

GEF Council Meeting  
November 13 – 15, 2012  
Washington, D.C.

Agenda Item 13

## **STREAMLINING OF PROJECT CYCLE**

### **Recommended Council Decision**

The Council, having reviewed document GEF/C.43/06, *Streamlining of Project Cycle*, appreciates the cooperative manner in which the GEF Secretariat and the Agencies have worked together to arrive at a set of streamlining measures in GEF procedures and practices, and welcomes its implementation by January 2013.

Council supports the streamlining measures described in the document, and agrees to increase the MSP grant ceiling to \$2 million from the current \$1 million with delegated approval authority to the CEO.

The Council encourages the Secretariat and the Agencies to continue to collaborate on further streamlining measures, and report to the Council at its next meeting in June 2013.

The Council thanks the Working Group for its guidance on this exercise and notes that the Group has concluded its work.

## EXECUTIVE SUMMARY

At its meeting in June 2012 Council reviewed the document, GEF/C.42/08, *Fee Structure for Agencies: Part I*, and accepted the fee structure as proposed by the Fee Working Group, and outlined in the document.

The Council also requested a working group “to propose at the November 2012 meeting, detailed streamlining measures in the project cycle and cost savings in implementing services provided by Agencies at least commensurate with the approved fee structure.”

The Secretariat and the Agencies have taken the opportunity of working on this exercise to strengthen the GEF partnership and to seek a more collaborative working relationship so that we can significantly reduce the transaction costs while enhancing the opportunities for the GEF’s strategic value to be further realized in the GEF supported projects.

This exercise has led to two groups of measures. First, and along the spirit mentioned above, the Secretariat and the World Bank will be piloting an approach towards harmonization of project cycles. Specifically, Secretariat staff will be involved in key decision making processes of the Bank such as project concept note reviews and the Bank’s decision meeting for appraisal. After review of the pilot phase, the similar approach may be extended to other Agencies.

Second, the Secretariat and the Agencies reviewed the different aspects of the project cycle and prioritized the following streamlining measures and cost savings to improve the efficiency of the project cycle: (i) simplify project preparation grant request; (ii) increase ceiling for medium-sized projects to \$ 2 million; (iii) streamline all project cycle related templates; (iv) organize multi-focal area reviews to be more systematic and consistent; (v) modify milestone extension process; (vi) tranche payment of Agency fees; (vii) monitor Agency service standards; and (viii) streamline procedures for enabling activities.

While some measures could take effect immediately, the Secretariat, in collaboration with the Agencies, will aim to implement the full set of measures to be effective by January 2013. They are also expected to be of benefit to countries by speeding up access to GEF resources. However, they are only a preliminary set of measures and several additional areas of streamlining have also been identified, which when fully developed and implemented are expected to help the Agencies to be more commensurate with the approved fee structure. The Secretariat and the Agencies will continue to elaborate on these additional measures and report to the Council in June 2013.

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## **INTRODUCTION**

1. At its meeting in June 2012, Council reviewed the document, GEF/C.42/08, *Fee Structure for Agencies: Part I*, and accepted the fee structure as proposed by the Fee Working Group, and outlined in the document. The Council also requested a working group “to propose at the November 2012 meeting, detailed streamlining measures in the project cycle and cost savings in implementing services provided by Agencies at least commensurate with the approved fee structure.”
2. In response to the Council decision, and taking this as an opportunity to strengthen the GEF partnership, the Secretariat, with the guidance of the CEO, has worked closely with the GEF Agencies over the last two months to identify a set of streamlining measures.
3. The set of measures has been presented and discussed with a working group comprised of Council Members, Agency representatives, and the Secretariat. It is recognized that the benefits of these reforms extend beyond pure financial terms and include improved efficiency, increased predictability and clarity in operating procedures, and will help improve focus on most strategic matters. These measures should also help partner countries focus on project design and implementation rather than be burdened by demands of documentation.
4. This document outlines the streamlining measures as agreed between the Secretariat and the Agencies. The Secretariat and Agencies also recognize that the streamlining of the project cycle should be a continuous effort and will continue this endeavor.

## **APPROACH TO STREAMLINING AND PROPOSED MEASURES**

5. Current procedures incur significant transaction costs from the lengthy iteration of questions and answers, and repeated exchange of documents, often in parallel with Agencies’ own internal documents. It was agreed that savings can be generated by closely working with each other, so that lengthy iteration of project documents can be reduced. It was also agreed that the review process at the Secretariat should focus on the GEF’s strategic value, so that other issues are better left as Agencies’ responsibility to handle. Based on this understanding, the GEF Secretariat and the Agencies have come up with two sets of streamlining measures.
6. First, the GEF Secretariat and the Agencies are considering a more collaborative operational business model whereby the Secretariat would engage with Agencies more closely at key points of decision making for project development by the Agency. Such an approach would: (i) enhance an understanding of the role of GEF funds to help leverage and catalyze global environment outcomes within larger development investments; (ii) provide a closer dialogue with partner agencies on best opportunities for highest impact ; and (iii) reduce the duplication, and iteration and flow of documentation.
7. The Secretariat and the World Bank will be piloting this approach whereby Secretariat staff will be invited to participate in key decision meetings of the Bank such as project concept note reviews and the Bank’s decision meeting for appraisal. The GEF Secretariat will have enhanced opportunities to make strategic contribution from the GEF’s viewpoint to the process of project development. This will significantly reduce the cost currently incurred from the

lengthy reiteration of questions and answers at a later stage of the CEO endorsement. The GEF Secretariat will closely follow how the GEF's comments are reflected in the final decision of the project design and ensure this new model has strengthened strategic value of the GEF funds.

