



Global Environment Facility

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Dear Council Member,

UNDP, as the Implementing Agency for the project, ***Global: Small Grants Programme (Second Operational Phase - Year 6)***, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with UNDP procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in February 2004, and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by UNDP satisfactorily details how Council's comments and those of the STAP have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at www.gefweb.org. If you do not have access to the Web, you may request the local field office of the World Bank or UNDP to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

cc: Alternate, Implementing Agencies, STAP

United Nations Development Programme
Global Environment Facility
Small Grants Programme

Second Operational Phase

CRITERIA FOR NEW COUNTRIES

Prerequisites

- **Ratification of Biological Diversity and Climate Change Conventions**
- **Government interest** in joining the programme and support for the programme's implementation modality. This includes establishment of a National Steering Committee to be composed of members from NGOs, civil society organizations, academe, government, UNDP and others, as appropriate, with a non-governmental majority.
- Presence and adequate implementation capacity of **local NGOs and CBOs** (Community-Based Organizations).
- **Resources mobilization potential:** willingness of UNDP/CO and government to co-finance and/or help attract other co-funding sources.

Preferred

- Ratification of UNCCD
- Existence of environmental threats and needs in GEF thematic areas.
- Existence of areas with significant global biodiversity
- Satisfactory Government-NGO relations.
- Positive enabling environment.
- Presence of other relevant donor programmes; presence (current or proposed) of a national environmental fund or other potential local funding sources (private or public sector).
- Presence of one or more regular GEF projects (related to SGP mainstreaming objective).
- Presence of other UNDP small grant programmes to promote sustainable development (Africa 2000 Network, LIFE).

ANNEX 2
SGP COUNTRY PROGRAMMES AS OF YEAR 5 OF THE SECOND OPERATIONAL PHASE

Country	Date of Joining GEF/SGP	CBD ratified on	UNFCCC ratified on
AFRICA			
1. Botswana	1992	October 12, 1995	January 27, 1994
2. Burkina Faso	1992	September 2, 1993	September 2, 1993
3. Cote d'Ivoire	1993	November 29, 1994	November 29, 1994
4. Ghana	1993	August 29, 1994	September 6, 1995
5. Kenya	1993	July 26, 1994	August 30, 1994
6. Mali	1993	March 29, 1995	December 28, 1994
7. Mauritania	2001	August 16, 1996	January 20, 1994
8. Mauritius	1995	September 4, 1992	September 4, 1992
9. Mozambique	2003	August 25, 1995	August 25, 1995
10. Namibia	2002	May 16, 1997	May 16, 1995
11. Niger	2002	July 25, 1995	July 25, 1995
12. Rwanda	2003	May 29, 1996	August 18, 1998
13. Senegal	1993	October 17, 1994	October 17, 1994
14. South Africa	2001	November 2, 1995	August 29, 1997
15. Tanzania	1996	March 8, 1996	April 17, 1996
16. Uganda	1996	September 8, 1993	September 8, 1993
17. Zimbabwe	1993	November 11, 1994	November 3, 1992
NORTH AFRICA/ MIDDLE EAST			
18. Egypt	1993	June 2, 1994	December 5, 1994
19. Jordan	1992	November 12, 1993	November 12, 1993
20. Lebanon	2001	December 15, 1994	December 15, 1994
21. Morocco	1996	August 21, 1995	December 28, 1995
22. Palestinian Authority <i>See note 1 below</i>	1996	NA	NA
23. Tunisia	1993	July 15, 1993	July 15, 1993
24. Yemen	2003	February 21, 1996	February 21, 1996
ASIA PACIFIC			
25. Bhutan	1996	August 25, 1995	August 25, 1995
26. Fiji	2003	February 25, 1993	February 25, 1993
27. India	1995	February 18, 1994	November 1, 1993
28. Indonesia	1992	August 23, 1994	August 23, 1994
29. Iran	2000	August 6, 1996	October 16, 1996
30. Malaysia	1996	June 24, 1994	July 13, 1994
31. Mongolia	2002	September 30, 1993	September 30, 1993
32. Nepal	1993	November 23, 1993	May 2, 1994
33. Pakistan	1993	July 26, 1994	June 1, 1994
34. Papua New Guinea	1994	March 16, 1993	March 16, 1993
35. Philippines	1992	October 8, 1993	August 2, 1994
36. Samoa	2003	February 9, 1994	November 29, 1994
37. Sri Lanka	1994	March 23, 1994	November 23, 1993
38. Thailand	1993	January 29, 2004	December 28, 1994
39. Vietnam	1996	November 16, 1994	November 16, 1994

Country	Date of Joining GEF/SGP	CBD ratified on	UNFCCC ratified on
EUROPE			
40.Albania	1996	January 5, 1994	October 3, 1994
41.Kazakstan	1996	September 6, 1994	May 17, 1995
42.Kyrgyzstan	2001	August 6, 1996	May 25, 2000
43.Lithuania	2000	February 1, 1996	March 24, 1995
44.Poland	1994	January 18, 1996	July 28, 1994
45.Turkey	1993	February 14, 1997	<i>See note 2 below</i>
LATIN AMERICA AND THE CARIBBEAN			
46.Barbados (<i>see note 3 below</i>)	1994	December 10, 1993	March 23, 1994
47.Belize	1993	December 30, 1993	October 31, 1994
48.Bolivia	1992	October 3, 1994	October 3, 1994
49.Brazil	1994	February 28, 1994	February 28, 1994
50.Chile	1992	September 9, 1994	December 22, 1994
51.Colombia	2003	November 28, 1994	March 22, 1995
52.Costa Rica	1993	August 26, 1994	August 26, 1994
53.Dominican Republic	1993	November 25, 1996	October 7, 1998
54.Ecuador	1994	February 23, 1993	February 23, 1993
55.El Salvador	2001	September 8, 1994	December 4, 1995
56.Guatemala	1996	July 10, 1995	December 15, 1995
57.Honduras	2001	July 31, 1995	October 19, 1995
58.Jamaica	2003	January 6, 1995	January 6, 1995
59.Mexico	1994	March 11, 1993	March 11, 1993
60.Nicaragua	2003	November 20, 1995	October 31, 1995
61.Peru	1996	June 7, 1993	June 7, 1993
62.Suriname	1995	January 12, 1996	October 14, 1997
63.Trinidad and Tobago	1995	August 1, 1996	June 24, 1994

Notes:

1. Eligibility in accordance with Mr. El-Ashry's (GEF, CEO) letter to Council members of August 2, 1996.
2. The Turkey country programme is not eligible for making grants in the climate change focal area because Turkey has not yet ratified the UNFCCC.
3. The Barbados programme is regional and also covers the following countries and territories: Antigua and Barbuda (CBD March 9, 1993; UNFCCC February 2, 1993); Dominica (CBD April 6, 1994; UNFCCC June 21, 1993); Grenada (CBD August 11, 1994; UNFCCC August 11, 1994); St Christopher and Nevis (CBD January 7, 1993; UNFCCC January 7, 1993); Saint Vincent and the Grenadines (CBD June 3, 1996; UNFCCC December 2, 1996); Saint Lucia (CBD July 28, 1993; UNFCCC June 14, 1993); Anguilla, British Virgin Islands, and Montserrat.

Annex 1

Report of the GEF Small Grants Programme Global Workshop Nairobi, Kenya (26-30 May 2003)

Executive Summary

The SGP Global Workshop was convened on Monday, 26 May 2003 at the UN premises in Nairobi, Kenya by **Delfin Ganapin**, the new Global Manager of the GEF Small Grants Programme. The Workshop followed project site visits in the Mt. Kenya area where SGP is implementing the United Nations Foundation-supported Community Management of Protected Areas Conservation (COMPACT) project. Participants in the Workshop included SGP National Coordinators, COMPACT Local Coordinators, SGP headquarters staff from the Central Programme Management Team (CPMT) and UNOPS, and, for the first time, several SGP Programme Assistants and National Steering Committee members. A number of special guests from the GEF Implementing Agencies and partner programmes also took part and made key presentations.

A moment of silence in honor of **Jane Jacqz**, founder of the SGP, who passed away last year was the first order of the Workshop.

Mr. Ganapin then introduced the twin objectives of the Workshop: to consider and respond to recent GEF Council decisions and the recommendations of the Third Independent Evaluation of the SGP (1999-2002), and to develop a set of three-year strategic directions for the programme. The Workshop plenary and working group sessions were designed to meet these objectives.

GEF III and GEF Council decisions

Frank Pinto, Executive Coordinator UNDP GEF, provided an overview of GEF III and the decisions of the May 2003 GEF Council:

- A replenishment of \$2.92 billion was agreed upon for GEF III covering the period mid-2002 to mid-2006.
- The appointment of Len Good (Canada) as the next GEF CEO and Chairman was unanimously confirmed for a period of three years beginning 12 July 2003. From 1999 until May 2003, Mr. Good was President of the Canadian International Development Agency (CIDA).
- The GEF's mandate was expanded to cover two new focal areas involving land degradation and persistent organic pollutants.
- The Council approved the GEF Business Plan's strategic elements over fiscal years 2004-2006 (mid-2003 through mid-2006).¹

¹ The GEF Business Plan may be found at:
http://www.gefweb.org/Documents/Council_Documents/GEF_C21/C.21.9_GEF_Business_Plan_FY04-06.pdf

- SGP expansion was endorsed by the GEF Business Plan, which means that 10 (instead of the current 5) new countries will be added each year to the programme and SGP allocations would increase from \$30 million in FY03 to \$69 million in FY05.

Formal Opening of the Workshop

The formal opening of the Workshop included a Special Message from **Mohamed El Ashry**, Chief Executive Officer of the GEF. Speeches were given by **Francis Lelo**, NSC Chairman of the SGP in Kenya, **Frank Pinto**, UNDP GEF Executive Coordinator, **Shafqat Kakakhel**, UNEP Deputy Executive Director, and by **Paul Andre de la Porte**, UNDP Resident Representative in Kenya. The messages of support for community-based environmental initiatives that came from different agencies at the national and global levels speak of the broad partnership embodied by the SGP as a GEF corporate programme.

The Special Guest was the Honorable **Wangari Maathai**, Assistant Minister of the Ministry of Environment and Natural Resources of Kenya. She inspired the participants not only with her message but also by her very presence as one of the foremost environmental activists in Kenya.

Third Independent Evaluation of the Global Environment Facility Small Grants Programme

Michael Wells, team leader for the Third Independent Evaluation, offered a concise survey of the major findings and recommendations of the Evaluation. The Evaluation found that:

1) In the Second Operational Phase (OP2, 1999-present), the SGP effectively built on its strengths and rectified most of the weaknesses signaled by the Second Independent Evaluation in 1998. The principal OP2 objectives – strategic refocusing of the programme, mobilization of cofinancing, stronger and systematic monitoring and evaluation, linkages with larger GEF projects, outreach and communications strategy – were successfully met.

2) The SGP has become the “public face” or “ambassador” of the GEF. This is based on a generally high quality portfolio of innovative and cost-effective projects that are consistent with GEF strategic criteria, as well as increased recognition by government agencies, other donors, and the general public. The SGP is seen to link effectively global, national and local environmental issues through a transparent, participatory, decentralized, and country-driven approach to project planning, design and implementation. The Evaluation found that this success is due in great part to the collective efforts of the National Coordinators (NCs) and their ability to marshal extraordinary levels of expert voluntary support, above all from the National Steering Committees (NSCs). The Evaluation also made special mention of the contribution of Programme Assistants (PAs) to the overall success of the SGP. However, a priority finding of the Evaluation is that greater support and resources for country programme management and country teams, including the NSCs, are required if the SGP is to sustain its quality performance.

3) A series of major global programming issues were identified:

Global benefits from small grants. Through GEF funding the SGP is expected to generate global environmental benefits. The challenge for the programme is how to measure and track the direct and indirect impacts of SGP projects. The Evaluation considers that the *indirect* impacts of SGP activities seem much more likely to contribute to global benefits. These indirect impacts of SGP projects and activities include: policy changes by governments and donors; adoption of SGP approach and mechanism by other programmes; grantees and stakeholders taking action and achieving influence through greater awareness of global environmental issues and enhanced organizational capacity; and NSC members as advocates for global environmental issues. Yet these indirect impacts are particularly difficult to track and assess because they may not become evident until several years after the SGP activities have concluded, and there has been no systematic monitoring of potential indirect impacts of earlier SGP grants. Assessment of direct benefits continues to be extremely important as this constitutes the demonstrable evidence of change, but *benefits also need to be tracked over time*. The new emphasis on indirect benefits is not meant in any way to downplay direct benefits from SGP projects which are indeed significant.

Poverty, livelihoods, and the GEF focal areas. Linking the GEF's global environmental mandate with the Millennium Development Goals (MDGs) and poverty alleviation among local communities is a fundamental challenge for the SGP. The Evaluation suggests that "establishing environmentally sustainable livelihood opportunities at local levels may be a *precondition* for generating long-term global environmental benefits, as well as one of the most important ways of generating these benefits."

