

48th GEF Council Meeting
June 02 – 04, 2015
Washington, D.C.

Agenda Item 06

**EXPEDITING THE PREPARATION
OF THE STOCK OF DELAYED PROJECTS**

Recommended Council Decision

The Council, having reviewed document GEF/C.48/04, *Expediting the Preparation of the Stock of Delayed Projects*, approves the following:

- (a) A one-time cancellation by June 30, 2016 of overdue: (i) FSPs whose PIFs were approved prior to the October 2014 Council Meeting; and (ii) MSPs whose PIFs were approved prior to the June 2015 Council Meeting. Submissions to the Secretariat should include complete documentation for review for endorsement or approval. Any resources from cancelled projects would be returned to the overall GEF Trust Fund for re-programming as per the provisions of the GEF-6 replenishment; and
- (b) An amendment to the Project Cancellation Policy previously approved in the October 2014 Council Meeting to include provisions for cancellation of overdue MSPs that are approved after June 2015 Council, as set out in Annex II.

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INTRODUCTION

1. At its 47th Meeting in October 2014, the GEF Council approved an updated *Project Cancellation Policy*, as proposed in document GEF/C.47/07, *Improving the GEF Project Cycle*, and set out in Annex 2 of the document. At that meeting, the Council requested the GEF Secretariat to provide at the 48th Council Meeting: (i) an analysis of the stock of projects approved prior to the 47th Council Meeting and are delayed more than 18 months after approval of the project identification form (PIF) by the GEF Council and pending CEO endorsement; and (ii) to provide recommendations on how to address the issue, including possible modalities for inclusion in the updated Project Cancellation Policy.¹

2. This document: (i) provides an analysis of the overdue² project stock as of April 30, 2015, (ii) recommends next steps to address the issue of the overdue project stock; and (iii) proposes that the Project Cancellation Policy be amended to include provisions to cover overdue medium-sized projects.

ANALYSIS OF OVERDUE PROJECTS AS OF APRIL 30, 2015

3. **The stock of overdue full-sized projects remains high** – as of April 30, 2015, it includes 70 full-sized projects (FSPs) amounting to \$435 million, accounting for about 6 percent of the total resources approved in GEF-4 and GEF-5. More than half of these projects have been in design for more than 24 months. While progress is being made in endorsing projects, the stock continues to be high. For example, since September 2014 - the date used for the last analysis presented to Council, when 63 FSPs were overdue - 2 overdue full-sized projects have been cancelled and 41 overdue projects endorsed. However, this has been offset by 50 full-sized projects becoming newly overdue in this period, which may be further increased by another cohort of up to 39 projects³ that could become overdue by June 2015 unless these are endorsed beforehand.

4. **Table 1 shows the number of overdue FSPs and their corresponding grant amounts**, according to the length of time since PIF approval:

Table 1: Overdue Projects by Length of Time (in Months) since PIF Approval

| | FSP | Share (%) |
|---|------------|------------|
| Number of overdue projects | | |
| more than 36 months under preparation | 4 | 6 |
| 24-36 months under preparation | 32 | 46 |
| 18-24 months under preparation | 34 | 49 |
| | 70 | 100 |
| Grant amount of overdue projects | | |
| more than 36 months under preparation | 38,807,273 | 9 |

¹ The updated Project Cancellation Policy approved by the Council in October 2014 applies only to full-sized projects approved since the approval of the Policy, including the work program approved by the Council in October 2014.

² 'Overdue projects' are defined as: (1) FSPs that have not been CEO endorsed and have been in the pipeline for more than 18 months since PIF approval by Council and (2) MSPs that have not been CEO- approved and have been in the pipeline for more than 12 months since PIF approval by CEO.

³ These 39 FSPs (\$197 million) were approved in the November 2013 work program.

| | | |
|--------------------------------|--------------------|------------|
| 24-36 months under preparation | 181,105,456 | 42 |
| 18-24 months under preparation | 214,936,338 | 49 |
| | 434,849,067 | 100 |

5. **In addition, there are also 25 medium-sized projects, with a corresponding grant amount of \$36 million,** that have been under preparation for durations exceeding the 12-month standard. The total number of overdue projects is, therefore, 95, with a total grant amount of \$471 million.

6. **It should be noted that only a small number of delayed projects are pending review at the GEF Secretariat.** As of April 30, 2015, 13 percent of the total number of delayed projects were both pending for CEO endorsement/approval and exceeded the Secretariat’s 10-day service standard for review. As explained earlier in Council Document GEF/C.47/07, *Improving the GEF Project Cycle*, the time spent at the Secretariat for project review typically contributes only about 13 percent to the project preparation time between PIF approval and CEO endorsement – the majority of the time is spent in the project design preparation involving the Agencies and countries.

