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GEF PROJECT CYCLE: AN UPDATE

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CBD	Convention on Biological Diversity
CCD	Convention on Combating Desertification
CDI	Capacity Development Initiative (of the GEF)
EA	Enabling Activity
ExA	Executing Agency acting under the Policy of Expanded Opportunities
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
FSP	Full-sized Project (of the GEF)
IA	Implementing Agency
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
LDCs	Least Developed Countries
M&E	Monitoring and Evaluation
MSP	Medium Sized Project (of the GEF)
NAPA	National Adaptation Programs of Action
NIP	National Implementation Plan (of the Stockholm Convention on Persistent Organic Pollutants)
OP	Operational Program (of the GEF)
OPS2	Second Overall Performance Study of the Global Environment Facility
PBF	Performance-based Framework for Allocation of GEF Resources
PIR	Project Implementation Review (of the GEF)
POPs	Persistent Organic Pollutants
PRC	Project Review Criteria (of the GEF)
SAP	Strategic Action Program (in international waters)
SGP	Small Grants Program (of the GEF)
SIDs	Small Island Developing States
SMPR	Specially-Managed Project Review (of the GEF)
TDA	Transboundary Diagnostic Analysis (in international waters)
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WSSD	World Summit on Sustainable Development (Johannesburg, Aug-Sept 2002)

I. INTRODUCTION

1. The GEF Project Cycle document illustrates the various steps that projects have to progress through to obtain financial support from the GEF. This document summarizes the major phases of project cycle activities in the Implementing and Executing Agencies, describes in detail the different GEF decision and intervention points, and explains when and how the GEF decision points interface with the Agencies' project cycle. It also describes the requirements and project review criteria applicable at each decision point. The document recognizes that each Agency has its own project cycle phases and procedures, and, therefore, does not represent the project cycle of any one particular Implementing or Executing Agency.

2. The GEF Project Cycle was approved by the GEF Council in 1995 and updated in October 2000. The Council agreed to keep the Project Cycle under review, particularly in light of the information and analysis that will be generated through monitoring and evaluation activities. The Council also stressed the need to apply project review procedures flexibly, recognizing the differences that may exist among specific projects, focal areas, and regions and to reflect any of these changes and additional policies that have been approved by the Council in the future Project Cycle Update.

3. The last update of the GEF Project Cycle in October 2000 adopted recommendations in the document, "*Driving for Results in the GEF: Streamlining and Balancing Project Cycle Management*, GEF/C.16/5," which aimed to improve GEF responsiveness, achieve better on-the-ground results and enhance project quality.¹ The Council also requested the Secretariat and the Implementing Agencies to streamline and balance operations and to continue to develop options for further improvements. Since then, Council has approved a number of other policies and procedures that have streamlined the Project Cycle further.

4. This document is an information paper that describes the GEF Project Cycle and project review procedures and reflects all relevant GEF Council decisions to-date (see **Attachment 1** for the list of decisions). It also reflects those streamlining actions that are being implemented by the Secretariat and the Implementing Agencies following the June 2000 retreat (See **Annex A** on the Roles of All Players/Agencies involved in the GEF Projects). It does not present any proposals for Council consideration of changed in GEF policies or procedures.

GEF Operational Principles

5. The GEF Operational Strategy, approved by the Council in October 1995, set out ten Operational Principles for the development and implementation of the GEF's Work Program. These ten principles concern:

- (a) The relationship of GEF activities to the relevant international conventions;

¹ To improve GEF responsiveness and service standards, a GEF project processing timeline was prepared as guideline for GEF operations. See Annex S for reference.

- (b) The financing of agreed incremental costs of measures for achieving agreed global environmental benefits;
- (c) Cost-effectiveness;
- (d) Country ownership;
- (e) Flexibility;
- (f) Full disclosure of non-confidential information;
- (g) Public involvement;
- (h) Country eligibility;
- (i) GEF's catalytic role and the need for financial leverage; and
- (j) Regular monitoring and evaluation.

Strategic Priorities in the GEF Business Plan

6. Following the recommendations of the Second Overall Performance Study (OPS2) and the Policy Recommendations of the Third Replenishment for the GEF to undertake strategic business planning, in May 2003, the Council approved the GEF Business Plan, FY04-06,² which embodied a strategic business-planning framework where allocation of GEF resources is done globally based on strategic priorities within the six focal areas of the GEF. Two major imperatives drove the development of such a framework: (i) The need to take stock of, and account for the implementation experience emerging from the GEF portfolio as a means to enhance results on the ground; and (ii) In recent years, as demand for GEF support began surpassing the financial resources available to the GEF Trust Fund, there has been an increasing need to match demand for and supply of GEF resources, employing factors beyond simple project review eligibility criteria. For a listing of GEF strategic priorities, refer to **Annex B**.

Programming of GEF Operations

7. The GEF Operational Strategy sets out the GEF operations that are to be programmed in three broad, interrelated categories.

Operational Programs

8. There are 15 Operational Programs that provide the framework for the preparation of GEF projects which cover the following focal areas: biodiversity, climate change, international waters, land degradation, and persistent organic pollutants³. These Operational Programs and

² GEF/C.21/9

³ OP 12 covers projects of integrated ecosystem that cut across focal areas.

reference documents together provide guidance in the strategic planning as well as in the preparation of eligible projects.

Short-term measures

9. These are activities under each of the focal areas of climate change, biodiversity, land degradation, international waters, ozone depleting substance and persistent organic pollutants that provide immediate global environment benefits and do not necessarily have the strategic influence or longer term perspective of activities supported under the Operational Programs.

Enabling Activities

10. Enabling activities, as defined in the GEF Operational Strategy, represent a basic building block of GEF assistance to countries. They either are a means of fulfilling essential communication requirements to a Convention, provide a basic and essential level of information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country. Countries thus enabled will have the ability to formulate and direct sectoral and economy-wide programs to address global environmental problems through a cost-effective approach within the context of national sustainable development efforts.

GEF Project Processing Types

11. Project processing steps and documentation are determined by the type of the project, which is a function of project size. All projects fall under one of the following project types.

Full-sized projects (FSPs)

12. FSPs must satisfy the requirements of a Strategic Priority, and (i) an Operational Program or (ii) of short term response measures. These projects go through each step of the GEF Project Cycle, subject to all the Project Review Criteria (see **Annex H**), and are approved by the Council either during Council meetings or intersessionally.⁴

Medium-sized projects (MSPs)

13. MSPs introduced in 1996, are limited to a maximum of \$ 1 million in GEF funds, and are processed in an expedited manner. Approval has been delegated by the Council to the CEO, and is subject to Project Review Criteria (see **Annex J**) similar to the FSPs. MSPs should also satisfy the requirements of a Strategic Priority, and (i) an Operational Program or (ii) of short term response measures. MSPs are submitted to the Secretariat on a rolling basis throughout the year and go through a one-step approval by the CEO of the final project brief.

