectiveness and efficiency of the streamlining reforms as part of the Annual Monitoring Review.³ In particular, the Secretariat is tasked to track the following:⁴ (i) time elapsed between submission of a project concept by a country to a GEF Agency and the submission of the PIF to the GEF Secretariat; (ii) time elapsed between PIF approval by the GEF Council and CEO endorsement; and (iii) time elapsed between CEO endorsement and first disbursement.

10. For the first indicator - time elapsed between submission of a project concept by a country to a GEF Agency and submission of the PIF to the GEF Secretariat - currently, no information is available. In order to track this indicator, the Secretariat had developed a web-based pre-PIF development and submission module for the use by operational focal points. Despite Secretariat's efforts at encouraging focal points to submit proposals using this system, to date it remains unutilized.

11. For third indicator - time elapsed between CEO endorsement and first disbursement --the Secretariat in cooperation with the Agencies will report an analysis of this indicator through the Annual Monitoring Review, Part II, in June 2014, as requested by the Council at its June 2013 meeting.

12. The analysis in this section will therefore cover the second indicator - time elapsed between PIF approval by the GEF Council and CEO endorsement. In addition, at the request of the Council, the service standard of the Agencies is also being reported for the first time.

Project Cycle Performance

13. The standard for project preparation has been set at a maximum of 22 months for GEF-4 projects and 18 months for GEF-5 projects.

GEF-4 Projects

14. The Council approved 462 projects in GEF-4. Of these, 435 projects have been endorsed. Of the total endorsed projects, 63 percent were endorsed within the 22-month

³ A more detailed report is presented in the *Annual Monitoring Review, Part I* (GEF/C.45/05).

⁴ Highlights of the 43rd Council Meeting, November 2012.

standard, while 37 percent exceeded the standard; the average preparation time of all endorsed projects was 19 months. Twenty seven GEF-4 projects are yet to be endorsed, all of which have already exceeded the standard of 22 months.

GEF-5 Projects

15. To-date, the GEF Council has approved 366 projects in GEF-5. Of these, 92 projects have been endorsed. Of the total endorsed projects, 71 percent (65 projects) were endorsed within the 18 month standard; 29 percent (27 projects) exceeded the standard. The average preparation time for all endorsed projects to date is 13 months. There are 274 approved projects yet to be endorsed, of which 54 projects have already exceeded the 18-month standard.

Table 2: GEF-5 Project Cycle Performance

All Council approved projects from July 2010 to September 2013	Number of projects	Average processing time (months)	Share (%)
All Council approved Projects	366		
Projects Endorsed to-date	92		25
of the 92 endorsed, projects that endorsed < 18 months	65		71
average months for these 65 projects		10	
of 92 endorsed projects , projects endorsed > 18 months	27		29
average months for these 27 projects		21	
Average months for all that came for endorsement (92)		13	
Projects not endorsed to-date	274		75
out of 274 projects, projects > 18 months	54		20
average months of these un-endorsed projects (54)		21	

16. Project Cycle Performance Indicator based on Evaluation Office (EO) methodology: It should be noted that in the recent draft OPS5 report, it was reported that for all approved GEF-5 projects, only 43 percent were endorsed within the standard of 18 months. The Evaluation Office has employed a new methodology, shifting away from tracking averages to tracking cohorts of PIFs approved by the Council at least 18 months earlier.

17. The Secretariat will continue to work with the Evaluation Office to review the new methodology in reporting efficiency indicators associated with project cycle performance.

18. The Secretariat and the Agencies recognize that any deterioration of performance against project cycle standards needs to be halted. The Secretariat has initiated a comprehensive stock-taking of all the projects that have been approved by the Council to date (GEF-4 and GEF-5) that are overdue (or close to 18 months) for CEO endorsement. The Secretariat is willing, in collaboration with the Agencies, to develop measures to expedite project preparation.⁵ The

⁵ In the most extreme cases, where long preparation times indicate a weakness regarding the feasibility of the project, cancellations may be undertaken and resources returned to the GEF Trust Fund.

Secretariat will continue to report on the project cycle performance in the Annual Monitoring Review.

Service Standards

19. The standard has been set at 10 business days for both the Secretariat and the Agencies. As shown in Table 2, the GEF Secretariat met the service standard for 57 percent of the submissions in FY13 whereas the Agencies met the standard for 40 percent. The declining efficiency at the GEF Secretariat in FY13 could be attributed partially to the learning curve of the staff with the pilot harmonization process with the Bank. As staff gain more experience with the new process, the indicator is expected to improve. It should be noted that the service standard for the Agencies measures only the direct exchanges between the Agencies and the Secretariat. Agencies explained that in many instances, they have to wait for an agreement or discussion with the countries before they are able to respond to the queries of the Secretariat as conveyed in the review sheet. In these instances, time spent in consultation with countries helps explain a part of the lower compliance percentage.

Table 3: Indicators of Efficiencies in Service Standards

	FY 11	FY 12	FY 13
1. Share of PIF/PPG submissions responded to by the Secretariat within 10 days (10 day service standard)*	67%	77%	57%
2. Share of PIF/PPG requests re-submitted by Agency within 10 days after receiving the Secretariat response (10 day service standard)	62%	70%	40%

* Does not include enabling activities (EAs). The indicator tracks the 10-day service standard of the Secretariat and is calculated by submissions.

FURTHER STREAMLINING OF PROJECT CYCLE THAT REQUIRES COUNCIL DECISION

27. Proposed for Council consideration is further streamlining of the project cycle by simplifying procedures for enabling activities. Currently, a ceiling for enabling activities under expedited approval procedures with approval delegated to the CEO is set at \$500,000. Some of the conventions that the GEF serves as a/the financial mechanism are providing the guidance to the GEF to support enabling activities that exceed \$500,000.⁶ Council may recall that in August 2013 the Secretariat submitted an intersessional work program containing six enabling activities, each of which had a grant request beyond the CEO approval authority of \$500,000.

⁶ A recent decision of the UNFCCC Conference of the Parties requires that countries should submit their biennial update reports (BURs) on top of the national communications reports. Accordingly, the GEF was requested to make available resources to support the Non-Annex 1 Parties in the preparation of their first BUR as early as possible in 2012 and on the basis of agreed full cost funding. The amount requested for the preparation of the BUR is up to \$352,000, and for the national communications, up to \$500,000, bringing total resources required up to \$852,000 which is beyond the cap allowed for CEO to approve under the expedited approval authority for enabling activities. The Council is therefore requested to include the expedited approval of enabling activities under the same delegated CEO approval authority for medium-size projects of up to and include \$2 million.

20. The request presented in this paper is for a Council decision that the CEO's delegated approval authority of up to \$2 million for medium-sized projects will also cover the expedited approval of enabling activities. Upon Council approval of this decision, the approval of enabling activities will result in time savings of as much as two months or longer.