7. **A more detailed analysis of the overdue project stock as of April 30, 2015 is presented in Annex I.**

ANALYSIS OF REASONS FOR DELAYS

8. **The GEF Secretariat has conducted a statistical analysis of the project portfolio followed by a survey among stakeholders on the reasons attributed to projects becoming overdue.** This analysis suggests that the reasons for delays cannot be generalized according to generic country or project features, but instead reflected common institutional challenges in managing projects. Details can be found in Annex I. Key conclusions are:

- (a) **No statistically significant correlations were found between project preparation time and either country or key project characteristics** (e.g. GDP per capita, the STAR Country Performance Index (CPI), grant size, implementing GEF Agency, and focal area).
- (b) **Based on a survey of Agencies and country operational focal points (OFPs), a few reasons predominated for the delay.** Changes in either government teams or implementing GEF Agency staff were the most frequently identified reasons, followed by problems associated with design and implementation of project preparation grants (PPGs) and co-financing issues. Lengthy governmental consultation and changes in project designs or baselines are also important factors contributing to delays. A fuller listing and analysis of reasons cited for delay is provided in Table 7 of Annex I.

RECOMMENDATIONS/NEXT STEPS

9. **The Secretariat recommends two measures to the Council:** (i) a one-time cancellation of the stock of overdue full-sized projects approved prior to Council approval of the Project Cancellation Policy in October 2014, and overdue medium-sized projects approved prior to June 2015 Council Meeting; and (ii) inclusion of provisions for overdue medium-sized projects (MSPs)

in the Project Cancellation Policy, with a 12-month preparation standard. These are explained in greater detail below.

Recommendation 1: Addressing Overdue FSPs Approved before the October 2014 Council and MSPs Approved by CEO before the June 2015 Council

10. **As indicated, the level of resources tied up with the stock of overdue projects is significant.** For projects that cannot be submitted for endorsement or approval in a reasonable time-frame, the resources are better deployed in newer projects that have more potential for generating global environmental benefits. The existing incentives in the system at times are not leading the stakeholders to make hard decisions, either to speed up processing to meet the targets or, if not feasible, to cancel projects. Given the lack of a single universal causal factor related to country or project characteristics, a generalised approach should therefore be considered.

11. **To provide the right signal and incentives to countries and GEF Agencies, the Secretariat proposes a one-time approach to cancel the stock of overdue projects as of June 30, 2016.** Overdue FSPs whose PIFs were approved prior to the October 2014 Council Meeting, and overdue MSPs whose PIFs were approved prior to the June 2015 Council, would therefore be cancelled by June 30, 2016 if Agencies have not submitted them with complete documentation to the Secretariat for review and endorsement/approval. Any resources from cancelled projects would be returned to the overall GEF Trust Fund for re-programming as per the provisions of the GEF-6 replenishment. In advance of this deadline, the Secretariat will continue to work intensively with Agencies and countries to expedite the preparation of projects for submission. It is proposed that the same exception provision⁴ as in the Project Cancellation Policy be included in this one-time approach.

Recommendation 2: Inclusion of Provisions for Overdue Medium-sized Projects in the GEF Project Cancellation Policy

12. **The Secretariat proposes amending the Project Cancellation Policy to include provisions for overdue medium-sized projects.** The Project Cancellation Policy, as updated in October 2014, did not include medium-sized projects.⁵ Given the number of delayed MSPs, their inclusion in the policy is also necessary to expedite design times. The full text of the Policy, with proposed amendments bolded and underscored, is set out in Annex II. Through these changes, MSPs approved by CEO after the June 2015 GEF Council will be subject to the proposed Project Cancellation Policy with amendments submitted for this June 2015 Council Meeting.

⁴ Cases of an extraordinary event or circumstances clearly beyond the control of the parties, such as a war, flood, earthquake or epidemic, which prevents them from meeting the business standards.

⁵ MSPs are processed under a 12-month standard between PIF approval and CEO approval.

ANNEX I: ANALYSIS OF OVERDUE PROJECTS

Part 1 - Analysis of Overdue Projects as of April 30, 2015

Overdue Projects by Length of Time (in Months)

1. **The stock of overdue projects remains high** - As of April 30, 2015, there were 95 projects amounting to a total of \$471 million that were overdue for CEO endorsement/approval⁶ - 70 FSPs and 25 MSPs. Table 1 categorizes delayed projects, according to number as well as grant amount, according to lengths of months since PIF approval. Forty-five percent of the total number of overdue projects (34 FSPs and 9 MSPs) was less than 24 months but more than 18 months under preparation, representing \$228 million by grant amount, or 48 percent of the total in overdue grant funds.