Portfolio composition. The performance and potential impact of country programme portfolios are critically affected by the size of grants, grantee capacities, and project locations. The average grant amount is \$20,000 – well below the SGP grant ceiling of \$50,000 – although there is significant variation among country programmes. Portfolios with numerous, smaller grants may pose greater management challenges. Grants to well-established, capable non-governmental organizations (NGOs) may perform better and produce quicker results, but grants to smaller, emerging community-based organizations (CBOs), that require more intensive supervision and support and are often slower to yield results, may ultimately contribute as much, if not more, to achieving sustainable development. In some countries, projects are dispersed so widely that supervision and monitoring, as well as grantee networking and experience sharing, are seriously impeded. The Evaluation emphasizes that *geographic focus is often essential for country programme effectiveness*, and that new SGP countries should clearly define a geographic focus in their initial country programme strategies.

Institutional and management arrangements. While the National Coordinators continue to be the single most important element of the SGP and perform admirably in an increasing variety of programme areas, the demands that are being placed on them and their Programme Assistants are almost unreasonable. Therefore, the highest priority recommendation of the Evaluation is to *provide more non-grant resources to support NCs and the country teams*. Similarly, the NSCs – which constitute an optimal mechanism for project selection and strategic programme guidance,

and whose voluntary contribution has no equivalent within the GEF – *would benefit from increased support as well as involvement in global SGP and GEF issues and activities.*

The evaluation found that *relationships with the UNDP Country Offices had deteriorated overall during OP2.* While there are some supportive and collaborative UNDP COs, difficulties have arisen involving lack of appreciation of SGP's specific mandate and funding criteria and lack of clarity regarding reporting relationships between NCs and Resident Representatives and other CO staff. These problems are compounded by some UNDP COs' declining budgets and the perception of the SGP as a potential source of funds as well as a competitor for bilateral cofinancing.

Main Recommendations of the Evaluation:

Institutional arrangements (in addition to the recommendations already noted)

- More professional development opportunities for NCs and PAs.
- More resources for programme management (M&E and communications)
- Some NCs need more direct support from the CPMT and UNOPS (improving UNDP CO relationships; enhancing country institutional arrangements, strengthening Country Programme Strategies, project selection, portfolio management, communications and fund raising).
- Involvement of senior UNDP and GEF management in addressing UNDP CO relationships in order to clarify reporting lines and COs' understanding of SGP goals and procedures.
- More country visits by senior CPMT and UNOPS staff for programme supervision and support.
- CPMT core staff should be increased by at least two full-time staff.

Tracking global benefits

- Track the longer-term outcomes of completed projects.
- Develop methods to track benefits at global level.
- Intensify networking with earlier grantees and project partners.

Expanding the small grant menu

- Consider increasing the SGP grant ceiling from \$50,000 to \$150,000 under certain conditions.

M&E and lessons learned

- Explore options to ease M&E burden on country teams and to streamline M&E systems.
- More resources for effective documentation/dissemination and study of lessons.
- More cross-learning between countries, involving NCs and key NSC members.
- More effective policy advocacy at regional and global levels as key SGP constituencies are networked across countries.

Information management

- Improve quality and quantity of information in SGP database.
- NSCs should receive and review database outputs.

Tracking in-kind cofinancing contributions

- Develop standard methods to identify and measure in-kind contributions since many important contributions are currently unrecorded and therefore unrecognized.

Addressing the findings and recommendations of the Third Independent Evaluation

A series of plenary presentations and several working group presentations and discussions responded to key elements of the Third Independent Evaluation.

Portfolio composition and geographic focus: **Philip Balderamos**, NC Belize, presented the United Nations Foundation/SGP COMPACT (Community Management of Protected Areas Conservation) experience around six World Heritage Sites (WHS) as a model that could be adopted by the SGP as a whole to manage large landscapes or ecosystems through a strategic cluster of small grants. The COMPACT approach relies on an intensive participatory planning process to establish a baseline, identify stakeholders, and select an appropriate niche for value-added impact. A site strategy is then produced that serves to guide grant-making to NGOs and CBOs in favor of biodiversity conservation in and around the WHS. The thematic and geographic focus of COMPACT helps to ensure enhanced impact while remaining responsive to community needs.

Tracking direct benefits: Geographic focus and planning: **Raul Murguia**, NC Mexico, discussed the ten-year process by which the Mexico programme has been able to assess the direct global benefits of community-based biodiversity conservation and climate change mitigation activities. With the collaboration of scientists on the NSC and other partner research institutions, a baseline assessment of the Yucatan Peninsula – the region where the Mexico SGP operates – was conducted in order to develop a strategy for the programme, based on a careful analysis of ecosystems and human economic activities. The strategy had three main objectives: improvement of the quality of life of local people through conservation and sustainable use of natural resources, cultural survival (biodiversity is the capital of the indigenous Mayan population), and eventual self-financing and self-management. The strategy centered on grant-making in the areas of bee-keeping, fighting forest fires, and organic agriculture as a means of avoiding deforestation and conserving biodiversity, and established clear links to the protected areas in the region so that the programme could take advantage of other cofinancing resources as well as influence government policy. The Mexico SGP has developed programme indicators for monitoring and measuring species protected, hectares of forest conserved, hectares saved from forest fires, and has developed an algorithm for measurement of carbon emissions avoided.

Tracking indirect benefits: policy advocacy and influence: **Don Sawyer**, NC Brazil, referred to the overall approach of the Brazil SGP which, while concentrating on sustainable livelihoods and

biodiversity conservation, keeps track of the large impacts that small projects can have through influencing public policy. Mr. Sawyer acknowledged that he was not aware of any methodology to measure or even verify the impact of policy interventions, but mentioned several examples of the formal and informal participation of NGOs and local peoples in policy formulation, such as local grantees who have moved on to important positions in government and national and international level entities. The key question to ask is: Would it have happened otherwise, without the SGP? The issue of attribution is difficult as most people who take credit for decisions do not want to acknowledge the source of the influence or idea. It is important to keep in mind that these policy influences are cumulative and long term, and often begin in the shape of involving communities at some level of policy formulation – the task that SGP has to take on.

SGP knowledge management: **Stephen Gitonga**, SGP Climate Change Officer, and **Esther Ebrahimian**, Consultant, presented the results of their work in the area of SGP information and knowledge management with special reference to the climate change project portfolio. Relying almost exclusively on the information contained in the SGP database on climate change projects, they conducted an analysis of this portfolio across countries that yielded rich and interesting insights about the performance of the portfolio thematically and temporally. This initial analysis led them to extend the scope of the exercise in order to produce a set of twenty case studies of climate change projects using information provided by NCs and grantees. In addition, an overall assessment of SGP information and knowledge management as encompassed by the SGP Monitoring and Evaluation Framework and database produced a number of recommendations for improvement. One of these is the need to *add eventual results and even impacts of projects, not just a description of the project at the approval stage, to the database*. Knowledge management products are more useful than just sets of raw data as they may be used to leverage resources and cofinancing. Donors and other partners are increasingly interested in obtaining such products.

Presentations in working groups permitted an in-depth examination of other topics raised by the Evaluation as well as those indicated by current annual SGP benchmarks:

- Strengthening SGP country programmes and supporting SGP country teams (**Oumar Wane**, NC Senegal, and **P.S. Sodhi**, NC India)
- Expanding the grants menu up to \$150,000 (justification, conditions, constraints, criteria) (**Oscar Murga**, NC Guatemala, and **Gopal Sherchan**, NC Nepal)
- Relationships with UNDP Country Offices (**Poonsin Sreesangkom**, NC Thailand, and **Luis Ibaceta**, PA Chile)
- Programme direct and indirect impacts (**Przemyslaw Czajkowski**, NC Poland)
- How can the SGP M&E system and database be used to enhance information management and generate knowledge? What are the barriers and how can they be overcome? (**Munir Al-Adgham**, NC Jordan)
- Using revolving funds, microcredit schemes, and other financial mechanisms (**Nguyen Kim Anh**, NC Vietnam)

The recommendations arising from working group deliberations are included in the final section of this summary.

Training for new National Coordinators

Training sessions for new NCs were led by UNOPS and CPMT staff with the able participation of long-serving NCs. These sessions allowed new NCs to raise questions and doubts about a range of administrative, financial, and operational issues involved in running a country programme, and to benefit from the knowledge and practice of experienced colleagues. New NCs can profit enormously from the experience of their colleagues, many of whom have been with the programme since the pilot phase. Every effort will be made in the future to promote ongoing “twinning” of new and experienced NCs on a regional or perhaps thematic basis.

Land Degradation, a new GEF focal area

Maryam Niamir-Fuller, UNDP GEF Land Degradation Focal Point, briefed the participants on land degradation – “a new focal area but an old idea.” The “Draft Operational Program on Sustainable Land Management” (OP 15)² provides the framework for the land degradation focal area, although detailed guidelines will be available by the end of the year. The objective of OP 15 is “... to mitigate the causes and negative impacts of land degradation on ecosystem stability, functions and services, through sustainable land management, as a contribution to improve people’s livelihoods and economic well being.” Land degradation has global implications because of its ecological and socio-economic effects worldwide in every country. It was also noted that this is the first time in the GEF that a focal area directly refers to people’s economic well-being. Priority problems in OP 15 are unsustainable agricultural practices, overgrazing, and deforestation.

The GEF III Business Plan proposes two strategic priorities for land degradation: 1) targeted capacity building to mainstream sustainable land management into national policies and laws and to build human and institutional capacities for sustainable land management; and 2) implementation of innovative and indigenous sustainable land management practices to improve productivity of land and preserve/restore ecosystems. There is a very large baseline of ongoing and planned donor support, although development action in last forty years has not been able to reduce the rate, scale nor severity of land degradation, which surpass the capacity of individual countries and donors. Therefore, the incrementality that GEF funds can support is to build on baseline activities to address the root causes of land degradation and remove barriers to sustainable land management. Since every country is affected by land degradation, every country has barriers (policy, capacity, technology, etc.) to be addressed. At the same time, it is important to develop alternative strategies for unsustainable land management practices. Every country can create innovative approaches to sustainable land management. Benefits are expected both in terms of poverty alleviation and sustainable environmental management, with secondary benefits in terms of biodiversity conservation and climate change mitigation.

² Please see: http://www.gefweb.org/Documents/Council_Documents/GEF_C21/C.21.6.pdf

Land use planning is the key for activities that may be undertaken under OP 15, and potential project ideas include the following:

Sustainable agriculture

Build on baseline with pilot demos of innovative sustainable approaches to soil and water conservation, such as:

- Improved tillage methods
- Agroforestry approaches to reduce erosion
- Promotion of suitable land uses (including protection from farming where necessary)
- Improved management of agricultural waste

Conservation and/or organic farming are not mentioned but there are indications that this is the intention of the approach.

Sustainable rangeland/pasture management

Build on baseline with pilot demos for soil and water conservation in rangeland and its groundwater, such as:

- Promotion/strengthening of viable traditional systems
- Mechanisms to resolve conflicts over land use
- Community-based protection, rehabilitation, fire management, ground water recharge, etc.

Forest and Woodland Management

Build on baseline with pilot demos for soil and water conservation in non-protected forests, such as:

- Promotion/strengthening of viable indigenous management systems
- Rehabilitation of degraded deforested areas
- Introduction of “fees for ecological services” approaches
- Community woodlots for fuelwood

Energy alternatives to fuelwood are not mentioned but there are indications that this is the intention of the approach.

SGP and land degradation are “natural partners” in that land degradation is best resolved at the local level and provides an ideal entry point to address community needs. In fact, SGP is probably already dealing with land degradation issues – such as the numerous sustainable agriculture and woodlot projects in the SGP portfolio – but simply referring to them in terms of the biodiversity conservation and climate change focal areas. SGP can build its competencies in the land degradation focal area by taking advantage of opportunities offered by the overall GEF: through the Scientific and Technical Advisory Panel (STAP), the new National Consultative Dialogue Initiative (which follows on the Country Dialogue Workshops), targeted research activities, and scaling up successful SGP initiatives to GEF medium-sized projects.

In order to incorporate the land degradation focal area, SGP country teams will need to update their country programme strategies (CPS) and develop relevant project selection criteria. For

this the guidance provided by the National Action Programmes (NAPs) of the United Nations Convention to Combat Desertification (UNCCD) will be especially useful.³ In revising the CPS, the focus should be on removing barriers at the local level, including capacity building, and on identifying and supporting local innovations. In this process of gearing up for grant-making in the land degradation focal area, *there may be a need to expand the NSC to include members with relevant expertise, and to involve NSC members in appropriate training activities*. Finding cofinancing will also be a challenge. NCs should consider the private sector and national programmes, especially to meet the sustainable development baseline, as well as the Community Exchange and Training Programme of the Global Mechanism of the UNCCD.

Enhanced Partnerships

The Workshop provided an excellent opportunity to create and consolidate new partnerships and review ongoing ones. Several SGP country programmes are already involved in some of these partnerships, and others may soon be selected for pilot or full implementation.