8. Depending on the experience from the pilot and the assessment of resource implications for this exercise, the Secretariat will explore similar engagements with other GEF Agencies, particularly with multilateral development banks.

9. The second set of measures is derived from the agreement among the GEF Secretariat and the Agencies that we should more clearly distinguish the review of the GEF Secretariat, with a focus on consistency with GEF strategies and policies, from the Agencies' responsibilities for the quality of the technical design and implementation of the project. With such an approach, Secretariat review could focus on a few key GEF-relevant strategic and policy-related issues, thereby reducing the burden for documentation, and exchanges on issues that are not in the domain of the Secretariat, and without compromising due diligence.

10. From this viewpoint, the Secretariat and the Agencies reviewed the project cycle and prioritized the following streamlining measures and cost savings to improve the efficiency of the project cycle:

- (a) Simplify project preparation grant request;
- (b) Increase ceiling for medium-sized projects to \$ 2 million;
- (c) Streamline all project cycle related templates;
- (d) Organize multi-focal area reviews to be more systematic and consistent;
- (e) Modify milestone extension process;
- (f) Tranche payment of Agency fees;
- (g) Monitor Agency service standards; and
- (h) Streamline procedures for enabling activities.

11. Annex 1 provides a detailed description of the streamlining measures against the current procedure. It is expected that the above streamlining measures could start to generate savings in administrative expenses for Agencies and simplify procedures for recipient countries. An assessment will be made after its implementation, including the pilot procedure with the World Bank.

12. Most of the streamlining measures are within the ambit of the CEO and the Secretariat, to implement in cooperation with the GEF Agencies. There are two measures that require Council decision:

- (a) Increase the ceiling for MSPs to \$2 million. MSPs constitute an effective element in the GEF package of financial instruments where the processing is expedited with approval delegated to the CEO. Inflation has eroded the real value of a \$1 million ceiling that was established in 1996 when MSPs were introduced. Increasing the ceiling to \$2 million will help deal with this value-erosion while

maintaining an expedited process.<sup>1</sup> It should be noted that medium-sized projects under the Least Developed Country Fund (LDCF) operate with a ceiling of \$2 million; and

- (b) Secretariat to report on Focal Area Outcomes. One of the major changes to the PIF template under the streamlining measure is the deletion of the column on “focal area expected outcomes by dollar amount.” This column was integrated into the PIF template because of a request by Council for the GEF to track resources programmed by expected focal area objectives and outcomes. After discussions with Agencies and upon further comparative analysis between figures provided at the concept stage (PIF) versus fully developed projects (CEO endorsement), it has become evident that it is difficult to accurately assign an indicative dollar amount to focal area outcomes at the earlier stage of the planning process. Alternatively, tracking the expected outcomes by dollar amount once projects are fully developed would lead to more accurate estimates. The Secretariat, therefore suggests that reporting on expected focal area outcomes be at the CEO endorsement/approval stage when projects are fully developed. The decision for streamlining such reporting is sought for in GEF/C.43/05, *Annual Monitoring Review FY12: Part I*, submitted for discussion at the November 2012 Council meeting.<sup>2</sup>

### **FUTURE STREAMLINING EFFORTS**

13. The Secretariat and the Agencies acknowledge that the streamlining of GEF processes and procedures is an ongoing challenge. There are several additional areas that warrant more work to identify further streamlining options. Among others, the following items will continue to be reviewed and discussed between the Agencies and the Secretariat: (i) corporate services; (ii) procedures for major and minor amendments for changes in projects; (iii) project management cost; (iv) programmatic approach; and (v) co-financing policy. The Secretariat will report on the status of these streamlining measures at the June 2013 meeting.

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<sup>1</sup> 636 MSPs have been approved in the history of the GEF. During the same period, 159 projects (about 10 percent of all full-sized projects) requesting grants between \$1 million and \$2 million were approved by the Council following procedures for full-sized projects.

<sup>2</sup> *The Annual Monitoring Review FY12: Part I* (GEF/C.43/05) includes an analysis undertaken on indicative financing programmed per focal area outcomes at approval (PIF stage).