Table 1: Overdue Projects by Length of Time (in Months) since PIF Approval

| | FSP | MSP | Total | Share (%) |
|--|--------------------|-------------------|--------------------|------------|
| Number of overdue projects | | | | |
| more than 36 months under preparation | 4 | 0 | 4 | 4 |
| 24-36 months under preparation | 32 | 1 | 33 | 35 |
| 18-24 months under preparation | 34 | 9 | 43 | 45 |
| 12-18 months under preparation (MSP only) | - | 15 | 15 | 16 |
| | 70 | 25 | 95 | 100 |
| Grant amount (\$) of overdue projects | | | | |
| more than 36 months under preparation | 38,807,273 | 0 | 38,807,273 | 8 |
| 24-36 months under preparation | 181,105,456 | 1,716,895 | 182,822,351 | 39 |
| 18-24 months under preparation | 214,936,338 | 12,974,096 | 227,910,434 | 48 |
| 12-18 months under preparation (MSP only) | - | 21,153,962 | 21,153,962 | 4 |
| | 434,849,067 | 35,844,953 | 470,694,020 | 100 |

Overdue Projects with/without submission

2. The analysis also indicates that as of April 30, 2015, 13 percent of the total number of delayed projects were pending for CEO endorsement/approval and exceeded the Secretariat's 10-day service standard for review, while another 5 percent were within the 10-day standard, and a further 23 percent were submitted but returned to the Agency for further revision. Out of the 12 projects that were pending for CEO endorsement/approval and exceeded the Secretariat's 10-day service standard for review, 8 were already beyond the 18 month (FSP) or 12 month (MSP) target when they were first submitted to the GEF Secretariat. As explained in Council Document GEF/C.47/07, *Improving the GEF Project Cycle*, with some exceptions, the time spent at the Secretariat for project review contributed only a small amount of time (approximately 13 percent on average) in the project cycle performance target of 18 months. Majority of time was spent in the project design preparation.

⁶ Overdue projects are: (1) FSPs that have not been CEO endorsed and have been in the pipeline for more than 18 months since PIF approval by Council and (2) MSPs that have not been CEO- approved and have been in the pipeline for more than 12 months since PIF approval by CEO.

Table 2: Overdue Projects Submitted for GEF Secretariat Review

| | By number | Share (%) | By grant amount (\$) | Share (%) |
|---|-----------|------------|----------------------|------------|
| Overdue Projects with submission | 39 | 41 | 180,591,856 | 38 |
| <i>Submission returned to Agency</i> | 22 | 23 | 100,733,924 | 21 |
| <i>Submission pending at GEF, exceeding 10-day service standard</i> | 12 | 13 | 62,560,192 | 13 |
| <i>Submission pending at GEF, within 10-day service standard</i> | 5 | 5 | 17,297,740 | 4 |
| Overdue Projects without submission | 56 | 59 | 290,102,164 | 62 |
| Total | 95 | 100 | 470,694,020 | 100 |

Overdue Projects by Focal Area

3. Reflecting relative shares of the portfolio, climate change, multi-focal area (MFA), and biodiversity constitute the largest share of overdue projects.

Table 3. Number of Overdue Projects vs. Number of FSPs and MSPs Approved in GEF-4 & 5, by Focal Area

| | Number of Overdue Projects | Share of Overdue Projects (%) | Total Projects Approved in GEF-4 & 5 | Share of Total GEF-4 & 5 Approvals (%) |
|----------------------|----------------------------|-------------------------------|--------------------------------------|--|
| Climate Change | 32 | 34 | 599 | 36 |
| Biodiversity | 17 | 18 | 419 | 25 |
| Multi Focal Area | 29 | 31 | 308 | 18 |
| POPs & ODS | 7 | 7 | 156 | 9 |
| International Waters | 6 | 6 | 108 | 6 |
| Land Degradation | 4 | 4 | 90 | 5 |
| | 95 | 100 | 1,680 | 100 |

Table 4. Grant amount of Overdue Project vs. Grant Amount of GEF-4 & 5 FSP & MSP Approvals, by Focal Areas

| | Overdue Project Grant Amount (\$ million) | Share (%) | Grant Amount of GEF-4 & 5 FSP & MSP Approvals (\$ million) | Share (%) |
|----------------------|--|------------------|---|------------------|
| Climate Change | 195 | 41 | 2,513 | 36 |
| Multi Focal Area | 141 | 30 | 1,837 | 26 |
| Biodiversity | 41 | 9 | 1,232 | 18 |
| POPs & ODS | 54 | 11 | 577 | 8 |
| International Waters | 31 | 7 | 528 | 8 |
| Land Degradation | 9 | 2 | 253 | 4 |
| | 471 | 100 | 6,939 | 100 |

Overdue Projects by Agencies

4. As with focal areas, Agency shares of overdue projects broadly reflect their relative shares in the overall GEF portfolio:

Table 5: Number of Overdue Projects vs. Number of GEF-4 & 5 FSP & MSP Approvals, by Agencies

| | Number of Overdue Projects | Share (%) | Number of FSPs and MSPs Approved in GEF-4 & 5 | Share (%) |
|----------------|-----------------------------------|------------------|--|------------------|
| UNDP | 28 | 29 | 687 | 41 |
| UNEP | 31 | 33 | 273 | 16 |
| World Bank | 9 | 9 | 252 | 15 |
| UNIDO | 4 | 4 | 132 | 8 |
| FAO | 8 | 8 | 101 | 6 |
| Joint Agencies | 0 | 0 | 71 | 4 |
| IADB | 7 | 7 | 46 | 3 |
| IFAD | 1 | 1 | 39 | 2 |
| ADB | 0 | 0 | 33 | 2 |
| AfDB | 7 | 7 | 24 | 1 |
| EBRD | 0 | 0 | 12 | 1 |
| CI | 0 | 0 | 6 | 0 |
| WWF-US | 0 | 0 | 4 | 0 |
| Total | 95 | 100 | 1680 | 100 |

Table 6: Grant Amount of Overdue Projects vs. Grant Amount of GEF-4 & 5 FSP & MSP Approval, by Agencies

| | Grant Amount of Overdue Projects (\$ million) | Share (%) | Grant Amount of GEF-4 & 5 FSP & MSP Approvals (\$ million) | Share (%) |
|--------------|--|------------------|---|------------------|
| UNDP | 100 | 21 | 2,666 | 38 |
| World Bank | 91 | 19 | 1,499 | 22 |
| UNEP | 118 | 25 | 720 | 10 |
| Joint Agency | - | 0 | 419 | 6 |
| UNIDO | 16 | 3 | 415 | 6 |
| FAO | 37 | 8 | 392 | 6 |
| IADB | 65 | 14 | 246 | 4 |
| AfDB | 34 | 7 | 175 | 3 |
| IFAD | 10 | 2 | 148 | 2 |
| ADB | - | 0 | 32 | 2 |
| EBRD | - | 0 | 83 | 1 |
| WWF-US | - | 0 | 24 | 0 |
| CI | - | 0 | 18 | 0 |
| Total | 471 | 100 | 6,939 | 100 |

Analysis of Reasons for Delays

5. The GEF Secretariat has shared the overdue project list with all Agencies on a monthly basis since December 2013. In late November 2014, the Secretariat sent an overdue list as of November 19, 2014 to all Agencies with a request that they identify reasons for delays for each project in the list. The list was then updated as of January 7, 2015, and again as of March 31, 2015.

6. The Secretariat also consulted recipient country operational focal points and GEF Secretariat Program Managers in order to build up a comprehensive picture of reasons associated with delays for every project in the list. Table 7 presents the main reasons identified and associated frequencies among the projects in the list. Changes in either government teams or implementing agency staff were the most frequently identified reasons, followed by problems associated with design and implementation of project preparation grants (PPGs) and co-financing issues. Lengthy governmental consultation and changes in project design or project baselines were also important reasons for delays.

Table 7. Reasons for delays and Frequencies of occurrence

| Reasons | Frequencies | Share (%) |
|--|--------------------|------------------|
| Change in Govt./GEF Partner Agency staff | 18 | 17 |
| PPG problem (execution/design) | 16 | 15 |
| Co-financing issues | 16 | 15 |
| Lengthy governmental consultation | 10 | 9 |
| Change in project design/baseline | 9 | 8 |
| Incomplete documentation by Agency | 7 | 7 |
| Political turmoil | 5 | 5 |
| Others: | 25 | 24 |
| <i>Political sensitivities</i> | 4 | 4 |
| <i>Regional project with lots of participating countries</i> | 4 | 4 |
| <i>Delays by consultants</i> | 4 | 4 |
| <i>Project transfer between Agencies</i> | 3 | 3 |
| <i>Ebola crisis/Natural disaster</i> | 3 | 3 |
| <i>Country capacity constraints</i> | 2 | 2 |
| <i>Agency capacity constraints</i> | 2 | 2 |
| <i>Difference between Agency's and GEF's project cycle</i> | 2 | 2 |
| <i>Safeguard issues</i> | 1 | 1 |
| | 106 | 100 |

Note: Reasons for delay were not reported for all projects. Some projects had more than one reason reported for delay. Thus, this table includes the total frequencies of reported reasons and not total number of projects.