⁴ Council meetings are held twice a year when workprograms are submitted and a workprogram is submitted intersessionally between Council meetings making for four workprograms every year.

Enabling Activities (EAs)

14. Enabling Activity projects provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention and preparation of a national communication or report to a relevant Convention. The GEF currently finances enabling activities related to the conventions on biodiversity, climate change, and persistent organic pollutants.

15. Enabling activities are submitted to the Secretariat on a rolling basis throughout the year, and if the total cost of GEF financing is within a ceiling approved by the Council, it may be processed in accordance with expedited procedures and approved by the CEO.⁵ Under expedited procedures, there are operational guidelines for each type of enabling activity that are to be followed in preparing a project. Operational guidelines are prepared taking into account the relevant guidance from the Convention.

16. Projects requiring more financing than the Council approved ceiling may be processed through the regular GEF project cycle as full-sized projects.

National Capacity Self Assessment (NCSAs)

17. As a follow-up to the GEF Capacity Development Initiative (CDI), Council approved GEF support for National Capacity Self Assessment (NCSAs) to countries that request such assistance.⁶ The primary objective of NCSAs is to identify country level priorities and needs for capacity building to address global environmental issues, with the aim of catalyzing domestic and/or externally assisted action to meet those exercises. Requests up to \$200,000 are reviewed and processed under expedited procedures, following GEF operational procedures for NCSAs, and approved by the CEO; requests over \$200,000 are processed for submission to the GEF Council as FSPs.

Small Grants Program (SGPs)

18. The GEF Small Grants Program was launched in 1992 to provide support for community-level initiatives that contribute to conserving global biodiversity, mitigating climate change and protecting international waters. The Program operates under a decentralized and demand-driven structure. This programmatic approach is a strategic partnership with UNDP which manages the program in each country through a National Coordinator and a National Steering Committee which is a broad-based group composed of representatives of NGOs, academic and research institutions, government agencies, other donors, the private sector and UNDP. At the global level SGP has a small but efficient infrastructure that provides overall guidance to its country programs to ensure coherence with GEF policies, criteria and objectives and which enables a

⁵ Currently, the Council has agreed that expedited procedures may be followed for biodiversity and climate change projects not exceeding US\$ 450,000 (US\$350,000 for an initial project plus US\$100,000 for “top ups”) and for persistent organic pollutants not exceeding US\$500,000.

⁶ Approved in May 2001, based on GEF/C.17/6/Rev.1, Elements of Strategic Collaboration and a Framework for GEF Action for Capacity Building for the Global Environment.

learning environment to incorporate lessons learned in project implementation. Since 1999, the GEF SGP has been operating under a programmatic approach which consists of yearly work plans with specific deliverables and benchmarks and annual “rolling” replenishment of funds. To date the SGP is operational in 64 countries, and the Council has recommended that the SGP program be expanded at an accelerated rate with a target of 10 new participating countries each year.

Project Review Criteria

19. The ten operational principles of the GEF underlie the GEF Project Review Criteria employed to review project proposals. These criteria are used as basis to determine the conformity of project proposals with GEF principles and policies. The review criteria set out factors that each project proposal is expected to address at different stages of the project cycle. Recognizing the differences among projects with respect to their complexity and the preparation and implementation modalities of the Implementing and Executing Agencies, there is currently no prescribed project document for GEF projects. However, documentation submitted by the Agencies at each stage of the project cycle should be accompanied by a summary, prepared with the help of a template, that documents how the project responds to the GEF project review criteria relevant for that stage of the project cycle. The review criteria will be revised as necessary to implement Council decisions. These changes will in turn be reflected in the templates used to prepare the summaries.

Full- and Medium-Sized Projects

20. The following five sets of review criteria, applied to both FSPs and MSPs, provide requirements and considerations used for reviewing projects under the different phases of the project cycle: (i) Country ownership; (ii) Program and policy conformity; (iii) Financing; (iv) Institutional coordination and support; and (v) Response to reviews (**Annex H** provides detailed review criteria for FSPs and **Annex J** for MSPs).⁷

Projects under expedited processing

21. Enabling activities in biodiversity, climate change, and persistent organic pollutants, and national capacity self assessments⁸ are reviewed in accordance with their respective Operational Guidelines and are processed under the expedited procedures where projects request less than the predefined ceiling in the appropriate focal or thematic areas.

GEF Project Co-financing

22. The importance of co-financing has been emphasized in past Council Meetings and further underscored in the *Policy Recommendations agreed as part of the Third Replenishment of*

⁷ The project review criteria set out in the Project Cycle paper of October 2000 were revised and updated to reflect the decisions of the Council in the last three years.

⁸ For additional information on National Capacity Self Assessment (NCSAs) refer to the GEF website: www.GEFWEB.org

the GEF Trust Fund in August 2002 that a co-financing policy be prepared by the Secretariat. In May 2003, the Council approved the policy on co-financing of GEF projects.⁹ In approving the policy, Council requested the Secretariat, in consultation with the Implementing Agencies and the Executing Agencies acting under expanded opportunities to: (i) implement the policy when preparing future Work Programs submitted for Council approval and when proposing any projects eligible for CEO approval under expedited procedures; and (ii) report to Council in each GEF business plan on the overall progress in implementing the policy.

23. Co-financing has since been introduced in the project review criteria and reflected in the Project Executive Summary (for Work Program inclusion). **Annex C** defines the terms and requirements of co-financing at different stages of the project cycle.

II. PROCESSING OF FULL-SIZED PROJECTS

24. The GEF Implementing and Executing Agencies are responsible for five major phases of the project cycle: (i) Project concept development; (ii) Project preparation; (iii) Project appraisal; (iv) Project approval and implementation supervision; and (v) Project closing and evaluation.

25. For full-sized projects, progression from one phase to another in the project cycle is through four discrete GEF decision or review points involving the Secretariat:

- (a) Concept agreement review;
- (b) PDF-B/C approval;
- (c) Review for inclusion in the Work Program which is submitted to the Council for approval; and
- (d) CEO endorsement review.