UNEP and STAP commitment to support SGP: **Ahmed Djoghlaif**, Director of the UNEP Division of GEF Coordination, and **Anne-Marie Verbeken**, Programme Officer of the STAP Secretariat, discussed the role, functions, and achievements of UNEP and STAP within the GEF, and welcomed a closer working relationship with the SGP. Such a working relationship will be explored further in the context of a Memorandum of Understanding between UNDP and UNEP currently being developed as an initiative of the UNDP Administrator and the UNEP Executive Director. In the short term, UNEP and SGP will pursue the possibility of STAP involvement in SGP efforts to improve the scientific design and conduct of its monitoring and evaluation system and to draw lessons learned from its rich portfolio of projects.

Mark Sandiford, Regional Programme Coordinator, gave an overview of progress in the *Small Grants Programme for Operations to Promote Tropical Forests in Asia (SGP PTF)*, funded by the European Commission, implemented by UNDP, executed by SEARCA in the Philippines, and based on and complementary to the SGP. Please see <http://www.sgpptf.org> for further information.

Michael Wells introduced the *Nile Basin Initiative Transboundary Environmental Action Microgrants Programme* which will begin implementation in the near future in close coordination with SGP country programmes in Egypt, Kenya, Tanzania, and Uganda, and using SGP mechanisms and procedures in the other participating non-SGP countries.

Nadine Gbossa, Associate Program Manager, Partnerships with NGOs and CBOs, presented the *Community Exchange and Training Programme of the Global Mechanism of the UNCCD*, which will enter into a cooperation agreement with the SGP to help fund training, capacity-building, and exchange of communities in drought-prone regions.

³ For the NAP for your country, please see: <http://www.unccd.int/actionprogrammes/menu.php>

Mohamed Sessay, UNEP Task Manager for Land Degradation, presented the *IFAD UNEP/GEF Mt Kenya Pilot Project for Land and Water Management*, where there is the possibility of collaboration with the UNF SGP COMPACT at Mt. Kenya.

Ingvar Andersson, of the UNDP *Community Water Initiative*, is seeking the collaboration of SGP country programmes that could implement pilot projects; there will be a formal agreement shortly.

David Duthie, UNEP GEF Task Manager – Biodiversity Planning Support Programme, invited SGP country programmes and NGO partners to participate in the GEF's *National Capacity Self Assessment Process*.

Sean Southey of the UNDP *Equator Initiative*, **Peter Hazlewood** of the UNDP *Poverty and Environment Initiative*, and **Philip Dobie**, Director of the UNDP *Drylands Centre*, discussed their programmes and potential linkages and collaboration with SGP.

Stephen Gold, Programme Coordinator of the GEF *National Consultative Dialogue Initiative*, has invited SGP National Coordinators to contribute to the ongoing GEF national dialogue process. The Dialogue Initiative will host about 45 multi-stakeholder National Consultations. These National Consultations may involve SGP NCs and/or NSC members. NGOs as well as representatives of indigenous and local communities may also attend, and SGP could be of help in supporting their active participation.

Workshop conclusions

Based on the rich and intensive discussions in plenary and working groups, the key action points to be included in the SGP strategic directions over the next three years could be grouped into three major categories: *expansion, reviews and revision, and improving efficiency*.

Expansion

- Expansion to new countries. This will mean the participation of experienced NCs in programme launching and mentoring activities.
- Networking within the country and across regions so that SGP can make the link from local, to national and to global governance. Programme links to projects and grantees should continue even after project completion. Transboundary projects that bring together two or more SGP programmes should also be encouraged.
- Establishing new partnerships with the research community, other programmes, as well as follow-up work with piloting countries.
- Expanding cofinancing partnerships so that there is not only increased funds but also mutual ownership and sustainability. Consider other possible sources such as the regional banks. The Resource Mobilization Strategy, particularly on cofinancing, requires further

clarifications and guidelines. There is also a need for training on resource mobilization for selected NCs.

- Dissemination of SGP experience and best practices by involving country programmes and grantees in the GEF National Consultative Dialogue Initiative. Inter-country exchanges (cross visits across countries) and inter-community (cross visits between communities) should also be promoted.
- Policy advocacy and upscaling should be intensified with more focus (with clear directions on what policy to work on and at what level). The programme should clearly be more active in the policy arena over the next three years.
- Expand SGP's more production-oriented projects to include marketing, financing, and partnerships with the private sector by project or theme, i.e., a network of honey-producing projects for certification and fair trade promotion. This requires clear guidelines on partnership, including cofinancing, with the private sector, especially in terms of how we can protect communities from being exploited as well as to prevent the SGP from becoming a participant in "greenwashing" or "bluewashing" schemes.

Reviews and revision

- Revision of country programme strategies to reflect the new focal areas of land degradation and, later, persistent organic pollutants (POPs). This will be based on an updated and revised global Strategic Framework. NCs and NSCs are expected to initiate the thinking process for revising and improving their country programme strategies; the necessary changes can be submitted for CPMT review as an amendment or annex to the current CPS.
- Review Communications Strategy for a major shift towards "knowledge management" – the key is not just to produce information, but to consolidate this information into knowledge and, finally, wisdom. Need to improve the SGP website with greater attention to content and language and to support an enhanced, strategic use of the sgp-xchange.
- As a follow up to the working group involving STAP and NSC members, it was agreed that SGP will be present at the STAP meeting in October and that NSC members will continue supporting CPMT in developing a methodology for carrying out the biodiversity portfolio review.
- Portfolio review – to create knowledge out of the rich information from many biodiversity projects implemented over the last ten years. A biodiversity conservation portfolio review will be followed after some years by a review of land degradation projects.
- Revision of Operational Guidelines and M&E Framework in order to streamline the reporting system.

- Review further the pros and cons of the recommendation of the Third Independent Evaluation for raising the grant ceiling to \$150,000 under certain conditions and through a phased funding approach.
- Innovate on ways of improving access to SGP grants for indigenous peoples so that SGP procedures adapt to their approach and practice of developing, presenting, implementing and monitoring proposals.
- Use COMPACT as a model, so that country programme strategies can consider its ecosystem/landscape approach with a cluster of complementary and mutually-supportive community-based projects (as opposed to widely scattered and isolated projects), to strengthen country portfolios and grant-making.

Improving efficiency

- Strengthen involvement of Programme Assistants and other SGP staff.
- More active involvement of NSCs, starting with the 4 ex post evaluations of SGP projects per country that will be conducted this year. Other ways of strengthening the NSCs such as increased participation in regional and global level activities and possible recruitment of members to cover gaps in experience and expertise in new focal areas, in private sector partnership, or in participation of the research community should be considered.
- Improve the programme's information management system. The database and the M&E Framework need to include critical baseline and project results and impact information although care must be made that the inclusion of these parameters will not create undue costs in time and effort.
- Capacity-building for NCs, PAs, and NSCs.
- Exchanges within SGP – between NGO/CBO partners as well as SGP country teams and NSC members – as a means of observing and disseminating best practices to improve country programme efficiency.
- Further clarifications of guidelines and terms of reference (TORs) as well as improving the quality, quantity, and speed of translation and dissemination of key SGP documents.
- Improving support from UNDP Country Offices – letters from HQ emphasizing the kind of support needed and the importance of such support from the UNDP CO would be a starting point.
- Additional staffing resources for country programmes – volunteers, interns, JPOs. The NCs, with support from the NSCs and UNDP COs, are to explore all possibilities for acquiring additional staffing resources and other kinds of support.

- Formation of a working group on security and welfare of all SGP staff. This is to be led by the SGP Global Manager, representing the CPMT, and will have participation by UNOPS as well as NC regional representatives. The regional representatives will solicit detailed analyses of issues and concerns from the NCs in their respective regions. A typology and analysis of these issues and concerns (clearly identifying systemic ones vis-à-vis those particular to certain situations) will be developed with a study of options to be submitted within a year's time.

Agreements on follow-up to the Workshop

SGP country teams are to share the SGP Global Workshop experience and conclusions with NSC members, calling a special meeting on this and distributing the executive summary for discussion and comments, upon returning to their countries. Appropriate ways of sharing the same with other programme partners should be considered.

Participants were also enjoined to send a note to the CPMT indicating what they liked about the Workshop, and what needs to be improved.

It was also agreed that a letter of support be sent to Rula Jiryas, National Coordinator of the Occupied Palestinian Territories, who was unable to attend the Workshop.

A declaration congratulating and thanking all the NSCs for their vital role in making SGP a success was read, and will be duly distributed.

The Workshop concluded with a motion of heartfelt thanks to the hosts – **Esther Mwangi**, NC Kenya, **Nancy Chege**, Mt. Kenya COMPACT LC, **Mary Mbaabu**, SGP Programme Assistant, **Charles Mithamo**, SGP Driver, and the other members of their team.

PROJECT BRIEF

1. IDENTIFIERS:

PROJECT NUMBER	INT/98/G52/A/1G/31
PROJECT NAME	Global: Small Grants Programme (Second Operational Phase)
DURATION	1-Year Replenishment for the period 19 February 2004-18 February 2005 (year 6 of the second operational phase)
IMPLEMENTING AGENCY	United Nations Development Programme
EXECUTING AGENCY	UNOPS
COUNTRIES	Global (73 countries)
ELIGIBILITY	All participating countries have ratified the CBD and UNFCCC
GEF FOCAL AREAS	Biodiversity, Climate Change, International Waters, Persistent Organic Pollutants and Land Degradation
GEF PROGRAMMING FRAMEWORK	Operational Programs 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14 and 15

2. SUMMARY

The Second Operational Phase of the GEF Small Grants Programme (SGP) was approved by the GEF Council in October 1998. A two-year replenishment for \$31.619 million was granted and it was agreed that a subsequent annual "rolling" financial modality would be adopted to ensure continuity of programme activities (programmatic approach). Since then three yearly replenishments have been approved, the last of which for \$27 million, to cover SGP operations until 18 February 2004 (year 5 of the Second Operational Phase). Within the adopted programmatic approach a number of benchmarks and deliverables are to be met each year. This document contains a report on results achieved in year 4 of the Second Operational Phase (February 2002- February 2003) as well as a summary on progress made so far in achieving the deliverables of year 5, ending in February 2004. The report constitutes the basis for Council deliberations on the replenishment for year 6 (19 February 2004 to 18 February 2005). Section III presents the work plan for year 6 and the indicators to assess results. It proposes expansion of SGP operations to 10 new countries of which at least 5 are SIDS and LDCs, as instructed by the GEF Second Assembly in Beijing. The Indicative Program Budget, estimated at \$31.2 million, is presented in section IV. The SGP co-financing target for year 6 is \$28 million of which \$14 million in kind and \$14 million in cash.

3. COSTS AND FINANCING (MILLION US\$)

GEF	Project	:	31.2
	Sub-total GEF	:	31.2
CO-FINANCING	In cash	:	14
	In kind	:	14
TOTAL PROJECT COST		:	59.2

4. OPERATIONAL FOCAL POINT ENDORSEMENT: Endorsements for the SGP Second Operational Phase available on request.

5. IA CONTACT: Delfin Ganapin, Global Manager
TELEPHONE: (212) 906 6191
FAX: (212) 906 6568

I. INTRODUCTION

1. The GEF Small Grants Programme (SGP), implemented by UNDP on behalf of the GEF family, completed 10 years of successful operation in 2002. A report entitled “Hands-on Action for Sustainable Development 1992-2002” was launched at the Beijing Second GEF Assembly. Starting in 1992 as a pilot programme, SGP has now reached out to thousands of communities in more than 60 countries and, in partnership with them, demonstrated what is possible to address livelihood needs while protecting the global environment. SGP has emphasized participation and democracy, synergy through partnerships, gender and indigenous peoples, geographical distribution, and replication and sustainability. The programme has also directed efforts at having an impact on national policies and donor agendas by increasing awareness of global environmental issues and communicating lessons learnt, including best practices from community-based experiences.
2. An indicator of SGP’s success is the increased developing country demand for participation in the programme. This was first expressed at the 6th Conference of the Parties to the Convention on Biological Diversity in which Decision VI/17 “...noted the importance of the Small Grants Programme of the Global Environment Facility, welcomes its continued expansion to other developing countries, in particular the least developed countries and the small island developing States”. Subsequently, in the Beijing Declaration of the Second GEF Assembly, Participant States instructed the GEF “...to seek to expand the GEF Small Grants Programme to more countries, in particular to the Least Developed Countries and Small Island Developing States”.
3. The Second Study of GEF’s Overall Performance conducted in 2002 found that “there is evidence that many of the [SGP] projects deliver more favorable cost-benefit ratios than larger projects” and also that SGP’s importance to developing countries derives from the way it links “global, national and local-level issues through a transparent, strongly participatory and country-driven approach to project planning, design and implementation”.
4. The SGP Third Independent Evaluation completed in April 2003 provides a detailed assessment of SGP’s performance during the period 1999-2002. The report was made available to the GEF Council at the November 2003 meeting. The evaluation confirmed the findings of OPS2 concurring with the recommendation that “...it will be important to allocate increased resources to SGP”. Overall, the impression of the evaluation team was that “SGP built on its strengths during the second operational phase while effectively addressing most of the weaknesses identified by the 1998 evaluation”. It further concluded that “although there are still areas where improvements are needed, the generally high quality of SGP’s portfolio includes an impressive range of innovative and effective projects that are consistent with the GEF’s Operational Programs. One of the most striking findings of the evaluation is the high degree of fit between the services and benefits provided by the SGP and the current priorities and needs in an extraordinary variety of country contexts in which the program operates”.
5. In the GEF Business Plan approved by the GEF Council in May 2003, it is proposed that the SGP accelerates its expansion to new countries, with a target of establishing 10 new country programmes each year. As requested by the GEF Assembly, SGP is expected to proactively facilitate SIDS and LDCs applications for participation in the programme and to provide assistance to ensure successful implementation of SGP in these countries. This proposal, coupled with the recommendations of the Third Independent Evaluation, has provided the basis for the SGP to review its strategic directions with a view to expanding its coverage to meet a significantly increased demand for its services.