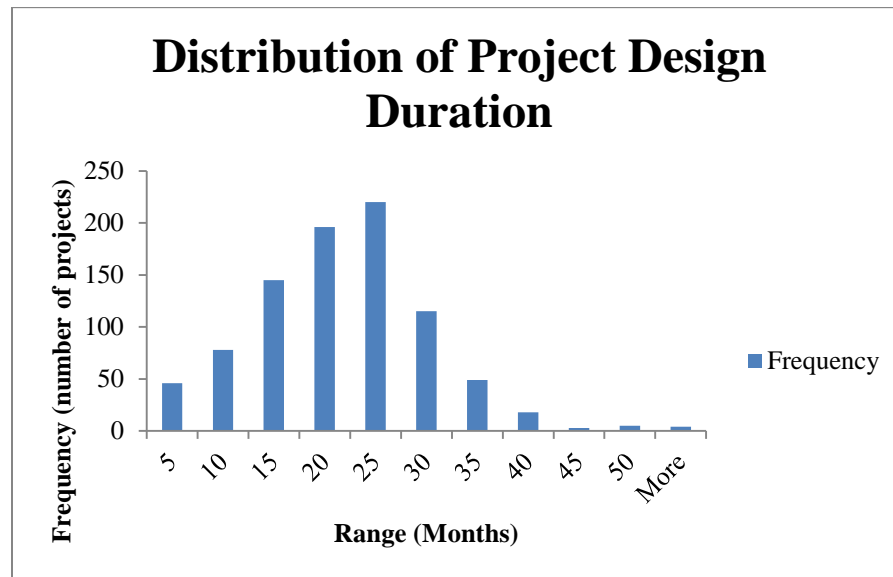
Part 2 - Data Analysis on the Complete GEF Database

7. A statistical analysis of the entire GEF database for FSPs approved from GEF-3 through GEF-6 was undertaken to assess any correlations or features that might determine project design speed. Data from 879 CEO-endorsed FSPs from GEF-3 through GEF-6 were used for this analysis.

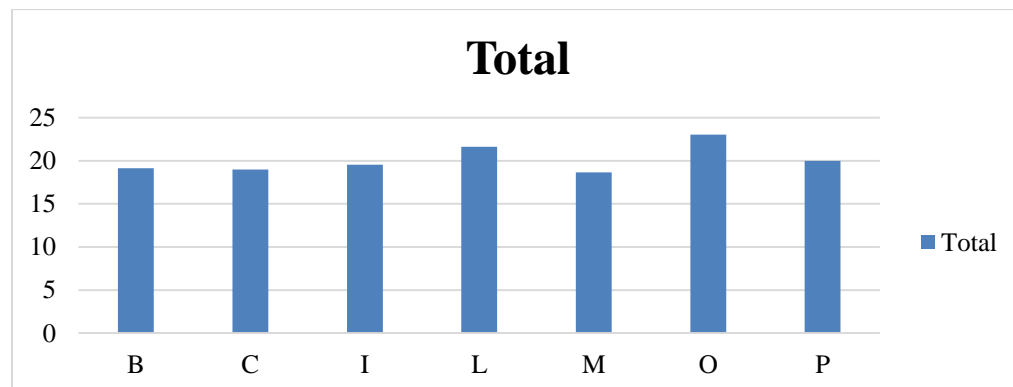
8. The Council Document, GEF/C.47/07, *Improving the GEF Project Cycle*, presented the following conclusion from an analysis that examined whether there were any relationships between project-related factors and project preparation time (i.e. from PIF approval to CEO endorsement): *“there is no single dominant factor causing project design delays. Delays are often related to project specific factors. The Secretariat has convened a number of tripartite meetings (Secretariat, GEF Partner Agency, and operational focal points in recipient countries) to understand better the reasons for delays, and has undertaken data analysis to assess the causes - a preliminary statistical analysis of overdue projects found no major correlation between project preparation time and characteristics such as GDP, region, focal area, GEF Partner Agency and the country.”*

9. The Secretariat has updated the statistical analysis using a cut-off date of March 2015. As before, no significant relationships were found between project preparation time and characteristics such as the size of the project grant, GDP per capita, focal area, GEF Implementing Agency, and country performance⁷.

10. Of these 879 projects, 366 (42%) fell within the 18-month standard, while 513 projects (58%) did not. The mean time between PIF approval and CEO endorsement is 19.2 months. The most frequently occurring value is 20 months. The correlation coefficient between time and project grant size is 0.137, indicating no correlation between these two variables.