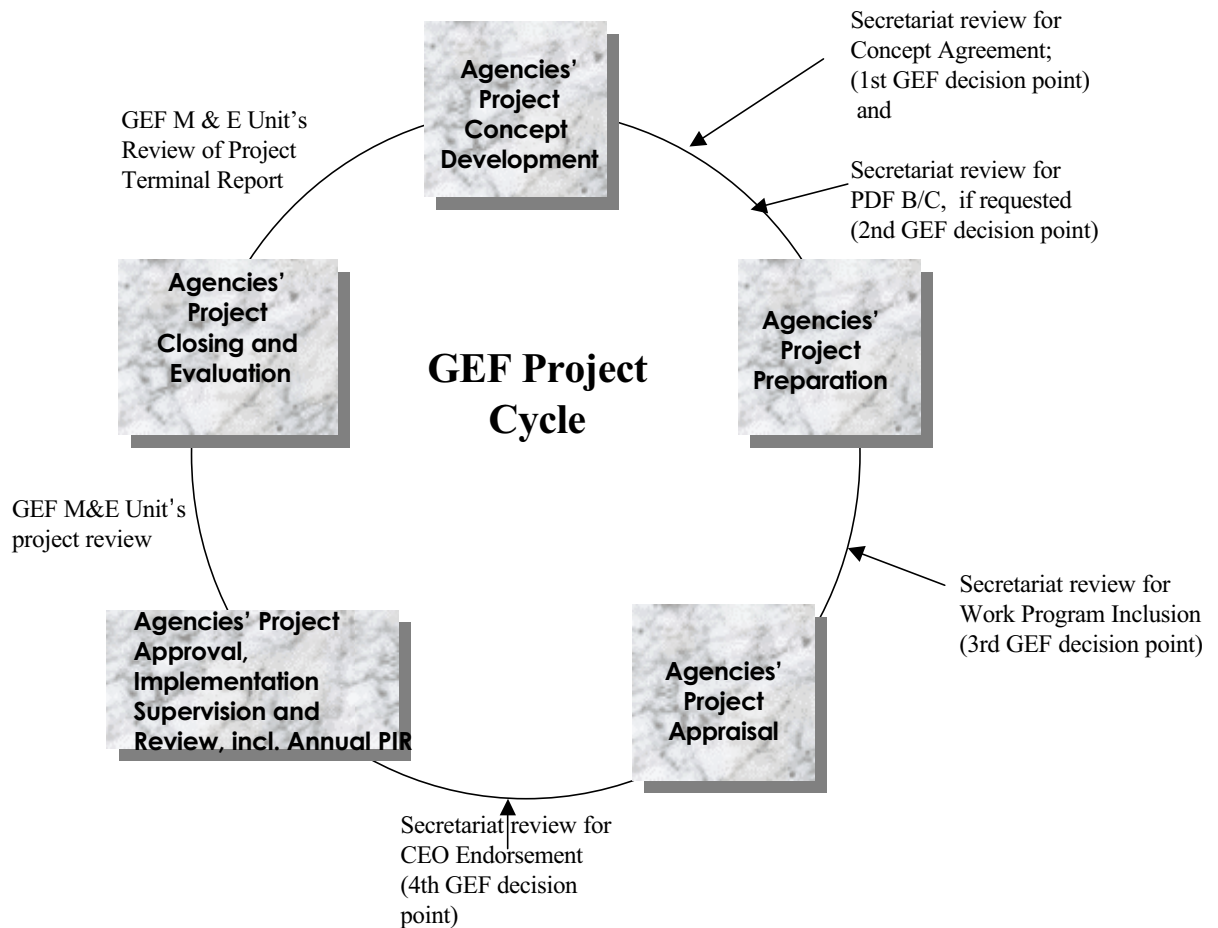
During project implementation, GEF M&E Unit's review of the projects and the terminal evaluation (when the project is closed) also interface with the Agencies' project cycle. The project cycle phases and decision points are shown in **Figure 1**.

26. At the review points, the Secretariat/CEO, or the Council considers documented proposals on the basis of the GEF Strategic Priorities and Project Review Criteria. At the last phase of the Project Cycle, after the closing of the project, the Agency is responsible for undertaking a terminal evaluation and reporting to the GEF Monitoring and Evaluation Unit, which reviews the evaluation. Lessons from project performance are compiled and disseminated as feedback for future project development.

27. The different phases of the project cycle are the responsibilities of the Implementing/Executing Agencies. The discussion of the GEF project cycle, in the next section, focuses first on the requirements for the full-sized projects, followed by medium-sized projects and enabling activities.

⁹ Described in GEF/C.20/6/Rev.1, *Cofinancing*.

Figure 1. Critical GEF Decision Points and Agencies' GEF Project Cycle



Phase I: Project Concept Development

28. Concept Document/Pipeline Entry. The **first GEF decision point** is Concept Agreement prior to the project proposal entering the GEF pipeline. The purpose of the Concept Review is to reach general agreement that a concept meets the overall objectives of the GEF before the Implementing/Executing Agency spends significant resources or makes major country commitments. A project must be listed in the GEF Pipeline Document circulated to the Council prior to the Work Program in which the project is included for Council approval. Pipeline Documents are published quarterly. Concept agreement review and pipeline entry, is therefore a requirement for all projects that require approval by the Council – full-size projects and enabling activities requesting more than the predefined ceilings under the respective focal /thematic areas.

29. An Implementing Agency can selectively provide Project Preparation and Development Facility financing not exceeding \$25,000 (PDF-A) for concept development work at the national

level (refer to para 67 for details on PDF-A). After a Concept Document is prepared, an Implementing/Executing Agency submits the document to the Secretariat to seek Concept Document Review Agreement.¹⁰ A *Concept Document template* (**Annex F**), aims to provide a common platform for presentation among agencies and proponents of the project, focusing on those elements that are important for the review. The document should provide sufficient coverage of items set out in the Project Review Criteria. The Concept Document is also submitted to the other Implementing Agencies, the relevant Agencies operating under the policy of *Expanded Opportunities for Executing Agencies*,¹¹ the relevant convention secretariat, and the STAP Chair for comment, which are taken into consideration by the GEF Secretariat in its decision on pipeline entry. A 10-day circulation period, followed by a project review meeting involving the relevant Implementing/Executing Agencies takes place before the document is approved for pipeline entry.

30. The Secretariat reviews the concept proposal against the strategic priority and project review criteria that are relevant for that type of project, and applies the criteria for conceptual conformity only. The Implementing/Executing Agency is responsible for the technical content of the concept. The Secretariat can make one of the three following decisions:

- (a) Recommended for pipeline entry.
- (b) Recommended for pipeline entry subject to certain requirements.
- (c) Not recommended for pipeline entry.

For (a) and (b), the Secretariat also reaches an understanding with the Implementing/Executing Agency regarding the level of project preparation that is expected for subsequent reviews at Work Program inclusion and CEO endorsement respectively, consistent with the project review criteria for those steps. The Secretariat accordingly employs a *Concept Agreement Review Template* (refer to **Annex F1**) for reviewing the Concept Document against the project review criteria and to document agreements reached with the Agency. The resulting GEF pipeline is published quarterly.