6. In this context, SGP management has met on two occasions with the GEF Secretariat to discuss the strategic directions of the programme and concrete deliverables for the next three years. Pending the completion of this exercise it was agreed that SGP would submit a “business as usual” replenishment request for Year 6 to the GEF Intersessional Work Programme in February 2004 and, subsequently, at the May 2004 Council, a comprehensive proposal indicating how recommendations of the Third Independent Evaluation would be addressed and containing deliverables and benchmarks for a three-year period. A supplementary budget for year 6 would be presented along with this document to meet any additional costs associated with the proposed deliverables. In order to maintain the “rolling” financial modality of the programme and in accordance with previous practice, SGP will submit the replenishment request for year 7 to the November 2004 Council.
7. The workplan for SGP activities in year 6 is presented in Section III and the indicative budget for SGP operations in Year 6 is found in Section IV.
8. **Table 1** below summarizes basic information on SGP implementation since its inception in 1992.

Table 1: SGP at a glance

Phase	GEF Funding (million US\$)	Actual Co- financing in cash (million US\$)	Actual Co- financing in kind (*) (million US\$)	Number of Participating Countries	Number of Grants
Pilot Phase 1992-96	18.0	5.9	NA	42	563
Operational Phase I 1996-98	24.0	5.4	NA	53	896
Operational Phase II 1999- ongoing					
• Year 1 & 2	31.6	24.3	7.3	58	785
• Year 3	22.8	19.2	8.4	63	795
• Year 4	20.7	4.5	6.4	64	878
• Year 5 (**)	26.9	8.6	8.5	73	537
Cumulative OP II	102.0	56.6	30.6	73	2,995
Cumulative since 1992	144.0	67.9	30.6	73	4,454

(*) Information on in kind co-financing is not available for the Pilot and First Operational Phases. SGP started recording in kind co-financing from mid-1999 when the database was designed and made operational.

(**) It should be noted that at the time of reporting Year 5 is still ongoing. Figures are likely to increase with respect to cash and in kind cofinancing and number of projects.

II. RESULTS OF IMPLEMENTATION OF YEAR FOUR OF THE SECOND OPERATIONAL PHASE OF THE GEF SMALL GRANTS PROGRAMME AND PROGRESS MADE ON YEAR FIVE DELIVERABLES.

9. The SGP Project Document and its logical framework for the second operational phase contain a number of benchmarks and indicators designed to help track progress in meeting the recommendations of the 1998 evaluation. SGP has reported to the Council on an ongoing basis since 1999 and has proposed adjustments to its programme work on a yearly basis to reflect emerging issues and trends. These include, among others, progress in grant-making, resources mobilization, monitoring and evaluation, mainstreaming the SGP approach, and capacity building.
10. **Tables 2 and 3** below include the agreed deliverables for years 4 and 5, the indicators identified for measuring performance, and the actual results achieved. It should be noted however, that for year 5, the results presented are only partial given that the end of the period is February 2004 and this report was prepared in December 2003. Furthermore, most of the information given for year 5 summarizes national semi-annual progress reports as at August 2003.
11. A narrative report follows the tables to provide additional detail on activities and results.
12. The SGP Global Manager, Ms. Sally Timpson, retired at the end of 2002. The position was widely advertised during the last quarter of 2002 and over 150 applications were received and reviewed. The new Global Manager, Mr. Delfin Ganapin (Philippines) was appointed in February, and took his position in April 2003.

Table 2: Deliverables for Year 4 of the Second Operational Phase and Implementation Results

	Deliverable	Indicator	Result
1	SGP Third Independent Evaluation and results dissemination	Evaluation completed, printed, translated and disseminated	Evaluation report completed, translated into French and Spanish, and available to the public in the SGP website. Report distributed to Council members at the November 2003 meeting.
2	Raising SGP visibility at WSSD and contribute information on SGP to the GEF Assembly	a) Participation in PrepComs and WSSD b) Participation in GEF Assembly	a) Side events in Kenya and Phnom Penh; Participation in Prepcoms in NY and Indonesia, including site visits to 2 SGP projects by delegates and journalists. Participation in WSSD, including featuring the SGP in the UNDP Virtual Exhibit b) Participation in GEF Assembly, including an SGP booth/exhibit; distribution of large number of country materials; launch of the SGP 10 Year report by GEF CEO and Chairman; organization of a side event with participation of the UNDP Administrator; participation in the GEF NGO Network side event.
3	Expand activities to 5 new countries	a) Consideration of country applications b) Appraisal and start up of SGP implementation	a) 14 country applications received and reviewed b) Start up of programme implementation in Niger. Planning for appraisal mission to Nicaragua and the Pacific Islands. Start up missions for additional countries postponed to 2003 (see Table 3, deliverables for year 5). <i>Given the retirement at the end of 2002 of the SGP Global Manager and the forthcoming GEF Second Assembly it was decided that further new country decisions would be made when the new management was in place.</i>
4	Fit with GEF Strategy and Operational Programs	<ul style="list-style-type: none"> • SGP Strategic Framework revised to reflect new OPs • Country Programme Strategies revised to reflect OP11, 12, 13 and guidance on POPs, and to incorporate 	<ul style="list-style-type: none"> • Addendum to the Strategic Framework with guidance on OP11, 12 and 13; Preparation and dissemination of initial guidance on POPs • All Country Programme Strategies revised to include new OPs; Recommendations of Biennial

		<p>recommendations of Biennial Programme Reviews</p> <ul style="list-style-type: none"> Country Programme Strategies of new countries fit SGP Strategic Framework 	<p>Programme Reviews incorporated as relevant;</p> <ul style="list-style-type: none"> Country Programme Strategy for Niger reviewed and approved for compliance with GEF guidelines
5	Mobilization of non-GEF resources for baseline activities	<ul style="list-style-type: none"> \$11 million in cash (cumulative target as at end of year four: \$38 million¹) \$11 million in kind (cumulative target as at end of year four: \$38 million) 	<ul style="list-style-type: none"> \$48 million in cash. <i>Records on co-financing are kept cumulatively for the second operational phase to simplify data management.</i> \$22 million in kind (<i>in kind contributions are underestimated because a standard method for their measurement and recording needs to be developed and agreed upon</i>)
6	Functional links with GEF wide initiatives	<ul style="list-style-type: none"> 5 SGP projects scaled-up to medium-sized projects or PDF A approved to prepare an MSP On average each country programme should have 1 project with links to a full GEF project At least 15 countries include GEF National Focal Points in the SGP National Steering Committee 	<ul style="list-style-type: none"> 3 Projects scaled-up in Philippines, Belize (PDF-A approved) and Uganda; 4 proposals in preparation Country programmes reported 108 specific linkages between SGP projects and MSPs and full GEF projects during year 4. As of December 2003, 21 country programmes include the GEF National Focal Point or his/her delegate in the National Steering Committee
7	Implementation of SGP monitoring and evaluation strategy	<ul style="list-style-type: none"> SGP database up to date Every country programme submits timely semi-annual reports Participatory evaluations of every completed project 25 Programme Biennial Reviews 	<ul style="list-style-type: none"> Database maintained by all countries Two semi-annual reports received for each operational country programme 155 participatory final evaluations were conducted during year 4. 14 Biennial Programme Reviews completed (<i>the target of 25 BPRs could not be met given the additional workload at the global and country level</i>)

¹ The GEF Council instructed SGP to mobilize co-financing (of which 50% in cash and 50% in kind) to match GEF resources in the Second Operational Phase. SGP therefore tracks resources mobilized and reports to the Council annually on cumulative cofinancing results for the second operational phase.

		<ul style="list-style-type: none"> • Publication with summary of SGP’s contribution to achieving global environmental benefits 	<p><i>due to the Independent Evaluation process)</i></p> <ul style="list-style-type: none"> • Publication “Hands-On Action for Sustainable Development 1992-2002
8	Programme sustainability and further decentralization of responsibilities	<ul style="list-style-type: none"> • Overall assessment of current experience in NGO hosting of the programme. Based on results of assessment SGP may: <ul style="list-style-type: none"> a) Increase the number of country programmes hosted by a national NGO or Environmental Fund b) Delegate full responsibility of country programme implementation to at least one host NGO, including grant administration c) Revise SGP Operational Guidelines to reflect new guidance on host NGO arrangements 	<ul style="list-style-type: none"> • Assessment of host NGO arrangements completed; Results used in finalizing NGO hosting agreement with Namibia Nature Foundation; <ul style="list-style-type: none"> a) Namibia became the 9th SGP country hosted in a national NGO. The Namibia Host Agreement will be used as a best practice for future host NGO arrangements b) Pilot experience delegating full implementation responsibility (including grant funds management) to Domnic Save the Children Fund in Dominica. c) SGP Operational Guidelines contain adequate guidance on host national institution arrangements
9	Capacity building at country and community levels	<ul style="list-style-type: none"> • At least two stakeholder workshops in each country during the year • Ongoing partnerships in at least 15 countries with capable NGOs, EFs, universities or research institutions to support capacity building of grantees • Ongoing electronic chat room on capacity building 	<ul style="list-style-type: none"> • 289 stakeholder workshops took place during year 4. • In addition to 9 host NGO agreements for SGP country programmes, 5 NGOs are hosting the COMPACT programme at a similar number of World Heritage Sites, and 8 countries reported partnerships with academic institutions and NGOs for capacity building • The SGP-xchange was used for an e-discussion among National Coordinators on capacity building during the period July-September 2003. 38 NCs were active in the discussion.
10	Communications and outreach	<ul style="list-style-type: none"> • At least 4 projects per year receive media coverage in each country 	<ul style="list-style-type: none"> • 663 projects featured by local, national and international media during year 4.

		<ul style="list-style-type: none"> • Meaningful participation of SGP in at least 2 global conferences • At least one publication at the global programme level 	<ul style="list-style-type: none"> • In addition to WSSD and related meetings SGP participated in the CBD COP6 in April 2002 and in the Bishkek Global Mountain Summit in October 2002. • SGP provided information to the GEF Secretariat for the GEF report to the CBD COP and for the “High Priorities, GEF’s Contribution to Preserving and Sustaining Mountain Ecosystems”. • Publication “Hands-On Action for Sustainable Development 1992-2002 • 4 Country programmes produced publications for SGP’s anniversary including Philippines, Uganda, Peru and Ecuador. These were distributed at the CBD COP, WSSD and GEF Assembly
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Table 3: Deliverables for Year 5 of the Second Operational Phase and Implementation Results as at 31 December 2003

	Deliverable	Indicator	Results
1	SGP Third Global Workshop	Workshop held and report available	Workshop held in Nairobi, Kenya, May 23-30, 2003 (workshop report attached as Annex 1.)
2	Expansion to 5 new countries	Appraisal missions held Start-up of programme implementation	Appraisal missions to the following countries and/or regions: Colombia, Jamaica, Mozambique, Nicaragua, South Pacific, Rwanda, Yemen. <i>Mission to Romania has already been organized by the UNDP CO for the last week of January 2004.</i> Programme start up in following 8 countries: Colombia, Fiji, Jamaica, Mozambique, Nicaragua, Rwanda, Samoa and Yemen. (As agreed in the workplan of years 4 and 5, 10 new countries have been added: Niger in 2002, 8 in 2003 and Romania before the end of year 5)
3	Lessons learning through thematic portfolio reviews, and exchanges between countries and relevant international organizations	No indicators identified	Thematic review on beekeeping and biodiversity for the Meso-American region organized. A global exchange on the same topic will follow in 2004 with UNF resources. Thematic review on World Heritage Site community conservation conducted (publication entitled Partnerships for Conservation, Community Innovations in a Landscape Context “ being finalized). Three-days exchange among 6 countries carried out in June 2003 at Mt. Kenya. Thematic review of renewable energy and energy efficiency projects completed. 50 case studies, plus overall climate change portfolio review findings published and launched at UNFCCC COP9. E-discussion on turtle conservation projects