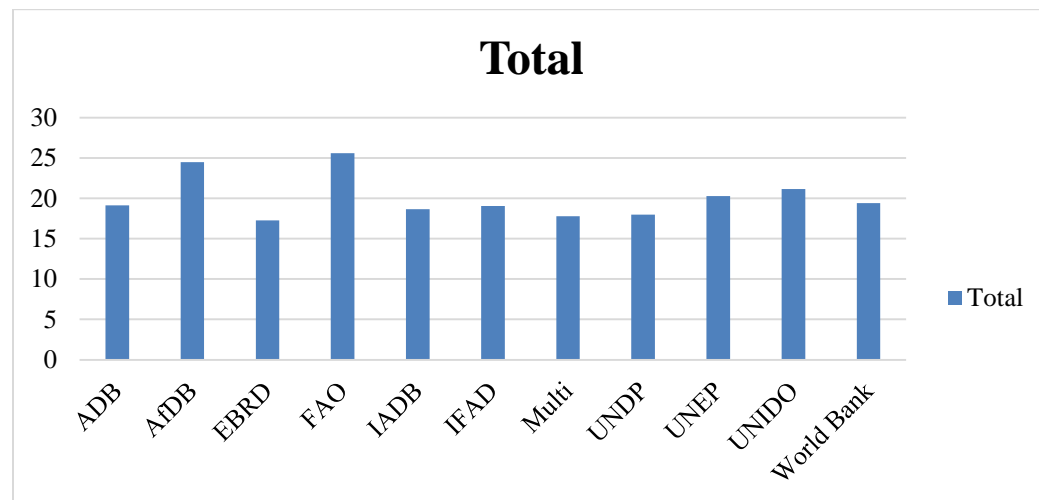
By Focal Area



⁷ The Country Performance Index of the GEF’s System for Transparent Allocation of Resources (STAR) was used as a measure of country performance.

By Agency

11. The results, by Agency are presented below. Projects implemented by more than one Agency are grouped together as “multi” in the table.



By Country Characteristics

12. Given that the dataset is categorized by project, when looking at country level trends, the dataset was modified to give a unique data point to each country. For each country, the average number of months to CEO endorsement was calculated and this was the Y variable against which all country level analysis was done. It is fairer to use averages rather than counts of project delays per country, since each country has different numbers of projects.

13. Two country level criteria from the STAR database were used to analyse the project dataset: GDP per capita, and the Country Performance Index (CPI) (an Index within the STAR model that is designed to measure country performance). This data was sourced from the GEF-6 STAR database.

14. The correlation between average time per country and the CPI is 0.02. The correlation coefficient between average time per country, and GDP per capita, is -0.13. Both of these values are very close to 0, indicating that there is no correlation.

15. Across the portfolio, no major differences in project design times were seen when comparing the following groups of countries with each other: SIDS and non-SIDS, LDCs and non-LDCs, or among different country income categories or regions, as set out in the tables below:

Averages by SIDS and non-SIDS

| | |
|----------|----|
| Non-SIDS | 20 |
| SIDS | 19 |

Averages by LDCs and non-LDCs

| | |
|----------|----|
| Non-LDCs | 19 |
| LDCs | 20 |

Averages by Income Category

| <i>Income Category</i> | <i>Average</i> |
|------------------------|----------------|
| HIC | 17 |
| UMIC | 19 |
| LMIC | 20 |
| LIC | 20 |

Averages by GEF Region

| <i>Region</i> | <i>Average</i> |
|---------------|----------------|
| AFR | 20 |
| Asia | 20 |
| ECA | 18 |
| LAC | 19 |

ANNEX II: PROPOSED AMENDMENTS TO GEF POLICY OP/PL/01: *PROJECT CANCELLATION*

PROJECT CANCELLATION

INTRODUCTION

1. This Policy aims to improve the GEF's operational efficiency, particularly in terms of the amount of time it takes to prepare and deliver projects, as a means to accelerate the achievement of the GEF's objectives in terms global environmental benefits and adaptation to climate change. It also aims to ensure that GEF-financed projects remain relevant to the objectives and priorities of the GEF and recipient countries. It does so by requiring improved management of the portfolio of GEF-financed projects and programs, provision of incentives for the timely preparation, processing, and implementation of projects; and clarification of criteria and requirements for the cancellation or suspension of projects.

OBJECTIVES

2. This Policy sets out principles, rules, and procedures to cancel or suspend projects/programs at different stages in the GEF project cycle.

KEY PRINCIPLES

3. The Secretariat, in consultation with recipient countries and in collaboration with the GEF Partner Agencies, actively manages the GEF project cycle according to the following time-standards that have been approved by the GEF Council as part of the GEF project cycle:

- (a) Full-sized projects (FSPs) receive CEO endorsement no later than 18 months after the Council approves the relevant work program that included the Project Identification Form (PIF).
- (b) **Medium-sized projects (MSPs) receive CEO approval no later than 12 months after CEO approves the MSP PIF.**
- (c) Program Framework Documents (PFD) for programmatic approaches include a commitment deadline (hereafter PFD commitment deadline) before which the participating GEF Partner Agencies are required to submit child project documents for Secretariat review for CEO endorsement. Such deadlines are to be agreed with the Lead Agency prior to submission of the PFD for Council approval.