31. The first GEF decision at this Concept Agreement Review stage could involve approval of a Concept Document only for entry into the project pipeline or in addition, a **second GEF decision** for approval of a Project Preparation and Development Facility-B (PDF-B) financing, if requested (for details on PDF-B, see subsequent paragraphs 68-69).

32. **Targeted Research Proposals.** Implementing/Executing Agencies are expected to provide the GEF Scientific and Technical Advisory Panel (STAP) Secretariat on a rolling basis, with a list of Targeted Research (TR) Proposals under preparation to enable the STAP to identify appropriate experts to review the concepts when they are ready. Targeted Research Proposals or project proposals with sizeable targeted research components must be submitted to the GEF Secretariat for concept clearance and Concept Agreement Review. Proposals deemed eligible

¹⁰ Endorsement by the country operational focal point is not required for review of project concepts prior to entry into the GEF pipeline.

¹¹ Depending upon the type of project and/or geographical location of the project.

(consistent with GEF operational programs) by the Secretariat will be distributed to the GEF Research Committee¹². Proposals will be circulated to the Research Committee (and designated experts) on a rolling basis for review and comment. Committee reviews are done within 15 working days on the assumption that prior circulation to identify experts has been possible. If not, the STAP chair could request further period of up to 15 working days may be necessary to identify relevant experts and complete the concept review. The concept, if cleared by the Research Committee, is then admitted into the GEF pipeline.¹³

Phase II: Project Preparation

33. During this phase of project development, the Implementing/Executing Agency supports the project proponent(s) in the detailed preparation of the project. This may include, inter-alia, feasibility studies, technical and scientific design, development of a financing plan and other items associated with project development, supported with PDF-B and/or other resources. During this phase of the project cycle, there are two key GEF requirements that projects have to meet.

Country Endorsement.

34. Each project must obtain an endorsement of the GEF national operational focal point in the recipient country (or recipient countries in the case of regional projects or projects in multiple countries; global projects, with no country-level implementation, are exempted from the requirement of focal point endorsement) for approval of GEF funding (PDFs and inclusion in the workprogram). Countries may choose to follow the streamlined country endorsement process outlined in **Box 1**.

STAP Roster Review.

35. Each project must be submitted for scientific and technical review to a technical expert selected from the STAP Roster. In exceptional circumstances, due to the nature of the project, the Implementing/Executing Agency may use another reviewer in agreement with the STAP Chair. The review by the expert must be attached to the project proposal at Work Program inclusion, with an explanation on how the project preparation and design has responded to the comments. STAP roster reviews are not required for projects that do not require Council approval (and are therefore not in the GEF pipeline, e.g. medium-sized projects, expedited enabling activities).

¹² Chaired *ex officio* by the STAP Chair, and includes the chairs of the Subsidiary Bodies from UNFCCC and the CBD, representatives from the IAs and the GEF Secretariat and other experts selected by the STAP Chair. The STAP Secretariat acts as Secretary to the Committee.

¹³ Depending upon the size of the request, procedures for FSPs or MSPs are followed.

Box 1. Streamlined Country Endorsement

Endorsement by the national operational focal point is a requirement for (i) any approval of funds from the Project Development Facility (PDF); and (ii) a project to enter the Work Program. Endorsement from the national operational focal point is not a requirement to submit a Project Concept Document for review prior to entry into the GEF pipeline. Nevertheless, a number of country operational focal points have objected to the inclusion in the GEF pipeline of concepts for projects to be carried out in their respective countries that have not been endorsed by the focal point, and they have insisted on endorsement prior to concept submission.

A country endorsement by the national operational focal point provided at the time a request is submitted for GEF PDF-B funding, or for PDF-A funding for MSPs, will suffice as the country endorsement for the project proposal submitted for inclusion in the Work Program (or for CEO approval of MSPs), unless the national focal point specifically requests that a second endorsement be sought prior to Work Program inclusion (CEO approval of MSPs). The Secretariat may also request the Implementing Agency to seek a second endorsement prior to inclusion of the project proposal in the Work Program (or CEO approval of MSPs) (i) if the Secretariat determines that the project design has fundamentally changed between PDF request and the project proposal submission, or (ii) when there are specific country commitments in the project proposal that require confirmation.

With the exception of medium-sized projects, country endorsement submitted with a PDF-A request will not suffice as an endorsement for subsequent project processing. An additional country endorsement is required for a PDF-C, usually requested for further project preparation after a project has been approved by the Council or recommended for Work Program inclusion by the CEO.

National operational focal points that wish to endorse concepts prior to their entry into the GEF Pipeline may continue to do so. The agency developing the concept for pipeline entry will be responsible for (i) informing the focal point about concepts submitted for review prior to entry into the GEF pipeline; and (ii) advising them on GEF requirements regarding formal country endorsements in the GEF project cycle. In all cases, the GEF Secretariat will inform the relevant focal point of concepts that have entered in the GEF pipeline.

36. After project preparation, the Implementing/Executing Agency submits to the Secretariat the project proposal documents (including the incremental cost analysis, the STAP Roster review, and the country operational focal point endorsement) together with a Project Executive Summary¹⁴ that documents conformity with the GEF strategic priorities, policies and programs according to the project review criteria for Work Program inclusion. In addition, the Implementing/Executing Agency submits to the GEF Secretariat a request for project cycle management fees associated with the project.

37. At this stage, the proposal is expected to be at an advanced, but not necessarily completed, level of preparation as it will be the basis for approval by the Council (the majority of the work financed under a PDF-B grant is expected to be complete). The complete project documentation is also submitted to the other Implementing Agencies, relevant Executing Agencies operating under the policy of expanded opportunities, the relevant convention secretariat, and the STAP Chair for comments to the GEF Secretariat within 10 working days. The Secretariat reviews the proposal (and the associated fee request) primarily on the basis of the

¹⁴ Agencies should submit Project Executive Summary following the template distributed by the Secretariat (see Annex G).

Project Executive Summary, the Project Review Criteria, and comments received from other partners.

Preparation for Work Program Inclusion

38. After reviewing the project proposal submitted for Work Program inclusion, the Secretariat can make one of the following four decisions for each project proposal which is considered as the **third GEF decision** point:

- (a) Recommended for Work Program inclusion with specific conditions for CEO endorsement.
- (b) Recommended for Work Program inclusion if specified agreements with the GEF Secretariat are reflected in the project documentation within a week and with specific conditions for CEO endorsement.
- (c) Work Program submission deferred, but proposal may be resubmitted for consideration for a future Work Program once issues have been resolved or preparation is further advanced.
- (d) Project has become ineligible and not recommended for Work Program inclusion or further development.