4	Project ex-post evaluations	<p>a) Development of methodology</p> <p>b) Preparation of national institutional agreements to carry out evaluations</p>	<p>a) Draft methodology prepared</p> <p>b) In preparation</p>
5	Assessment of staffing arrangements and country operational budgets	<p>a) Review of current staffing arrangements</p> <p>b) Analysis of operational budgets</p>	<p>a) A review of staffing arrangements has been completed. Changes will be effected as soon as further assessment of financial implications is carried out</p> <p>b) All country operational budgets reviewed and approved for year 5.</p>
6	Fit with GEF Strategy and Operational Programs	<ul style="list-style-type: none"> • SGP Strategic Framework revised to reflect decisions of GEF Assembly, as relevant • Revised SGP Logical Framework to enhance indicators system considering recommendations of Third Independent Evaluation • Country Programme Strategies revised, as appropriate • Country Programme Strategies of new countries fit SGP Strategic Framework 	<ul style="list-style-type: none"> • Process for revised SGP Strategic Framework started by requesting country feedback on current version and by integrating OP14 and 15. Inputs from country programmes received. • A new SGP Logical Framework will be developed upon agreement by GEF Sec. and GEF Council on strategic directions for the next 3 years • 15 countries have revised Country Programme Strategies, however, additional revisions will be necessary upon completion of new Strategic Framework • Country Programme Strategies of new countries have been reviewed by CPMT for conformity with Strategic Framework but a revision will be necessary as explained above
7	Mobilization of non-GEF resources for baseline activities	<ul style="list-style-type: none"> • \$13.5 million in cash (cumulative target for the second operational phase at end of Year five: 51.1 million) • \$13.5 million in kind (cumulative target for the second operational phase at end of year five: 51.1 million) 	<ul style="list-style-type: none"> • In cash co-financing mobilized (cumulative for the second operational phase): \$56,550,732 • In kind co-financing mobilized (cumulative for the second operational phase): \$30,553,076 (<i>see explanation in Table 2</i>)

8	Functional links with GEF wide initiatives	<ul style="list-style-type: none"> • 5 project proposals to scale-up SGP projects to MSPs • On average each country programme should have at least 1 project with links to a full or MSP GEF project • Continued participation in CDW 	<ul style="list-style-type: none"> • 2 projects up-scaled to GEF MSP and 2 proposals scaled up with Tourism Trust Fund of the EU in Kenya; 1 PDF A approved and 12 projects in preparation • 38 SGP projects with linkages with MSP and full-size projects reported in first semester of year 5 • Micro-grants component of UNDP/WB Nile Basin Initiative fully adopted SGP procedures and Operational Guidelines. SGP will execute the micro-grants component in Egypt, Kenya, Uganda, and Tanzania. • Linkages established with STAP for knowledge management; • Linkages established with UNEP for collaboration on cultural and biological diversity, indigenous peoples issues, and for technical support on aerial surveys and environmental assessment; • SGP involved in all CDW workshops in participating countries
9	Implementation of SGP monitoring and evaluation strategy	<ul style="list-style-type: none"> • SGP database enhanced and up to date • Every country submits timely semi-annual reports • Participatory evaluations of completed projects • Four ex-post evaluations per country 	<ul style="list-style-type: none"> • Database 95% up-to-date • 92% of semi-annual reports received for first semester. Next reports due in February 2004. Timeliness and quality of reporting assessed in yearly staff performance evaluation • 153 final participatory evaluations completed in first semester of Year 5 • Ex-post evaluation process in preparation. Actual evaluation will be conducted in 2004. <i>(The process needs careful planning and an agreed methodology to produce good quality results,</i>

		<ul style="list-style-type: none"> • 25 Biennial Programme Reviews • Analysis of the SGP grant portfolio in the biodiversity focal area 	<p><i>therefore, it has been decided to conduct a pilot application of the methodology before full implementation of the 136 evaluations)</i></p> <ul style="list-style-type: none"> • 6 Biennial Programme Reviews completed during the first semester of year 5 • Criteria for the portfolio review developed and agreed upon. 3,000 + biodiversity projects have been reviewed and classified in a matrix by CBD objective, CBD Article, GEF Strategic Objective, Operational Program, Ecosystem Type, biodiversity significance, main threat addressed, main stakeholders (including indigenous groups), approach, type of intervention, species targeted, interlinkages with other MEAs, and immediate local benefits (including relation to the MDGs).
10	Programme sustainability	Implementation of the recommendations of the assessment of NGO hosting arrangements	SGP in Colombia to be managed by Ecofondo, the national environmental fund. Lessons being applied in host agreement.
11	Capacity building at country and community levels	<ul style="list-style-type: none"> • At least 3 stakeholder workshops in each country • Ongoing partnerships in at least 15 countries with NGOs, EFs, universities or research institutions to support capacity building of grantees • Involvement of NSC members with expertise on climate change in identifying best practices and lessons and in exchange between country programmes 	<ul style="list-style-type: none"> • 81 Stakeholder workshops as of August 2003 • 18 partnerships for capacity building reported during first semester of year 5. • 4 NSC members (Burkina Faso, Kenya, Turkey, and Guatemala) participated in the SGP Global Workshop; 2 NSC members (Guatemala and Turkey) part of the team developing methodology for ex-post evaluations; NSC members of several countries involved in climate change case studies.
12	Communications and outreach	<p>On average 4 projects per year receive media coverage in each country</p> <p>Meaningful participation of SGP in at least 2 international conferences</p>	<ul style="list-style-type: none"> • 301 radio, TV and newspaper stories about SGP projects and activities at the national and international levels. • Presence in World Water Forum and meaningful participation at World Parks

		<p>Inputs to GEF wide publications</p> <p>Publication of the Climate Change portfolio analyses</p>	<p>Congress, UNCCD COP6, and UNFCCC COP 9. Preparations for CBD COP7 are underway.</p> <ul style="list-style-type: none"> • Contributions to GEF Publications: 1) <i>Picturing the GEF, A Decade of Action for the Global Environment</i>; 2) GEF report to CBD COP7; 3) GEF report to UNFCCC COP9; 4) <i>Making a Visible Difference in Our World</i> • <i>Community Action to Address Climate Change: Case Studies Linking Sustainable Energy Use with Improved Livelihoods</i> (128 pages, 50 case studies) • <i>Responding to Climate Change, Generating Community Benefits. A review of Community Initiatives supported by the Global Environment Facility Small Grants Programme 1992-2003.</i> (68 pages) • Special Choices Magazine Supplement for the World Parks Congress 2003.
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13. Below is a narrative report on progress made in programme implementation and in achieving the deliverables planned for year 4 and 5 of the second operational phase.

Grant-making

14. At the end of December 2003 SGP's grant portfolio was comprised of 4,454 projects, of which 2,994 approved during the Second Operational Phase. This represents 1,283 new projects since the last reporting period (May 2002). The total value to GEF of the SGP second operational phase project portfolio is \$60.7 million. The total resources made available by GEF for grants in the first 4 years of the second operational phase were \$52.3 million, therefore, available grant resources up to year 4 have been fully utilized and \$8.4 million out of the \$18.2 million grant allocation for year 5 (almost 50%) have been reported as committed in the database. The above indicates that SGP is well on track to fully utilize grant funds before the end of the period (February 2004) given that there is always a time gap between signature of grant agreements and recording of information in the database.
15. The composition of the portfolio remains quite stable in terms of distribution among GEF focal areas, i.e. roughly 65% biodiversity, 20% climate change, 6% international waters and 9% multiple focal areas. The Third Independent Evaluation found that *"the high quality and variety of SGP climate change projects are one of the highlights of the second operational phase, with the better projects building policy development considerations into their initial design stage"*.

SGP Third Independent Evaluation

16. The objectives of the Third Independent Evaluation were to examine progress and results in program implementation during the second operational phase (1998-2002), measured against the specific objectives set forth in the Project Document and the benchmarks established by the GEF Council in 1998. The evaluation was also to assess the extent to which the recommendations of the 1998 evaluation had been addressed and whether as a consequence program performance and results had been strengthened. Lessons learnt and best practices were to be identified and recommendations to be offered to enhance SGP's performance and impact. The terms of reference for the SGP evaluation were presented to the GEF Council at its May 2002 meeting. The evaluation was a complex exercise involving four international consultants supported by local consultants in each of the 12 countries visited². The Monitoring and Evaluation Unit of UNDP provided overall guidance to the process. The evaluation was based on an extensive review of documents, access to the SGP database, and interviews with a variety of stakeholders at the global and national levels. Initiated in May 2002 and completed in April 2003 the evaluation has been very useful to identify strengths and best practices and to highlight opportunities to improve SGP's effectiveness and impact. The recommendations of the Independent Evaluation will be pivotal to the SGP strategic vision and work plan for the next three years to be submitted for Council consideration in May 2004.

² Countries visited as part of the SGP Third Independent Evaluation: Cote d'Ivoire, Guatemala, India, Lithuania, Peru, Tanzania, Thailand, Trinidad and Tobago with Suriname (a two country programme), Tunisia, Turkey and Vietnam.

17. The full report of the SGP Third Independent Evaluation was presented to the GEF Council at its meeting in November 2003. The report has been translated into French and Spanish and is available to the public at the SGP website (www.undp.org/sgp).
18. The overall findings of the SGP Third Independent Evaluation were positive, confirming that the programme made significant progress in addressing the shortcomings identified in the 1998 evaluation. Among other positive achievements, it highlighted the climate change project portfolio for its innovation and quality.
19. The Team leader of the Independent Evaluation made a comprehensive presentation of findings to SGP National Coordinators gathered at the Global Workshop in Nairobi in May 2003 (see paragraph 64). The Coordinators had an opportunity to review the recommendations of the evaluation and brainstorm on modalities of implementation.

Raising SGP visibility at WSSD and contribute information Second GEF Assembly

20. The World Summit on Sustainable Development (WSSD) was identified as a key occasion to highlight SGP as one of the relatively few programmes which can show solid sustainable development achievements since Rio and also as an opportunity to mainstream the SGP approach and objectives into the global sustainable development agenda. SGP participation in the WSSD preparatory process and summit were therefore identified as key benchmarks in the work plan for year 4 of the second operational phase.
21. Given the limited budget for non-grant expenditures SGP relied much on other funding sources and on “friends of SGP” whose participation in various events was financed from other sources. Through this approach SGP achieved significant visibility in the regional and global preparatory conferences (Prepcoms) and in the WSSD itself. SGP organized side events in Kenya and Phnom Penh and jointly with other UNDP small grants programmes participated in the global prepcoms (2 & 3) in New York to highlight the importance of community-level action and the unique mechanisms that facilitate reaching the grassroots level. At Prepcom 2 SGP organized a panel and installed an exhibit in the hall of the UN General Assembly building. An SGP grantee presented a successful renewable energy project during a side event. At Prepcom 3 the Egypt SGP National Coordinator was an official representative of civil society organizations in the Multistakeholder Dialogue sessions. At Prepcom 4 in Bali, the SGP host NGO in Indonesia secured a grant from the Ford Foundation to organize an SGP panel. The side event dubbed “Green Call” was opened by the Indonesian Minister of Environment. Other panelists included a representative of the GEF Secretariat, the Chairs of the SGP National Steering Committees of Philippines and Egypt and a representative of GROOTS, an international NGO. The GEF Secretariat provided funding for a site visit of about 40 people, including delegates and journalists, to two SGP supported projects in Bali.
22. At WSSD, SGP co-sponsored the “Community Kraal” where panels and workshops showcasing successful community initiatives were presented and discussed during the Summit. Two SGP grants (Kenya and Costa Rica) were awarded a prize by the Equator Initiative.
23. A number of communications materials were developed such as a mobile exhibit, and the photo-library of SGP. SGP was featured in the “virtual exhibit” organized by UNDP for WSSD. After the Summit, journalists visited the SGP country programme in Botswana and a number of interviews with SGP grantees were recorded for a UN radio programme later on translated into several languages.

24. A major outcome of WSSD's visibility of community-based interventions was the recognition by the UNDP Administrator that sustainable development will be achieved community-by-community. This is an important departure from the previous perception that UNDP's focus should be rather the national and global policy level. Recognizing the micro-macro linkages is essential to secure broader agency and donor support for SGP-type interventions at the grass roots level.
25. At the Second GEF Assembly in Beijing, SGP set up an exhibition booth which was featured in the national news (TV and newspapers). The GEF Chief Executive Officer and Chairman launched the publication prepared on the occasion of the 10th anniversary of SGP: "Hands-on Action for Sustainable Development, 1992-2002". A side event showcasing SGP activities in Pakistan, Kenya, Dominican Republic and the Philippines was chaired by the UNDP Administrator. In this event UNEP presented the impact of the SGP/UNEP partnership for the conservation of Mt. Kenya World Heritage Site under the COMPACT initiative. The aerial surveys conducted with the Kenya Wildlife Service confirm that illegal logging activities and other destructive practices have been dramatically reduced over the last three years and that forest cover has increased in degraded areas around the mountain. SGP also participated in the side event organized by the GEF NGO Network. The Network representative from Central America prominently featured SGP contribution in the region.

