



POLICY: OP/PL/01
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PROJECT CANCELLATION

Summary	This Policy sets out the principles, rules, and procedures to cancel or suspend projects or uncommitted funds approved as part of GEF programs.
Approved by	GEF Council
Approval & Effective Date	June 4, 2015 (48 th Council Meeting)
Background	This Policy was approved by the GEF Council at its 48 th Meeting in June 2015. It was presented to Council in Council Document GEF/C.48/04, <i>Expediting the Preparation of the Stock of Delayed Projects</i> . This Policy incorporates amendments to include provisions for cancellation of overdue MSPs and replaces and supersedes the Cancellation Policy approved by the Council at its 47 th Meeting in October 2014.
Applicability	This Policy applies to Full-sized Projects and Programs whose PIFs or PFDs were included in (1) the Work Program approved at the October 2014 Council Meeting and (2) all Work Programs approved after October 2014. It also applies to MSPs whose PIFs were approved after June 4, 2015.
Related Documents:	<u><i>Expediting the Preparation of the Stock of Delayed Projects</i>, Council Document GEF/C.48/04, May 8, 2015.</u> <u><i>Improving the GEF Project Cycle</i>, Council Document GEF/C.47/07, October 9, 2014.</u>
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Key Words	Cancellation, project cycle, project, program, project time-standard, Program Commitment Deadline, suspension

I. 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.

II. OBJECTIVES

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

III. 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 Program 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.¹ Partner Agencies, after consultation with countries, may also cancel a project.

¹ 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.

- (b) After CEO endorsement/approval, the Partner Agency may terminate or suspend a project in accordance with its policies and procedures.

IV. SCOPE

Cancellation prior to CEO Endorsement/Approval

Full-sized Projects

5. The Secretariat and the Partner Agencies 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 Points² 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 documentation³) has not been submitted for CEO endorsement,⁴ 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.⁵
- (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.

² In the case of regional and global projects, communication will be directed to all the participating country Operational Focal Points.

³ 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.

⁴ 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.

⁵ 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.

- (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 review⁶ by the Council prior to CEO endorsement.

Medium-sized Projects

6. The Secretariat and the Partner Agencies 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 Points⁷ 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 documentation⁸) has not been submitted for CEO approval⁹, 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 cancellation¹⁰.
- (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

⁶ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF.

⁷ In the case of regional and global projects communication will be directed to all the participating country Operational Focal Points.

⁸ 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.

⁹ 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.

¹⁰ 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.

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.¹¹

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(c), the PFD will contain an agreed Program Commitment Deadline, before which all child projects need to be submitted for CEO endorsement.
- (b) Six months before the Program 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 Program 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.¹²

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.

¹¹ This is a fast-tracked process to allocate available resources and avoids the step of resubmitting the PIF.

¹² 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.

- (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 project¹³ 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 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.

V. 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.
- (b) **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.
- (c) **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.

¹³ Including any child project approved under the programmatic approach.

- (d) **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.
- (e) **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.
- (f) **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.
- (g) **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).