39. The Secretariat collects all the cleared projects into a Work Program and prepares a draft Work Program Cover Note, reflecting the proposed Work Program's conformity with the GEF Business Plan and Strategies, the GEF Project review criteria, and novel approaches if any in the projects under consideration. The draft Cover Note is submitted for discussion to the GEF Operations Committee (GEFOP).¹⁵ Following the GEFOP meeting, the CEO approves the Work Program for submission to the GEF Council.

Work Program submission to Council

40. The Implementing and Executing Agencies submit revised final project executive summaries for Work Program inclusion. The Secretariat assembles these documents and posts the Work Program on the GEF website for circulation to Council Members, Alternates, Implementing and Executing Agencies, etc. Typically, up to four Work Programs are submitted to the Council for approval each year. One is always submitted at each of the two Council Meetings and one may be submitted intersessionally between successive meetings.

¹⁵ Chaired by the Deputy CEO/Chief Operating Officer, and including the GEF Executive Coordinators of the three Implementing Agencies, STAP Chair, and representatives of the Convention Secretariats.

Approvals at Council Meetings

41. At a Council Meeting, the Council may approve the Work Program in whole.¹⁶ This approval is subject to comments made at the meeting or by Council Members in writing within two weeks of the meeting.

Approvals by mail for Intersessional Work Programs

42. Projects submitted to Council intersessionally are considered approved on a no objection basis after a four week review period through posting on the GEF website. A Council Member may choose to approve the Work Program, to object to the Work Program, or to object to a project proposal or proposals in the Work Program. If one or more Council Members object to the intersessional Work Program, the Work Program will not be approved. Instead, it will be submitted to the Council for review at its next regular meeting. If one or more Council Members object to a project proposal or proposals in the intersessional Work Program, such project proposals will be deferred for consideration at the next regular meeting of the Council. The rest of the Work Program will be approved. Projects that have associated policy issues are not usually included in the intersessional Work Program.

43. Whether a project is approved through a Council meeting Work Program or an intersessional Work Program, a Council Member may also request that the Council prior to subsequent endorsement by the CEO review a project proposal. The Council in its decision on these procedures recognized that such requests are to be made only on policy grounds.

44. In approving the Work Program, the Council will also approve the fee payable to the Implementing/Executing Agency for managing the projects in the Work Program. This fee covers all phases of the Agency's work associated with Project Cycle Management services, including earlier administration of any preparation work and all subsequent supervision, monitoring, reporting, and evaluation. Where an Implementing Agency shares implementation responsibilities with an Executing Agency, the fee will be divided between the Agencies as per any agreement between them.

45. Projects that have been approved by the Council for Work Program inclusion are now ready for further preparation and appraisal by the Implementing/Executing Agency.

Phase III: Project Appraisal

46. In this phase, the Implementing/Executing Agency appraises the project that has received Council approval for Work Program inclusion. Projects submitted for CEO approval under expedited procedures (such as MSPs, EAs within the defined CEO approval authority) are considered fully appraised.¹⁷ During appraisal, the Implementing/Executing Agency finalizes

¹⁶ The practice at the GEF Council has been not to approve individual projects.

¹⁷ Expedited procedures for medium-sized projects, and enabling activity projects requiring less than the defined ceiling for CEO approval, merge the project brief review/work program inclusion and CEO endorsement steps.

detailed project arrangements, legal agreements, including the incremental cost of the project, with the recipients.

47. Project Document. Once the project is fully prepared/appraised and is ready for approval by the authorizing body of the Implementing/Executing Agency, the final project document (incorporating response to earlier comments by Council, Secretariat, etc) is sent to the GEF Secretariat seeking the endorsement of the CEO. The Project Document should present the overall project, including the non-GEF financed components and be consistent with the Project Executive Summary submitted to the Council for inclusion in the Work Program. Council has delegated the endorsement review to the Secretariat except for those projects it specifically reserves, at the time of approval for Work Program inclusion, for its own review.

48. The Secretariat reviews the document in accordance with the Project Review Criteria required for CEO endorsement, **a fourth GEF decision**, with focus on the following:

- (a) The document is consistent with the Project Executive Summary approved by Council, and no significant changes in project design since approval by the Council;
- (b) Co-financing is in place and written confirmation of commitment by the co-financiers has been obtained, as appropriate; and
- (c) All comments from the Secretariat and Council have been responded to and there are no other outstanding comments in the project.

49. For those projects that the Council deemed necessary to re-circulation to the Council for a second review, a four-week comment period is allowed. If, during the review period, 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.¹⁸ Otherwise, the CEO endorses the project at the end of the four week period, after which the document is publicly available and posted by the Secretariat on the GEF website (www.thegef.org).

50. In order to accord proper acknowledgement to GEF for providing funding to the project, all project documents should include a paragraph to explicitly require that a GEF logo should appear on all relevant GEF project publications, including among others, project hardware and vehicles purchased with GEF funds. Any citation on publications regarding projects funded by GEF should also accord proper acknowledgement to the GEF.

Phase IV: Project Approval and Implementation Supervision

51. After endorsement of the project by the GEF CEO, the Implementing/Executing Agency submits the project for approval to its authorizing body. No final approval should be sought for

¹⁸ Included in GEF/C.12/9, Streamlining the Project Cycle, reviewed by the Council at its October 1998 meeting.

the project through neither the organization's regular approval process nor any commitment made before the CEO has endorsed the project document. After approval within the Implementing/Executing Agency, project implementation is initiated following procedures at the Agency.

52. The responsibility for supervision of project implementation, and monitoring and evaluation at the project level rests with the Implementing/Executing Agency. Once a project has been under implementation for at least a year, annual project implementation reports (PIRs) are submitted to the GEF Monitoring and Evaluation Unit as part of the annual Portfolio Performance Review (PPR). The project may be subject to the GEF M&E Specially Managed Project Reviews (SMPRs) that review conformity of project during implementation with the GEF Project Review Criteria. The project may also be evaluated as part of a larger GEF M&E studies, such as thematic evaluations and program studies.

53. Implementing and Executing Agencies are encouraged to require their project managers to undertake a project mid-term review that could be useful to identify corrective actions if the project has had trouble in implementation and/or in progress towards achieving project objectives. While the potential for a follow-on or second phase project could also be recommended in a mid-term review report which would lead to the preparation of an interim evaluation, Implementing/Executing Agencies should emphasis to the project managers that the objective of the mid-term review is to focus on the evaluation of how well the project is, or was proceeding and independently identify the need for additional support.

Phase V: Project Completion and Evaluation

54. All projects will upon completion have Terminal Evaluation reports that will be submitted to the GEF Monitoring and Evaluation Unit in accordance with the GEF Guidelines for the preparation of such reports and made public.¹⁹ A terminal evaluation will not contain an appraisal of a follow-up phase.