4. The recipient country, the GEF Partner Agency or the CEO may cancel or suspend a project as follows:

- (a) Prior to CEO endorsement/approval of a Project, as set forth in paragraphs 5 **and 6** below.⁸ Partner Agencies, after consultation with countries, may also cancel a project.
- (b) After CEO endorsement/approval, the Partner Agency may terminate or suspend a project in accordance with its policies and procedures.

⁸ As previously decided by Council, the CEO may also cancel a project on the basis of detection of corruption or fraudulent practices during procurement of a contract, if confirmed by the GEF Partner Agencies according to its policies and procedures, where the grantee/borrower has failed to take action acceptable to the GEF to remedy the situation. See GEF/C.31/07, *GEF Project Cycle*, approved by the Council in June 2007.

CANCELLATION PRIOR TO CEO ENDORSEMENT/APPROVAL

Full-sized Projects

5. The Secretariat and the Partner Agencies will use the following procedure to help ensure that the project time-standard set forth in paragraph 3 (a) is met:
- (a) After 12 months from the date of Council approval of a PIF, if a project has not been submitted for CEO endorsement, the Secretariat notifies the Partner Agency and recipient country Operational Focal Points⁹ in writing of the Secretariat's expectation to receive the project for endorsement within the next six months.
 - (b) After 18 months from the date of Council approval of the PIF, if the project (with the required documentation¹⁰) has not been submitted for CEO endorsement,¹¹ the CEO notifies the Partner Agency, the recipient country Operational Focal Point, and the Trustee informing them of the cancellation of the project stating an effective date for the cancellation.¹²
 - (c) Country Operational Focal Points (or the Partner Agencies for global and regional projects) may request an exception from the CEO to the cancellation of a project before this 18-month deadline only in cases of an extraordinary event or circumstances clearly beyond the control of the parties, such as a war, flood, earthquake or epidemic, which prevents them from meeting the business standards in paragraph 3 (a). After consideration of the exception request and provided that the request is received prior to the last day of the 18th month, the CEO determines whether to grant a one-time exception for up to twelve months, and communicates such decision in writing. The CEO communicates any exception decision to the Council for information and posts the information on the GEF website.
 - (d) If a project is cancelled by the CEO in accordance with the paragraphs 5 (a-c), parties may resubmit the project for CEO endorsement within one year from the effective date of cancellation without resubmitting a PIF. Subject to availability of resources in the GEF Trust Fund (and in the country's STAR allocations), and the project meeting the required criteria for endorsement, the Secretariat circulates the project for a four-week review¹³ by the Council prior to CEO endorsement.

⁹ In the case of regional and global projects, communication will be directed to all the participating country Operational Focal Points.

¹⁰ Projects submitted for CEO endorsement are expected to have completed appraisal and ready for implementation following approval procedures of the GEF and the GEF Agency.

¹¹ Note that the cancellation policy requires *submission* of documents for CEO endorsement no later than the 18th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 18th months for final CEO endorsement.

¹² A list of all projects cancelled under this policy is reported to the Council as part of the bi-annual Programming Report. STAR resources for projects cancelled within a replenishment period where the PIF was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

¹³ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF.

Medium-sized Projects

6. The Secretariat and the Partner Agencies will use the following procedure to help ensure that the project time- standard set forth in paragraph 3 (b) is met:

- (a) After 6 months from the date of CEO approval of a PIF, if a project has not been submitted for CEO approval, the Secretariat notifies the Partner Agency and recipient country Operational Focal Points¹⁴ in writing of the Secretariat's expectation to receive the project for approval within the next six months.
- (b) After 12 months from the date of CEO approval of the PIF, if the project (with the required documentation¹⁵) has not been submitted for CEO approval¹⁶, the CEO notifies the Partner Agency, the recipient country Operational Focal Point, and the Trustee informing them of the cancellation of the project stating an effective date for the cancellation¹⁷.
- (c) Country Operational Focal Points (or the Partner Agencies for global and regional projects) may request an exception from the CEO to the cancellation of a project before this 12-month deadline only in cases of an extraordinary event or circumstances clearly beyond the control of the parties, such as a war, flood, earthquake or epidemic, which prevents them from meeting the business standards in paragraph 3 (b). After consideration of the exception request and provided that the request is received prior to the last day of the 12th month, the CEO determines whether to grant a one-time exception for up to six months, and communicates such decision in writing. The CEO communicates any exception decision to the Council for information and posts the information on the GEF website.
- (d) If a project is cancelled by the CEO in accordance with the paragraphs 6 (a-c), parties may resubmit the project for CEO approval within six months from the effective date of cancellation without resubmitting a PIF. Subject to availability of resources in the GEF Trust Fund (and in the country's STAR allocations), and the project meeting the required criteria for approval, the CEO may approve the resubmitted project.¹⁸

¹⁴ In the case of regional and global projects communication will be directed to all the participating country Operational Focal Points.