Expansion to new countries

26. The targets for SGP expansion were five new countries in Year 4 and five countries in Year 5. During 2002, 14 country applications for participation in the SGP were received and reviewed. Niger with a fairly advanced application process was accepted for participation and activities to start up the programme were undertaken. Niger became the 64th country participating in the SGP and is now fully operational.
27. Several consultations to identify effective ways to establish the programme in the Pacific took place during the year. SGP management met with the UN Ambassadors of Fiji and Samoa in New York and also with the UNDP Bureau for Asia and the Pacific to prepare a comprehensive mission to review past experiences in managing small grants programmes in Pacific SIDS and assess opportunities and constraints for SGP operations in these countries. The Governments of Australia and New Zealand were also contacted to seek their participation in the mission and explore co-financing possibilities. The UNDP country offices in Fiji and Samoa started local stakeholder consultations in both countries as well as in Vanuatu and Micronesia. International NGOs operating in the region were also contacted.
28. The appraisal mission took place in April 2003 led by the former SGP Global Manager. The mission involved UNDP country offices, UNV staff, international NGOs and donors in the region, carried out consultations with national governments, national NGOs and other NGO environment and development initiatives, and tackled a number of complex issues that have been identified as barriers for the cost effective operation of regional small grants initiatives in SIDS. The results of the mission were positive and it was decided that a combination of national and regional SGP programmes would be established over the next few years, adopting the most adequate management structure that would suit the individual islands' needs and circumstances. Fiji and Samoa have started the establishment of national country programmes and will serve as pilot experiences in the Pacific with a view to considering additional country or regional applications the following year. The Federated States of Micronesia submitted an application for

SGP participation and – in accordance with the agreements reached during the appraisal mission – will be considered during Year 6 of the second operational phase.

29. During year 4, consultations also took place with Nicaragua and Yemen with a view to ascertain the feasibility to start up the programme. It was agreed that an appraisal mission was necessary before a final decision could be made. The appraisal missions were planned for 2003 given the imminent changes in SGP management and to take into account decisions of the GEF Second Assembly.
30. During year 5, appraisal missions to the following regions/countries took place: Pacific Island States, Colombia, Jamaica, Mozambique, Nicaragua, Rwanda, and Yemen. An appraisal mission to Romania is scheduled at the end of January 2004, completing 10 new countries, i.e., a total of 73 active SGP country programmes by the end of year 5. In accordance with the instructions of the GEF Assembly, SGP has prioritized SIDS and LDCs. Jamaica, Fiji and Samoa are SIDS and Mozambique and Rwanda are LDCs. The list of participating countries and their dates of joining the programme are presented in Annex 2.

Fit with GEF Strategy and Operational Programmes

31. The major activity in year 4 concerning ensuring adherence to GEF strategy and operational programs was to revise the SGP Strategic Framework to incorporate the new GEF Operational Programmes 11, 12 and 13 in grant-making activities. An addendum to the Strategic Framework was prepared in collaboration with the UNDP-GEF Advisors and translated into French and Spanish for dissemination. The addendum facilitated the revision of Country Programme Strategies, which subsequently guided the grantees and NSCs in developing and considering proposals related to the new OPs. SGP seconded the SGP National Coordinator of Malaysia to the UNDP-GEF team developing guidance on Persistent Organic Pollutants. A specific section on potential SGP interventions on POPs was prepared. There is now a growing portfolio of SGP funded initiatives on biodiversity important for agriculture, sustainable transport and integrated ecosystems management. Very few POPs initiatives have been funded, which points to the need to implement capacity development activities for SGP teams and NGOs and CBOs.
32. Following the SGP Third Independent Evaluation and Council approval of OP15 on Sustainable Land Management, SGP is currently undertaking a new revision of its Strategic Framework. Country Programmes have been consulted to obtain feedback on their experience in applying the current Strategic Framework and seeking suggestions to further improve programmatic guidance. In addition to guidance on OP15, the new Strategic Framework will seek to address identified shortcomings, particularly those in the area of International Waters and POPs. Consultations with GEF Secretariat Staff and UNDP GEF Technical Advisors will take place before the end of year 5.
33. The revision of the SGP Logical Framework (a deliverable for year 5) will no longer take place during the period. Instead, it has been decided that, upon endorsement by the May 2004 GEF Council of SGP's strategic direction for the next three years, a new Logical Framework would be prepared. Relevant indicators will be identified to ensure effective and meaningful reporting.

Mobilization of non-GEF resources for “baseline” activities

34. Information in the database indicates that as of December 2003 the level of cumulative cash co-financing leveraged by the programme during the second operational phase is \$56.6 million and the in kind co-financing is \$30.6 million (see **Table 1**). The cumulative targets at the end of year 4 were \$38 million in cash and \$38 million in kind, therefore, cash co-financing targets have been met while in kind co-financing is still below expectations. The cumulative targets for year 5 of the second operational phase are \$51.5 million in cash and an equal amount in kind. This means that SGP is about \$5 million above the cash co-financing targets and about \$29 million below the in kind co-financing targets. The Third Independent Evaluation highlighted that standard methods for the identification and measurement of in kind contributions need to be selected and applied in the next period. There is evidence that many important in kind contributions to SGP are currently unrecognized and unrecorded. It should, however, be noted that in kind contributions increased by \$15 million during year 4 and 5 of the second operational phase which seems to reflect a greater awareness by National Coordinators of the need to account for this type of contributions.
35. Resource mobilization efforts in year 5 have resulted in new or expanded partnerships with a number of organizations. For example, UNF has provided over \$700,000 to support another year of COMPACT operations in 6 World Heritage Sites, fund community exchanges within and across countries and to repatriate the Bongo Mountain Antelope to Mt. Kenya. SGP is currently developing a Memorandum of Cooperation with UNESCO’s World Heritage Centre and the CBD Secretariat for collaboration and joint resources mobilization to expand COMPACT to as many World Heritage Sites as possible. It is expected that a new phase of the programme of about \$3 – 4 million in co-financing to SGP will be operational in 2005. With UNDP funding, SGP is piloting the Community Water Initiative (CWI) in 5 countries. The CWI provided \$300,000 in co-financing to SGP communities carrying out activities in freshwater ecosystems, integrated ecosystem management, and international waters. The Global Mechanism of the UNCCD has set aside \$200,000 for the Community Exchange and Training Programme, which will be administered by SGP on a pilot basis in 2004. If successful, the Global Mechanism will fund raise to expand the size of the programme to co-finance SGP OP15 activities and facilitate community experience exchange on issues related to the UNCCD. More information on these initiatives is presented in the section below.

Functional links with GEF wide initiatives and other development and environment programmes

36. A major result of activities to encourage linkages with GEF wide initiatives is SGP’s participation in the Nile Basin Initiative. The GEF UNDP-WB Nile Basin Initiative has adopted SGP Operational Guidelines and approaches to implement an \$11 million micro-grant component. SGP has been asked to administer the micro-grants component in Nile Basin countries where it is currently operating (Egypt, Kenya, Uganda, Tanzania and now possibly Rwanda) and to ensure adequate linkages are established with the Ethiopia and Sudan. SGP is also participating in the discussions concerning the development of the Niger Basin Authority project. This may lead to another basin-wide partnership to implement a micro-grants component.
37. SGP has sought to develop linkages with STAP in its knowledge management efforts. A representative of the STAP Secretariat attended the SGP Global Workshop in Nairobi and made a presentation on STAP’s work plan and short-term objectives. This was followed by a presentation by the Global Manager STAP’s last meeting of SGP knowledge management activities, mainly

the results of the climate change portfolio review and the process designed to review the biodiversity portfolio.

38. The SGP Global Manager had a meeting with the Executive Director of UNEP to explore areas of cooperation. The promotion of linkages between cultural and environment with emphasis on indigenous peoples and biodiversity has been identified as a promising area of collaboration. A joint side event at CBD COP 7 is being planned. UNEP also pledged to continue making available its expertise on aerial surveys and environmental assessment for the expanded operation of COMPACT. The UNEP Deputy Executive Director attended the inaugural session of the SGP Global Workshop and UNEP GEF staff contributed to several sessions.
39. The number of GEF National Focal Points participating in SGP National Steering Committees has also increased. SGP semi-annual reports as of December 2003 indicate that 21 country programmes include the GEF National Focal Point or his/her delegate in the National Steering Committee.
40. SGP semi-annual report formats include a section to describe linkages between SGP interventions and full and medium sized GEF projects. Country programmes reported 108 specific linkages between SGP projects and MSPs and full GEF projects during year 4. In the first semester of year 5 another 38 linkages were described. The nature of these linkages varies but the following examples can illustrate the increasing relevance of SGP activities to wider GEF interventions: In Pakistan, two projects supporting the conservation of the Indus Blind River Dolphin have linkages with the PDF-B Protection and Management of Pakistan Wetlands project. SGP project areas have been identified as top priority sites for wetland conservation in the larger project. In Kenya, the SGP Eco-tourism projects at Kakamega and Arabuko Sokoke Forests are both contributing to the objectives of the GEF Important Bird Areas project. In Kazakhstan, SGP grantee conservation methods for wild apple trees will be used by the UNDP/GEF In situ Conservation of Kazakhstani Mountains Agrobiodiversity full size project.
41. The semi-annual reports of the last three semesters indicate that 4 SGP projects were up-scaled to MSPs and 2 PDF-A were approved for project preparation. For example, a PDF A was approved to scale up the SGP Katonga Wetlands Conservation Project to an MSP "Community Based Conservation of Wetland Biodiversity in Uganda" to be executed by IUCN with a consortium of local NGOs. In Pakistan, the SGP project on Conservation of Biological Diversity with Community Development was up-scaled to an MSP entitled Conservation of Habitats and Species of Global Significance in Arid and Semi-arid ecosystems Through Community Based Management in Balochistan. Up-scaling of SGP interventions is also happening with other national or international resources. For example, the Uganda Black Rhino reintroduction recently received a contribution for \$500,000 to continue activities initiated with an SGP grant. In Kenya, two projects were up-scaled with resources of the Tourism Trust Fund of the EU. The Eco-tourism project in Nakunga Lake and a project on crab farming received each \$400,000 for up-scaling.
42. SGP continues to participate in all CDW organized in countries with existing SGP operations.
43. As mentioned above, UNDP's Community Water Initiative recently launched at the World Water Forum in Kyoto has decided to adopt SGP procedures and approach. A pilot phase has been initiated with Swedish funding in Guatemala, Kenya, Mauritania, Tanzania, and Sri Lanka and will be implemented through the SGP mechanism providing co-financing for baseline activities in water and sanitation.

44. The COMPACT programme – an SGP pilot programme funded by the United Nations Foundation – has also been adopted by the UNESCO World Heritage Centre as a best practice to enhance community based participation in World Heritage Site management and conservation.
45. The EC SGP to Promote Tropical Forests (PTF) in Asia (\$15 million) which fully adopted SGP procedures and approaches continues operations in the initial 4 countries (Pakistan, Philippines, Thailand, and Vietnam) and is expanding to Indonesia, Malaysia and Sri Lanka. It recently conducted its first regional workshop involving SGP and PTF staff, EC delegations, and UNDP staff.

Implementation of SGP monitoring and evaluation strategy

46. The SGP database continues to play an important role in programme management. Progressively it is also becoming a tool for knowledge management, for example to assess project portfolio composition and trends. The climate change portfolio review conducted during year 4 has allowed the programme to better understand the opportunities and limitations of expanding the database contents qualitatively and quantitatively. In terms of database enhancement it has been agreed that an off-line tool will be developed to allow SGP programmes based in countries with deficient Internet connectivity to enter information off line and then upload the information to the web in one operation. A new field will be added to enter project outputs and results. So far project information is entered in the system at the time of project approval and therefore does not reflect project results. Unfortunately, given the limitation in human resources at the national level and the high number of existing projects (almost 5000 at the time of reporting) it will not be possible to enter project results retroactively. The results of 136 ex-post project evaluations to be conducted in Year 6 (see paragraph 65) will be entered into the database as they become available. It should be noted that data and information management at the global levels will remain a challenge given the SGP decentralized approach and the multitude of languages involved in project documents and M&E outputs.
47. The climate change portfolio review provided an interesting overview of the composition and trends of SGP projects in this area. It also helped map the type of interventions per region, country and sector, and to identify the end-uses of renewable energy initiatives. A publication on the findings of the review was launched at UNFCCC COP9. The portfolio review also led to the identification of a series of projects that deserved more in-depth analysis. Fifty case studies have now been completed highlighting innovative technology demonstrations, interesting financial mechanisms tested, and local and global environmental benefits achieved. The case studies are summarized in a publication entitled “Community Action to Address Climate Change: Case Studies Linking Sustainable Energy Use with Improved Livelihoods”. Interestingly, the Sustainable Energy Group of UNDP helped finance the preparation of the case studies as SGP is increasingly recognized as a source of information and experience for other UNDP programmes and projects.
48. The biodiversity portfolio review is now under implementation. A comprehensive matrix has been designed to enable the categorization of SGP biodiversity interventions, and 4 interns have completed the first analysis of information contained in the database for over 3000 biodiversity projects in the portfolio. The expected outcome of the review is a complete overview of the ecosystems and species targeted by SGP interventions, and the variety of approaches used for reducing biodiversity threats. The review will encompass policy, regulatory and economic measures tested by SGP projects. It is expected that a number of case studies and more in-depth analysis will be conducted as a follow up to the review given that the process to categorize the

projects will lead to the identification of innovative or unique interventions that may be replicated in other communities or countries.