55. For some projects, the Implementing/Executing Agency may conduct an ex-post impact evaluation,²⁰ after the project has been closed for sometime. The objective is to assess the impact of the project that may occur only after years of project closing. The Implementing/Executing Agency will submit these type of reports to the GEF M&E Unit for information purpose as this is of special interest to the GEF to review the environmental impact of projects after years of closing and to incorporate these into the lessons learned database for future reference.

56. Projects may be subject to other monitoring and evaluation requirements as decided in the work plans for the GEF M&E Unit by the GEF Council.

¹⁹ Decision on Agenda item 15, Joint Summary of the Chairs, GEF Council Meeting, May 5-7, 1999.

²⁰ Such as those conducted by the Operations Evaluation Department (OED) of the World Bank.

Follow-up or Second Phase Project.

57. Under special circumstances, some projects may require a follow-up phase, even if this was not envisaged initially. In these cases, Implementing/Executing Agency would have to provide substantial justification for the additional GEF funding. Project proposals requesting support for follow-up phases will be accompanied by an independent terminal evaluation of the earlier phase when the project concept is reviewed for pipeline entry. If the current phase of the project is still under implementation, an interim evaluation will be prepared following the GEF Guidelines for Terminal Evaluations and presented together with the project concept at pipeline entry. This interim evaluation will be carried out by persons independent from those responsible for the design and implementation of the new phase, and GEF M&E Unit will review the TORs of the interim evaluation. Furthermore, in these cases, the project concept will be admitted into the GEF pipeline (and any associated PDF-B reviewed and approved if necessary), with the following binding conditions:

- (a) A terminal evaluation of the project will be submitted along with the project proposal for Work Program entry; and
- (b) The proposal will reflect the experience and lessons of the earlier phase.

If either of the above conditions is not met, the project will not be recommended for entry into the Work Program.

III. PROCESSING OF MEDIUM-SIZED PROJECTS

58. Medium-sized projects (MSPs) are those that request up to \$ 1 million in GEF funds and go through an expedited processing, where approval has been delegated by the Council to the CEO. The objective for introducing the expedited processing was to increase flexibility in the programming of resources and to encourage a wide range of interested parties to propose and develop project concepts through the MSP processing. This type of projects should satisfy either the requirements of a Strategic Priority and (i) an Operational Program, or (ii) of short term response measures. The CEO's approval is final and the Implementing/Executing Agency is free to commit the funds to the country after following its own internal documentation and approval procedures. The CEO will also approve the fee payable to the Agency for managing the medium-sized project in accordance with the decision on fees.

59. MSP concepts or draft project documents are usually reviewed by the Implementing Agency (and those Executing Agencies with direct access to GEF resources²¹) and do not require review by the Secretariat nor formal listing in the GEF pipeline. A project proponent, however, has the opportunity to submit a draft MSP document to the Secretariat, through the IA, for eligibility review and may request for a PDF-A grant from the Implementing Agencies. The evaluation of an MSP for approval is subject to the same GEF Project Review Criteria as the full-sized projects (**Annex J**). However, MSPs go through a much more simplified Project Cycle

²¹ Other Executing Agencies have to get the MSP concept or project document reviewed by one of the three Implementing Agencies.

than the full-sized projects as illustrated in **Table 1**. MSPs do not require STAP review, although Implementing/Executing Agencies may seek STAP review especially for projects involving technical and scientific components to benefit from their expert opinion.

**Table 1. GEF Decision Points and Agency Project Cycles:
Full-sized vs Medium-sized Projects**

FSP	Project Concept/Pipeline Entry-reviewed by Secretariat	Work Program Inclusion approved by Council	Project document endorsed by CEO	Project Implementation/ Completion – approved by Implementing/ Executing Agencies
MSP	Concept or draft project document –reviewed by Implementing/Executing Agencies.	N.A.	Project document approved by CEO (after a 15-day circulation period to the Council)	Project Implementation/ Completion – approved by Implementing/Executing Agencies.

60. As opposed to full-sized projects where there are three steps of submission to the Secretariat, MSPs are submitted on a rolling basis to the Secretariat (the document is circulated to the Council for a 15-day comment period). The evaluation report on the implementation experience of the MSPs over the past few years is currently under review by a MSP Working Group which aims to explore and identify follow-up actions that would best respond to the recommendations made in the report.

IV. PROCESSING OF ENABLING ACTIVITIES

61. Enabling Activities are available in the focal areas of biodiversity, climate change, and persistent organic pollutants. EA projects are processed under the expedited procedures where CEO is authorized by the Council to approve projects within the ceiling approved for each area as follows.

Biodiversity

62. Proposals not exceeding \$350,000 can be processed through expedited process (**Annex K**); in addition, another \$100,000 may be requested under the same procedures (**Annex L**)²². If the needs of a country exceed these amounts, normal GEF processing rules for full-sized projects will apply.

Climate Change

63. Proposals not exceeding \$350,000 can be processed through expedited process (**Annex N**); in addition, another \$100,000 maybe requested under the same procedures (**Annex O**). If the need of a country exceeds these amounts, normal GEF processing rules for full-sized projects will apply.

²² Guidelines for additional funding of biodiversity enabling activities were issued on February 2000.

Persistent Organic Pollutants

64. The GEF will provide up to \$500,000 per country, under GEF's expedited approval and disbursement procedures for the preparation of National Implementation Plans (NIPs).²³ Refer to **Annex Q** for a template for submitting proposals. If the needs of a country for the preparation of its NIP exceed this amount, normal GEF processing rules for full-sized projects will apply.

Other Expedited Processing

65. National Self Assessments of Capacity Building Needs (NCSAs). Proposals for assistance to undertake NCSAs (**Annex R**) will be reviewed by the GEF Secretariat in accordance with expedited approval procedures for enabling activities.²⁴ Proposals that do not exceed \$200,000 may be approved by the CEO of the GEF using the expedited procedures. Individual country proposals that exceed \$200,000 will be considered full-sized GEF projects and processed for submission to the GEF Council.

V. PROJECT PREPARATION AND DEVELOPMENT FACILITY (PDF)

66. There are three different types of PDF grants, i.e. PDF-A, PDF-B, and PDF-C. The use of these PDFs is based on project need and the stages of the project cycle.

Project Preparation and Development Facility-A (PDF-A)

67. Before a project concept is developed, an Implementing Agency can selectively provide Project Preparation and Development Facility²⁵ financing not exceeding \$25,000 (PDF-A) for concept development work at the national level (refer to **Box 2** for items eligible for PDF-A funding).²⁶ PDF-A requests must be endorsed by the GEF national operational focal point. Each Implementing Agency is responsible for ensuring that submissions are for eligible countries and activities, and correspond to the strategic and operational priorities of the GEF. The PDF-A proposals are shared with other Implementing Agencies and the GEF Secretariat, which may provide comments to the Implementing Agency.