¹⁵ Projects submitted for CEO endorsement are expected to have completed appraisal and ready for implementation following approval procedures of the GEF and the GEF Agency.

¹⁶ Note that the cancellation policy requires *submission* of documents for CEO approval no later than the 12th month from PIF approval – and is therefore more flexible than the Council-approved standard of up to 12th months for final CEO approval.

¹⁷ A list of all projects cancelled under this policy is reported to the Council as part of the bi-annual Programming Report. STAR resources for projects cancelled within a replenishment period where the PIF was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

¹⁸ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF.

Programs

7. The Secretariat and the Partner Agencies use the following procedure for cancellation of funds committed under a program:
 - (a) In accordance with paragraph 3~~(b)~~(c), the PFD will contain an agreed deadline (the 'PFD commitment deadline') before which all child projects need to be submitted for CEO endorsement.
 - (b) Six months before the PFD commitment deadline, if there are still program funds that are awaiting submission of child projects for CEO endorsement, the Secretariat sends a notification to the Lead Agency notifying it of the upcoming cancellation of such program funds.
 - (c) After the passing of the agreed PFD commitment deadline, if there are still program funds that are awaiting submission as child projects for CEO endorsement, the CEO notifies the relevant Lead Agency and the Trustee in writing of the cancellation for the remaining program funds stating an effective date for the cancellation. The Lead Agency informs all relevant stakeholders engaged in the program of the cancellation.¹⁹

8. When the CEO cancels a project proposal or remaining funds under a program, the following actions are taken:
 - (a) The Secretariat removes the proposal from the project pipeline, informs the recipient country and the GEF Partner Agency, and informs the Trustee of any project development funding that it has approved for the proposal.
 - (b) If return of GEF funds is required, the Partner Agency will comply with the provisions of Financial Procedures Agreement with the Trustee regarding the return of funds.

CANCELLATION OR SUSPENSION OF PROJECTS AFTER CEO ENDORSEMENT/ APPROVAL

9. The decision whether to cancel or suspend a project²⁰ after CEO endorsement/approval rests with the GEF Partner Agency. When a Partner Agency considers cancellation or suspension of a project, in accordance with its policies and procedures, the Agency consults with the recipient country, all relevant government agencies, and other partners, including co-financiers, prior to such cancellation or suspension.

10. When such cancellation or suspension occurs, the following actions are taken by the Agency: (i) written notification to the recipient country government; (ii) written notification to the

¹⁹ STAR resources for programs cancelled within a replenishment period where the PFD was approved will be reassigned to the country's allocation and will be available for reprogramming, while in other cases, the resources allocated will be commingled with the general allocation pool of GEF Trust Fund and assigned to Focal Area of the cancelled project. If a cancellation occurs during the last six months of a replenishment period, all resources will be commingled with the general allocation pool of the GEF Trust Fund.

²⁰ Including any child project approved under the programmatic approach.

GEF Secretariat and the Trustee; and (iii) returns any GEF funds, if required, consistent with the provisions of Financial Procedures Agreement with the Trustee regarding the return of funds.

DEFINITIONS

11. The terms and acronyms used in this policy have the meanings set forth below:
- (a) **Child Project:** A child project is an individual project under a GEF-financed Program that is prepared and implemented in accordance with the policies, rules and procedures of the GEF Partner Agencies. Child projects are sometimes referred to as sub-projects.
 - (c) **GEF Agency:** Any of the 10 institutions that were entitled to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects as of November 2010. They include the following organizations: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Fund for Agricultural Development, the United Nations Development Program, United Nations Environment Program, and the United Nations Industrial Development Organization.
 - (d) **GEF Partner Agency:** Any of the institutions eligible to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects. This category includes both the ten GEF Agencies and GEF Project Agencies.
 - (e) **GEF Project Agency:** Any of the institutions that the GEF has accredited to request and receive GEF resources directly from the GEF Trustee for the design and implementation of GEF-financed projects apart from the ten GEF Agencies.
 - (f) **Lead Agency:** A GEF Partner Agency that coordinates all activities under a GEF-financed Program, including preparation of the program and drafting of the Program Framework Document; liaising with the GEF Secretariat, other GEF Partner Agencies participating in the program and all relevant stakeholders of the program; and implementation, supervision, monitoring, reporting, and evaluation activities at the program-level.
 - (g) **Program Framework Document (PFD):** A document that defines the scope of a GEF-financed program, states the resources requested, and describes, among other things, the scope of activities to be undertaken, the proposed child projects under the program, and arrangements for implementation, monitoring, and evaluation.
 - (h) **Program:** A strategic combination of projects and activities with a common focus that builds upon or complements one another to produce results (outcomes and/or impacts) unlikely to be achieved by a project-by-project approach. Programs are sometimes referred to as Programmatic Approaches (PAs).