49. Generally, National Coordinators continue to effectively conduct monitoring and evaluation activities as required in the M&E Framework. Year 4 semi-annual reports indicate that 155 projects completed final participatory evaluations. During the first semester of year 5, 153 projects have carried out final evaluations. Such evaluations identify and document lessons learnt that are applied by National Coordinators and NSC members when approving new projects, enhancing the new generation of projects. It should be noted that SGP also monitors the application of lessons through its M&E system.
50. Comprehensive biennial programme reviews have been conducted in 20 countries during the last three semesters. This is below the planned target of 25 per year but given the complex process of organizing and conducting the SGP Third Independent Evaluation, the biennial programme review target was not realistic.

Programme sustainability and further decentralization of responsibilities

51. The key benchmark concerning programme sustainability was the implementation of a review of SGP's experience with host NGO arrangements. Currently there are 9 such arrangements and the experience has been mixed. The review, although identifying a number of measures that can enhance administrative arrangements, concluded that each NGO arrangement needs to be worked out on a case-by-case basis. An agreement was reached with the Namibia Nature Foundation to host the recently established programme in Namibia and lessons learnt from previous agreements were applied. The Namibia NGO contract is now used as a best practice. Colombia, a new participating country, will host SGP in Ecofondo, the National Environmental Fund.
52. The Third Independent Evaluation – which included 3 countries with host NGO arrangements – concluded that UNDP country offices would continue to be the best structure to host the programme for the foreseeable future. It should be noted that SGP host NGO arrangements have also been used in 5 out of 6 COMPACT initiatives. Unfortunately, given changes in senior management of the COMPACT host NGO in Belize, this arrangement was recently terminated and responsibility returned to the SGP National Coordinator and UNDP country office.
53. In accordance with Year 4 work plan, SGP tested increased delegation of financial management authority to an NGO. An NGO in Dominica is providing host services to the Local Coordinator of SGP COMPACT programme. Given the regional coverage of the SGP Eastern Caribbean programme it was felt that a host NGO arrangement would enhance project execution services locally and minimize delays in funds disbursements both for operational and grant activities. This experience, although overall positive, when combined with the results of the NGO hosting arrangement review, reaffirmed the need to conduct substantive training before delegation of responsibility to the NGO. The increased staffing in UNOPS and CPMT will enable the programme to conduct the above-mentioned training.
54. The SGP PTF initiative is hosted by SEARCA, a regional non-governmental organization in Los Banos, Philippines. So far the experience has been satisfactory.

Capacity building at country and community levels

55. The benchmarks concerning capacity building included the implementation of at least two stakeholder workshops in each country, partnerships with capable institutions (among others NGOs, Environmental Funds and research institutions) to support capacity building for grantees, and an ongoing electronic chat room on capacity building. Expectations were greatly exceeded by SGP activities. During year four, 289 stakeholder workshops covered many topics and capacity development needs of communities. During the first semester of year five, 81 workshops have taken place. Issues addressed by these workshops include project development, financial management and reporting, capacity building in the GEF Focal Areas, and many other specific topics such as certification and eco-tourism.
56. SGP has promoted capacity building partnerships with a myriad organizations in over 50 countries. During the last semester, 18 new partnerships were reported. COMPACT is an outstanding example as reflected in the ongoing assessment of results of this programme. A partnership between SGP and the Chair for Sustainable Development of the Mohamed V University in Morocco is currently expanding to include many other organizations in this country to provide capacity building in GEF Focal Areas. The proposal is being developed as a pilot for the Cross-cutting Capacity Building GEF Initiative. The UNCCD Community Exchange and Training Programme will enable SGP to strengthen capacity building related to land degradation and desertification.
57. The proposed chat room on capacity building took the form of an e-discussion through the SGP-exchange. Activities started by requesting country programmes to highlight successful capacity building activities. Over 40 examples were received and 38 National Coordinators actively participated in the exchange within the period July-September 2003. The purpose was to identify best practices and further determine priority needs in order to focus use of scarce SGP non-grant funds and enhance project proposals on capacity building being approved by NSCs.

Communications and outreach

58. SGP communications and outreach activities in Year 4 were geared towards SGP visibility at the WSSD and the GEF Assembly as described at the beginning of this section. In addition to these two major events, 663 SGP grants were featured in local, national and international media during year 4. SGP also participated in CBD COP 6 in The Hague (April 2002) and in the Bishkek Global Mountain Summit in October 2002. Side events were organized in connection with the above international meetings and publications with programme information distributed.
59. In Year 5, SGP participated in the World Water Forum in Kyoto, the World Parks Congress (WPC) in Durban, South Africa, UNCCD COP 6 in Havana, Cuba in August 2003, and the UNFCCC COP9 in Milan. Preparations for SGP participation in CBD CO7 in Malaysia are underway. The Swiss Government has made a contribution to cover the cost of a field visit by COP delegates to SGP projects in Malaysia.
60. SGP was visible through many publications and events during year 5. For example, UNDP prepared a special insert to the Choices Magazine for WPC featuring SGP COMPACT project in Sian Ka'an WHS in the cover page. The message from the UNDP Administrator to WPC was included in this article. SGP also participated in a special session organized by UNF for experience exchange among projects supporting protected areas management and conservation. At UNCCD COP6, SGP had a prominent role in the Global Mechanism sponsored side event

“Civil Society Initiatives to Combat Land Degradation and Poverty”. Fifteen case studies were presented in leaflets as examples of SGP contribution to manage arid and semi-arid ecosystems while promoting communities’ sustainable livelihoods. At UNFCCC COP9, SGP launched its publication “Responding to Climate Change, Generating Community Benefits” and distributed hundreds of other materials.

61. In year 5, semi-annual reports indicate that 301 radio, TV and newspaper stories about SGP projects have been featured at the national and international levels. A journalist covered a large number of SGP projects in Belize, Bolivia, Brazil, Guatemala, Mexico and Malaysia, and the stories have been featured in the UNDP Newsfront, Choices, and other commercial magazines. The BBC recently featured Ugandan SGP projects as part of a report on the relevance of the UN post Iraq. Two newspapers in Florida featured articles on the reintroduction of the Bongo antelope to Mt. Kenya.
62. The SGP provided inputs to several GEF publications. Examples are: the photo-book “Picturing the GEF, A Decade of Action for the Global Environment”, including the cover photo; the GEF reports to the UNFCCC and the CBD COPs; and the WPC publication “Making a Visible Difference in our World.
63. Country programmes and their partners have prepared hundreds of communications materials showcasing country programmes and specific projects. Semi-annual reports contain an impressive range of communications materials and events, including activities to celebrate UN Day, World Environment Day and Earth Day.

SGP Third Global Workshop

64. A key deliverable for year 5 was the organization of the SGP Third Global Workshop. The full report of the Workshop is attached as Annex 1. Almost 100 participants gathered in Nairobi, Kenya in June 2003 and participated in field visits for lessons learning around Mt. Kenya. For the first time among workshop participants were one NSC member per region and 8 SGP programme assistants. The workshop was an opportunity to update staff on GEF wide developments, including OP15 and to present and discuss the findings of the Third Independent Evaluation. STAP, UNEP GEF and several partner organizations including the UNCCD Global Mechanism, made presentations on relevant programmes and activities.

Other benchmarks for Year 5

65. In addition, three key benchmarks were incorporated in the work plan for Year 5 to facilitate addressing challenges identified at the early stages of the Independent Evaluation process by the CPMT and the evaluation team. These were: (i) lessons learning and dissemination through the implementation of a number of thematic reviews; (ii) strengthening SGP’s ability to measure sustainability and impact of project interventions by conducting 4 *ex-post* project evaluations per country as part of M&E activities; and (iii) assessing the adequacy of current staffing arrangements at country level and of non-grant country budgets.
66. As mentioned above the biodiversity portfolio review is underway. Another thematic review involves the results of SGP World Heritage activities at the landscape level. A participatory evaluation has taken place in 2003 and a publication under the title “Partnerships for Conservation, Community Innovations at the Landscape Level” is being finalized. A special

theme identified for review is beekeeping and its impact on community-based biodiversity conservation. A sub-regional experience exchange event is being organized in Puerto Morelos, Mexico, in partnership with the Mesoamerican Biological Corridor project, and will cover all SGP beekeeping initiatives in Central America. Based on the results of this workshop the review may be expanded at the global level. Turtle conservation projects have also been proposed by National Coordinators as an interesting subset for review. Exchanges about current experiences have taken place through the SGP-xchange.

67. The ex-post evaluation process is being planned and a draft methodology is already available. The main objective is to assess impact of projects completed at least three years ago. Thirty four country programmes will participate in the exercise. National research institutions will be invited to lead the project evaluations applying a common methodology. Actual evaluations of projects will take place during Year 6.
68. To date, SGP staff (paid by the GEF SGP budget) consists of a National Coordinator and a Programme Assistant in each country. Although this has worked effectively in the initial years of the second operational phase, the differentiated growth of the SGP project portfolio in each country made it necessary to review the current staffing structure and other parameters influencing distribution of non-grant financial resources across the various country programmes. An initial assessment has taken place and the results will inform the preparation of the SGP submission to the next Council meeting.

III. WORK PLAN FOR YEAR 6 (February 2004 – February 2005) OF THE SECOND OPERATIONAL PHASE

69. It has been agreed in discussions with the GEF Secretariat that SGP's submission to the GEF Intersessional Work Program of February 2004 would include a one-year workplan with the following components:
 - Expansion to 10 new countries of which at least 5 would be Small Island Developing States and Least Developed Countries in accordance with the GEF Assembly and Council decisions. The process and strategy for country selection would also be described.
 - Recurrent deliverables in line with previous practice during the second operational phase.
70. It was also agreed that SGP would present to the May 2004 Council a document containing the strategic directions of the programme for the next three years, specific deliverables and indicators for the same period, and a request for replenishment to cover any additional costs associated with meeting these deliverables. This document will also outline how the recommendations of the SGP Third Independent Evaluation would be addressed and a timetable with key deliverables.
71. The workplan for Year 6 is presented in **Table 4** below. The process and criteria (see annex 3) for selection of new countries during Year 6 builds on the experience of the SGP Second Operational Phase but, in addition, SGP will actively reach out to SIDS and LDCs and will provide the required assistance to facilitate country applications and smooth start up of country programme implementation. At the beginning of 2004, SGP will submit information on SGP policies, procedures and experience to all SIDS and LDCs that are not yet participating in the programme. These notes will be conveyed through UNDP country offices, with clear instructions concerning applications and seeking country office support for organizing consultations with concerned

government agencies and national NGOs. SGP will also use CDW to disseminate information on SGP criteria and application procedures.

72. Upon receipt of expressions of interest to participate in the programme, SGP will organize appraisal missions to ascertain country conditions, carry out consultations with national stakeholders, and undertake capacity building activities, as necessary.
73. Follow-up missions may also be organized to provide assistance in the start up of the programme. Such missions may be carried out by SGP headquarters staff, consultants or experienced SGP National Coordinators. Upon recruitment of SGP National Coordinators in new countries, twinning arrangements with other seasoned National Coordinators will be made and a visit to existing SGP programmes organized. In addition, new staff will be able to participate in the SGP sub-regional workshops planned for year 6.
74. Other country applications (non-SIDS and LDCs) will be reviewed as they come and appraisal missions will be conducted on an ongoing basis. Countries which have already submitted full applications will be given priority in the next quarter.