²³ See *Initial Guidelines for Enabling Activities For the Stockholm Convention On Persistent Organic Pollutants*, GEF/C.17/4, April 6, 2001 for details of guidelines on POPs projects.

²⁴ See Annex 2 of the *Operational Guidelines For Expedited Funding of National Self Assessments of Capacity Building Needs*, September 2001.

²⁵ For details on PDFs, refer to GEF/C.3/6, *The Project Development and Preparation Facility (PDF)*.

²⁶ While PDF-As are normally employed for concept development prior to entry into the GEF pipeline, there is no restriction towards employing PDF-As for further concept development or preparation after a project has entered the pipeline. For any PDF-A amounts exceeding \$25,000, on an exceptional basis, the CEO will authorize PDF-As up to a maximum of \$50,000 when it is determined by the CEO that additional financing is justified.

Box 2. Items Eligible for PDF-A

Funding would cover: (i) local consultations, national hearings, and/or workshops to discuss specific project and/or program ideas, including translation into local languages where appropriate and the preparation of background papers that could facilitate discussion; (ii) travel costs for local experts to visit neighboring countries for consultations and discussions on potential transboundary projects; (iii) consultancies to develop program and/or project options, including the preparation of terms of reference for feasibility studies, strategy papers and, where possible, the preparation of such papers; (iv) scientific, technical and environmental reviews of proposed projects to ensure that they warrant further consideration; and (v) costs of external expertise, as appropriate.

Project Preparation and Development Facility–B (PDF-B)

68. After a project concept has been accepted for entry into the GEF pipeline, the Implementing/Executing Agency may request a PDF-B grant to prepare the project. These grants can be up to \$350,000 for projects in single countries, and up to \$700,000 for projects involving preparatory activities in multiple countries as in the case of regional/global projects. The request must be endorsed by the national operational focal point of the recipient country (or recipient countries in the case of regional/global projects). The proposal could be submitted to the GEF Secretariat on a rolling basis, with copies to the other Implementing Agencies, relevant Executing Agencies, the relevant Convention Secretariat, and the STAP Chair. After review and receipt of comment, approval (or non-approval) is given by the CEO.²⁷ To streamline the review process, any requests for PDF-B may be submitted at the time a project concept is submitted for review and entry to the GEF pipeline.²⁸

69. The review and funding of activities in a PDF-B grant (refer to **Box 3** for items eligible for PDF-B funding) is made with reference to requirements of the associated project development at subsequent milestones – review for Work Program inclusion for Council approval, and CEO endorsement. PDF-B should normally be sufficient to cover the costs of project preparation and provide the necessary information to complete project appraisal and prepare the documentation for Agency approval. Where feasible, PDF resources should normally complement other sources of finance for preparation of a project proposal. GEF

Box 3. Items Eligible for PDF-B

PDF-B funds would normally be used: (i) to provide information necessary for the preparation of GEF project proposals including pre-feasibility, feasibility, basic costing, technical and scientific design parameters, and the development of a financing plan, including an assessment of incremental costs; (ii) for in-country preparation of the project proposal, including project workshops, consultation with interested parties and stakeholders, and local participation, where warranted in project design; (iii) for national and/or sectoral preparatory work required for the design of the proposed GEF activity. This could include assistance in preparing sectoral plans and programs (such as energy, industry, or agriculture) which have a direct bearing on project design; national policy analysis; and inventories and data analysis in support of the proposed project; and (iv) for small community-based activities to prepare for project implementation.

²⁷ PDF-Bs of those projects that have entered the GEF pipeline will be circulated for review and submitted for CEO approval within five working days on a rolling basis.

²⁸ An application for PDF-B could also double as a Concept Document provided it contains information required for Concept Agreement Review as described in the Project Review Criteria.

project preparation resources should be allocated on an incremental cost basis, taking into account the likely level of financing by the GEF in relation to the other co-financiers.

Project Development Facility–C (PDF-C)

70. The Agency may also submit a request for a grant of up to \$1 million (PDF-C) to provide additional financing—where required for large projects—to complete technical design and feasibility work. The CEO is authorized to approve PDF-C resources up to a ceiling of \$ 1 million. As in the case of PDF-B, PDF-C resources should normally complement other sources of finance for preparation of a project proposal. See **Box 4** for reference to the use of PDF-Cs.

Box 4. Items Eligible for PDF-C

Access to PDF-C funds would normally be limited for those projects which: (i) have been approved by the Council, but require more technical work; (ii) are large scale, normally infrastructure, projects which require considerable technical design and engineering feasibility work; and (iii) where all pre-conditions of project preparation have been met, including national consultations, technical and engineering pre-feasibility work, and country commitment.

71. The three types of PDF grants are designed to cover most of the preparation needs for a project before it is appraised and presented by Implementing/Executing Agencies to its internal board for approval. For clarification, expense items that are not eligible for using PDFs are described in **Box 5** below.

Box 5. Items Ineligible for PDF Funding.

Normally, the following items would not be eligible for PDF funding: (i) in order to distinguish project preparation costs from the administrative costs of the Agencies, costs associated with the work of specialized Agency staff or consultants retained by the Agency needed for a particular task (over and above those covered by administrative budgets) unless, on an exceptional basis, a country requests a particular staff member or Agency consultant by name. In these latter circumstances, travel and subsistence costs could be covered; (ii) non-project preparation costs including: project start-up costs, demonstration and pilot projects; the implementation of large scale enabling activities including detailed country-wide inventories and country studies; training activities other than where they are directly related to project preparation; and major research; (iii) capital goods other than those directly required for project preparation, such as computers and engineering equipment; and (iv) goods and services that can be procured through funding channels other than the GEF.

V. POLICY OF EXPANDED OPPORTUNITIES FOR EXECUTING AGENCIES

72. It has long been recognized that if the GEF is to catalyze international action to protect the global environment, cooperation with a broad range of qualified organizations and executing agencies to promote the objectives and mission of the GEF is essential. This has prompted the Council to approve the policy of expanded opportunities for executing agencies and to approve the proposed approach for the participation of four Regional Development Banks in preparing

and executing GEF projects, and for their access to PDF-B resources in May 1999.²⁹ In May 2000, further review of the experience of implementation by these banks led to the Council's decision to recommend the inclusion of the Food and Agricultural Organization of the United Nations (FAO) and the United Nations Industrial Development Organization (UNIDO) as executing agencies. Subsequently, the *Criteria for the Expansion of Opportunities for Executing Agencies* was approved by the Council in its May 2001 Council Meeting, including the admission of the International Fund for Agriculture and Development (IFAD) as an Executing Agency.