**ANNEX 1: STREAMLINING MEASURES**

<b>Streamlining Measures</b>	<b>Current Process</b>	<b>Proposed Process</b>
Simplify project preparation grant request	Current policy requires Agency submission of a separate proposal template for PPG though it can be submitted at the same time as Project Identification form (PIF).	A new line item will be introduced in the PIF template where PPG can be requested up to a ceiling amount in relation to the amount of GEF grant requested for the project, consistent with a list of PPG-eligible activities developed by the Secretariat. At CEO endorsement of the project, Agencies will report on the use of the PPG, using a simplified table in the CEO endorsement template with a brief description of activities undertaken for preparation of the project and the amount used. Any unused PPG amounts can continue to be used during the first year of project implementation, since it would be effectively considered as an “advance” from the total grant envelope. This is also expected to become an incentive for containing the costs of preparation, as any remaining funds will be part of the full project implementation.
Increase ceiling for medium-sized projects to \$2 million	Medium-sized projects are limited to \$1 million with approval delegated to the CEO.	Medium-sized projects are limited to \$2 million with approval delegated to the CEO.
Streamline all project templates	PIF templates and CEO endorsement templates request information some of which is inconsistent with the role of the GEF Secretariat in project review.	PIF and CEO endorsement templates have been simplified through elimination of items that were considered not consistent with the proposed strategic role of the Secretariat, whereby the Secretariat will focus on GEF-relevant strategy and policy issues during project review. This involved removal of some review questions, clarification of others, elimination of the project management cost



Streamlining Measures	Current Process	Proposed Process
		table, and removal of an annex requiring detailed consultant cost breakdown in the CEO endorsement template. The Secretariat project review sheet will also be modified to reflect the changes in the PIF and CEO endorsement templates.
Organize multi-focal (MFA) area reviews to be more systematic	Program managers are assigned based on the focal area from which most resources are demanded in a multi-focal area project. Current problem is MFA projects count on resource allocations from various focal areas, and therefore MFA reviews are undertaken by several program managers who may provide conflicting reviews.	Secretariat will assign a lead program manager to provide comments on multi-focal area projects. The lead program manager will consolidate all comments from other focal areas and provide one combined review sheet and comments to the Agencies. The Secretariat has agreed to implement this as proposed.
Modify milestone extension process	<p>There are two milestones that are monitored in the GEF project cycle: (i) the target of 18 months for elapsed time from Council approval of PIF to CEO endorsement of final project document; and (ii) target of elapsed time of 4 months from CEO approval/endorsement to Agency approval/implementation.</p> <p>Currently, for projects that exceed the milestones, formal approvals are required from the Secretariat</p>	<p>The Secretariat and the Agencies have agreed to replace the current milestone extension process with a frequent monitoring of the milestones and reporting to the Council on key factors related to projects experiencing delays in the context of the annual monitoring report. Based on quarterly alert reports sent by the Secretariat to the Agencies, the Agencies and the Secretariat will jointly take stock of projects extending beyond milestone targets and agree on most appropriate corrective measures.</p> <p>The current preparation norms of 18 months (full-sized projects) and 12 months (medium-sized projects) will remain as the targets.</p>
Tranche payment of Agency fee	100 % of the project fees are committed by the Trustee at CEO endorsement/approval of projects	Fee commitment will be tranching as follows: 40 percent at Council approval of the projects through the work program and 60 percent at CEO endorsement. The Secretariat will revisit the fee return policy

Streamlining Measures	Current Process	Proposed Process
		and will provide further clarification.
Monitor Agency service standards	As outlined in the project cycle document discussed by the Council in November 2010, the Agencies have a 10-day service standard.	Recognizing that it may not always be possible for Agencies to fully respond to the Secretariat’s comments either due to “country” factors, or other extenuating circumstances, the document provided that in cases where an Agency needs additional time to consult with the relevant country, the Agency will provide a response within 10 working days, explaining the pending issues and specifying the time needed to resolve the issues. The Agency and the Secretariat will then agree on a mutually acceptable timeframe for providing information on the comments or resubmitting the document to the Secretariat.
Streamline procedures for enabling activities	Currently, for an umbrella project for enabling activities, a PIF, including all countries and sub-projects is submitted to the Secretariat and after review, included in the work program for Council approval; a similar document is submitted for a second time as a full document (for all countries) for CEO endorsement. The two documents are virtually similar, and include: (i) list all countries included in the project; (ii) details of the typical enabling activity to be supported in each of these countries; and (iii) operational focal point endorsements from the participating countries.	The Project Identification Form for an umbrella project for enabling activities will: (i) list all countries included in the project; (ii) details of the typical enabling activity to be supported in each of these countries; and (iii) operational focal point endorsements from the participating countries. The following measures to further expedite the processing of enabling activities: (a) When an umbrella enabling project encounters delays in obtaining endorsement letters from operational focal points, the Secretariat will work with the GEF Agency and the operational focal points to facilitate the process; (b) It is clarified that enabling activities under the conventions do not require submission of co-financing letters. (c) Umbrella projects for enabling activities will follow an

Streamlining Measures	Current Process	Proposed Process
		<p>expedited processing procedure where the individual sub-projects will be approved by the GEF Agency;</p> <p>(d) The request for financing global support programs will be reviewed and approved by the Secretariat on a case by case basis.</p>