Table 4: Deliverables for Year 6 of the Second Operational Phase		
	Deliverables	Indicator
1	<p>Expansion to 10 new countries, of which at least 5 SIDS and LDCs</p> <ul style="list-style-type: none"> • Dissemination of SGP policies, criteria and application procedures • Appraisal and technical support missions • Start-up missions 	<p>10 new countries will be operational of which 5 SIDS and LDCs.</p> <ul style="list-style-type: none"> • Eligible SIDS and LDCs familiar with SGP criteria and application procedures • At least 10 appraisal missions conducted • At least 5 start up missions will take place before the end of the period
2	Fit with SGP and Operational Procedures	<ul style="list-style-type: none"> • Revised Strategic Framework translated and disseminated • SGP country programme strategies revised to reflect Strategic Framework • Country Programme Strategies of new countries conform to GEF criteria and OPs. • At least 4 sub-regional workshops take place for capacity building on the new GEF Operational Programs, particularly on OP15.
3	Mobilization of non-GEF resources for baseline activities	<ul style="list-style-type: none"> • \$14 million in cash • \$14 million in kind
4	Functional links with GEF wide initiatives	<ul style="list-style-type: none"> • Start up of Micro-grants component of UNDP-WB Nile Basin Initiative in 4 countries • At least 3 projects scaled-up to MSPs • On average each country programme should have 1 project with links to an MSP or full GEF project • At least 25 countries include GEF Focal Points in the SGP NSC

5	Implementation of SGP Monitoring and Evaluation Strategy	<ul style="list-style-type: none"> • SGP database up to date • Every country programme submits semi-annual reports • 4 ex-post evaluations completed in 34 countries • 2 thematic project reviews at the sub-regional or global level • Biodiversity portfolio review completed and results disseminated
6	Capacity building at country and community levels	<ul style="list-style-type: none"> • At least two stakeholder workshops in each country • At least 5 new partnerships for collaboration on capacity building activities
7	Communications and outreach	<ul style="list-style-type: none"> • At least 4 projects per year receive media coverage in each country • Meaningful participation of SGP in at least one relevant global meeting • Contributions by SGP to all GEF wide publications • At least one major publication at the global programme level

IV. INDICATIVE PROGRAMME BUDGET

75. **Table 5** presents the budget for year 6 (19 February 2004 to 18 February 2005) of the second operational phase of the programme. The budgets approved in previous years of the second operational phase are shown in **Table 6** to facilitate comparison.
76. The proposed budget meets the following costs: (1) Expansion of the programme to 10 new countries in year 6 (reaching 83 participating countries by February 2005) of which at least 5 LDCs and SIDS; (2) Grant and non-grant resources to operate the programme and meet the deliverables in all operating country programmes; and (3) Start-up of grant making activities in the 9 countries that joined in year 5 at a level of \$250,000 each. This represents an increase of approximately \$2.2 million over the grant budget line (**Budget item A**) of the previous year's budget.
77. The cash co-financing target for year 6 is \$14 million (**Budget item A**). Given the increased number of SIDS and LDCs that will be participating in the programme, maintaining previous co-financing levels will be a challenge. It is to be expected that some time will elapse before the programme can once again raise sufficient co-financing to match the GEF contribution.
78. **Budget item B** "Programme mobilization, strategic guidance and M&E" includes:
- The cost of conducting 4 or 5 sub-regional workshops, which will bring together selected staff from headquarters (2 or 3 staff), the National Coordinator, the Programme Assistant and one National Steering Committee member from each country in the region. The workshops, estimated at an average cost of \$80,000 – \$100,000 per venue, are essential to familiarize new participating country teams with SGP, and an opportunity to discuss the strategic direction of the programme for the next 3 years with all programme teams. Experience exchange and capacity building on OP15 will also be undertaken during the workshops. It is envisaged that at least one workshop will be thematically oriented.
 - The cost of conducting 4 ex-post project evaluations in 34 countries, estimated at \$25,000 per country on average. The total cost is reflected in budget item "*Lessons learning, information analysis and dissemination*". Other Budget item B lines have been maintained at similar levels than previous years and cover recurrent programme implementation activities such as selective country programme audits, technical backstopping, communications and M&E.
79. **Budget item C** "Global Programme Level" includes the cost of 3 additional professional staff and one general service staff at headquarters. The number of countries has increased by 30% since the second operational phase began. It should also be noted that LDCs and SIDS require extra support for programme start-up and development, thus a strengthened headquarters team is needed well ahead of expansion to provide this critical assistance.
80. The ratio of grant vs. non-grant costs has been maintained within the agreed parameters of 75:25.

Table 5: Indicative Programme Budget for year 6 of the second operational phase

	Year 6
A. Grants	
GEF	20,500,000
Co-financing from non-GEF sources in cash	14,000,000
	34,500,000
B. Programme mobilization, strategic guidance and M&E	
Strategic Regional and Thematic Workshops	400,000
Implementation of communications strategy (electronic networking, publications, audiovisuals)	60,000
Lessons learning, information analysis and dissemination	850,000
Visits to country programmes and projects, guidance and M&E	100,000
Technical assistance in GEF focal areas	80,000
Audit of 5 country programmes per year	30,000
Subtotal	1,520,000
C. Programme management	
<u>Country-level</u>	
Personnel	2,700,000
NGO contracts (NHI)	640,000
Premises	350,000
Equipment, operations & maintenance	700,000
Stakeholder workshops/training	350,000
Field monitoring	650,000
Technical assistance	180,000
Reporting/outreach	250,000
Sundry	250,000
Subtotal	6,070,000
<u>Global programme-level</u>	
Global Manager	223,000
Deputy Manager	188,000
Operations Officer	169,000
Climate Change Officer	150,000
Biodiversity Officer	150,000
Integrated Land Management & Inter. Waters Officer	150,000
Information Management Officer	120,000
Programme Associate	71,000
Programme Admin. Assistant	65,000
Equipment	10,000
Premises	60,000
Sundry	12,000
Subtotal	1,368,000
D. Administrative costs	
UNOPS support	1,767,480
E. TOTAL (in cash)	45,225,480
In kind resources from non-GEF sources for grant element	14,000,000
F. GRAND TOTAL (in cash and in kind)	59,225,480
G. GEF TOTAL:³	31,225,480

³ The GEF Total corresponds to “E. TOTAL IN CASH” (\$45,225,480) – “budget line Grants co-financing from non-GEF resources in cash” (\$14,000,000) = \$31,225,480

Table 6: Approved budget for years 1, 2, 3, 4 and 5	Year 1	Year 2	Year 3	Year 4	Year 5
A. Grants					
GEF	10,609,000	11,689,000	16,000,000	14,000,000	19,000,000
Co-financing from non-GEF sources in cash	5,000,000	10,000,000	12,000,000	11,000,000	13,500,000
	<u>15,609,000</u>	<u>21,689,000</u>	<u>28,000,000</u>	<u>25,000,000</u>	<u>32,500,000</u>
B. Programme mobilization and strategic guidance					
Activities for GEF/SGP's strategies on resource mobilization, fit with GEF Ops, communications and outreach, and M&E	140,000	140,000	0	0	0
Independent Evaluation	0	0	0	250,000	0
Inter-country exchanges between stakeholders, NCs	40,000	40,000	140,000	115,000	60,000
Global workshop with NCs	0	0	280,000	0	305,000
Lessons learning, information analysis and dissemination	0	0	0	0	80,000
GEF/SGP strategic framework	88,000	0	0	0	
Resource mobilization strategy	89,000	0	0	0	
Communications strategy	40,000	40,000	0	0	70,000
Visits to country programmes and projects	50,000	50,000	120,000	90,000	100,000
Technical Assistance in GEF focal areas	0	0	60,000	60,000	80,000
Audit of 5 or 10 country programmes per year	60,000	60,000	60,000	30,000	30,000
Contingency	75,000	75,000	0	0	0
Subtotal	<u>695,000</u>	<u>430,000</u>	<u>780,000</u>	<u>645,000</u>	<u>725,000</u>
C. Programme management					
<u>Country-level</u>					
Personnel	1,752,598	1,937,598	2,170,000	1,900,000	2,300,000
NGO contracts (NHI)	384,721	384,721	510,000	510,000	580,000
Premises	178,000	203,000	280,000	230,000	280,000
Equipment, operations & maintenance	221,500	249,000	395,000	395,000	515,000
Stakeholder workshops/training	0	0	150,000	150,000	250,000
Field monitoring	0	0	454,000	454,000	500,000
Technical assistance	0	0	100,000	100,000	160,000
Reporting/outreach	0	0	100,000	210,000	185,000
Sundry	129,000	144,000	170,000	170,000	185,000
Subtotal	<u>2,665,819</u>	<u>2,918,319</u>	<u>4,329,000</u>	<u>4,119,000</u>	<u>4,955,000</u>

Table 6: Approved budget for years 1, 2, 3, 4 and 5	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Global programme-level</u>					
Global Manager	0	0	186,000	198,000	190,000
Deputy Global Manager	150,000	150,000	110,000	181,000	188,000
Senior Adviser (30% of adviser's time)	60,000	60,000	0	0	0
Management/CC Officer	90,000	90,000	60,000	135,000	140,000
Communications/Information Officer	90,000	90,000	60,000	159,000	160,000
Biodiversity Officer	0	0	0	0	0
Sustainable Land Management & Int. Water Officer	0	0	0	0	0
Secretarial support/Programme Associate	65,000	65,000	35,000	67,200	62,000
Admin. Programme Assistant	0	0	0	0	6,000
Premises	8,000	8,000	20,000	20,000	30,000
Equipment	3,000	3,000	10,000	5,000	5,000
Sundry	0	0	10,000	10,000	8,000
Subtotal	466,000	466,000	491,000	775,200	789,000
D. Administrative costs					
Sub-total for UNOPS support	800,089	880,039	1,223,340	1,172,352	1,528,140
E. TOTAL IN CASH (GEF + non-GEF in cash)	20,235,908	26,383,358	34,823,340	31,711,552	40,497,140
In kind resources from non-GEF sources for grant element	5,000,000	10,000,000	12,000,000	11,000,000	13,500,000
F. GRAND TOTAL (in cash and in kind)	25,235,908	36,383,358	46,823,340	42,711,552	53,997,140
G. TOTAL GEF	15,235,908	16,383,358	22,823,340	20,711,552	26,997,140

LIST OF ANNEXES

- Annex 1:** Report of the SGP Third Global Workshop, Nairobi, Kenya, May 2003
- Annex 2:** SGP participating countries
- Annex 3:** Criteria for New Countries



April 1st, 2004

Len
Dear Mr. Good,

Subject: Global: Small Grants Programme (Second Operational Phase - Year 6)

Further to the Council approval of the February 2004 Intersessional Work Program I am pleased to submit for CEO endorsement the replenishment for Year 6 of the GEF Small Grants Programme (SGP). The replenishment of \$31.2 million will cover the operations of the SGP in 73 countries during the period March 2004 to February 2005 and will enable its expansion to another 10 countries prioritizing participation by LDCs and SIDS, as instructed by the Council. The document of the SGP replenishment for Year 6 is attached for ease of reference.

I am also taking the opportunity to address the queries regarding SGP made by France, which were included in Mr. Ramon Fernandez note of 24 March 2004. The comments refer to two important aspects of SGP operations: first, its cost-effectiveness, in particular the ratio between grant and non-grant costs, and second, the distribution of resources across focal areas.

1. Cost effectiveness

Ensuring cost effectiveness of SGP implementation was thoroughly reviewed by the GEF Secretariat and UNDP at the time of preparation of the project document that has guided SGP operations in the second operational phase that began in 1999. The agreement reached and subsequently endorsed by the GEF Council was that SGP would strive to maintain non-grant costs at a level of 25% of the total budget for any given year. Another important agreement was that SGP would mobilize matching funding of which 50% would be in cash and 50% in kind. The co-financing resources are applied towards NGO and community-based grants, supplementing the GEF resources. The SGP annual budget therefore reflects the co-financing resources in cash that will be applied to grants, which for this year amount to \$14 million from other partners and \$20.5 million from GEF funds, for a total of \$34.5 million. The non-grant costs are therefore 23.7% of the total budget in cash (\$45,225,480), within the agreed parameters.

Mr. Leonard Good
Chief Executive Officer and Chairman
Global Environment Facility
Room G6005
1776 G Street
Washington D.C. 20433

2. Distribution of resources across GEF focal areas

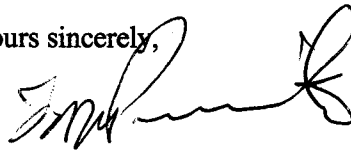
SGP grant making covers all GEF Focal Areas and Operational Programs with the exception of OP7. In the previous year the composition of the project portfolio was approximately 65% biodiversity, 20% climate change, 6% international waters and 9% multiple focal areas. The share of climate change projects has increased over time and this trend may continue this year. SGP is currently revising its Strategic Framework to incorporate adequate guidance for national partners and to start approving grants in the new GEF focal areas – POPs and Land Degradation. Moreover, SGP is developing a pilot co-financing agreement with the Global Mechanism of the UNCCD to support additional community and NGO interventions that address land degradation with special emphasis in the Africa Region. The success of this effort will allow the SGP to expand this partnership to other regions of the world.

SGP is a demand and country-driven programme. As a consequence, it is not possible to ascertain with precision how many proposals will be approved in each focal area. However, based on previous experience, an assumption can be made that the SGP biodiversity project portfolio will be around \$10 million during year 6 of the second operational phase.

I hope the above paragraphs adequately address the concerns of France. I look forward to receiving your endorsement of the SGP replenishment.

Many thanks for your continued support.

Yours sincerely,



Frank Pinto
Executive Coordinator