73. Before recommending an agency to the Council for expanded opportunities, the Secretariat would undertake, in consultation with Implementing Agencies, a due diligence institutional review. The exercise of the Implementing Agency's accountability to the GEF Council will be in the context of the Implementing Agency's initial due diligence work in the process of identifying Executing Agencies and in ensuring consistency with GEF policies and procedures together with implementation by that executing agency of its own policies and procedures and not the policies and procedures of the Implementing Agency. A review of the experience with the Executing Agencies under Expanded Opportunities was described in a paper submitted to the November 2003 Council Meeting.³⁰

74. Executing Agencies have the same flexibility as Implementing Agencies and may use their own documents, provided they show how they address the relevant GEF criteria, e.g., through attaching standard annexes showing the project's conformity with GEF policies and criteria.

75. At present, there are three Implementing Agencies and seven Executing Agencies, each with a slightly different arrangement in terms of access to GEF funding. The main difference between the Implementing Agencies and the Executing Agencies is that the Implementing Agencies are given a corporate budget to carry out GEF corporate activities while the Executing Agencies do not have such budget. There are also differences among the Executing Agencies in terms of access to GEF funding for the PDFs and project grants. **Table 2** shows the various levels of access to PDFs and project resources for different Executing Agencies under expanded opportunities.

²⁹ The four regional development banks were African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank.

³⁰ Review of Experience with Executing Agencies under Expanded Opportunities, GEF/C.22/12.

Table 2. Executing Agencies under Expanded Opportunities & Access to GEF Resources

Executing Agency	Access to PDF-B Resources	Access to Project Resources
Asian Development Bank (ADB)	Direct Access	Direct Access
African Development Bank (AfDB)	Direct Access	Indirect Access
European Bank for Reconstruction and Development (EBRD)	Direct Access	Indirect Access
Inter American Development Bank (IADB)	Direct Access	Direct Access
Food and Agriculture Organization (FAO)	Direct Access for POPs projects.	Direct Access for POPs enabling activities. Indirect Access for POPs projects.
International Fund for Agriculture and Development (IFAD)	Direct Access for Land Degradation projects.	Direct access for Land Degradation enabling activities. Indirect access for land degradation projects.
United Nations Industrial Development Organization (UNIDO)	Direct Access for POPS projects.	Direct Access for POPS enabling activities. Indirect Access for POPS projects.

Note: Direct access implies that the Executing Agency can directly submit proposals to the GEF Secretariat. Indirect access implies that the Executing Agency can submit the proposal only through one of the three Implementing Agencies.

VI. FUNDS MANAGED BY THE GEF OUTSIDE THE GEF TRUST FUND

76. In addition to the projects supported through the GEF Trust Funds, there are other activities supported through funds that are managed by the GEF, but outside the Trust Fund. At the seventh session of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) held in Marrakech, from October 29 to November 10, 2001(COP7), the GEF, as the financial mechanism of the Convention, was requested to operate two new funds related to the UNFCCC (the Special Climate Change Fund and the Least Developed Countries Fund) as well as a new fund related to the Kyoto Protocol (the Adaptation Fund).

77. National Adaptation Programs of Action (NAPA): In November 2001, the Conference of the Parties to the UNFCCC, at its seventh session (COP 7 of UNFCCC) decided that the least developed countries (LDCs) should be assisted in preparing national adaptation programs of action to address urgent and immediate needs and concerns related to adaptation to the adverse

effects of climate change. GEF was requested to provide funding for preparing NAPAs under the LDC fund³¹. Requests that do not exceed \$200,000 are reviewed under expedited procedures, following GEF operational procedures for NAPAs, and approved by the CEO. Proposals that exceed this amount are processed for submission to the GEF Council as FSPs. Approval is subject to availability of resources in the LDC fund.

78. Prior to their submission to the CEO of the GEF for approval, project proposals (**Annex P**) for enabling activities will be sent, by the Implementing Agency concerned, for review by thematic specialists from the other Implementing Agencies and the GEF Secretariat, and the secretariat of the UNFCCC. Proposals will also be shared with the Chairperson of the STAP. However, a STAP roster review will not be required for enabling activity proposals considered under expedited procedures. On receipt of a revised proposal, the Secretariat will submit it, within *two business days*, to the CEO for a decision. The CEO will consider the proposal within *two business days* and inform the Implementing Agency of his decision. If the project proposal deviates significantly from the operational guidelines, or exceeds \$200,000 for a country, it will be reviewed and approved in accordance with standard procedures of the GEF project cycle for full-sized projects, including review by an expert from the STAP roster.³²

³¹ Established by decision 7/CP.7 of the COP of the UNFCCC.

³² See Annex B of the *Operational Guidelines for Expedited Funding For the Preparation of National Adaptation Programs of Action by Less Developed Countries*, April 2002.

LIST OF ATTACHMENTS AND ANNEXES

List of Annexes (all annexes are posted on the GEF website at www.TheGEF.org and updated periodically as necessary. IAs/ExAs should refer to the annexes for the latest version of templates when preparing for any type of proposals):

Attachment 1: Council Decisions Affecting the Project Cycle
(November 2000 – May 2003)

Annex A	Roles of Players/Agencies Involved in the GEF Projects
Annex B	Strategic Priorities by Focal Areas and Other Programs
Annex C	Co-financing Policy for GEF Projects
Annex D	Definitions on Project Changes (yet to be finalized)

Full-sized Projects

Annex E	Template for PDF A
Annex F	Template for Project Concept Document and/or PDF B/C
Annex F1	Template for Concept Agreement Review
Annex G	Template for Project Executive Summary and Preparation Guidelines
Annex H	Criteria for Review of GEF Full-sized Projects

Medium-sized Projects

Annex E	Template for PDF A
Annex F	Template for Project Concept Document
Annex I	Template for Medium-sized Project
Annex J	Review Criteria for GEF Medium-Sized Projects

Enabling Activities

Biodiversity

Annex K	Format for Biodiversity
Annex L	Format for Biodiversity (Add On)
Annex M	Format for Biosafety

Climate Change

Annex N	Format for Climate Change Initial National Communications
Annex O	Format for Climate Change (Add On)
Annex P	Format for National Adaptation Programs for Action (NAPA)

Persistent Organic Pollutants (POPs)

Annex Q	Format for National Implementation Plan (NIP)
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Multiple Focal Areas

Annex E	Template for PDF A
Annex R	Format for National Capacity Self-Assessment (NCSA)
Annex S	Projects Timeline