



Global Environment Facility

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May 4, 2006

Dear Council Member,

The World Bank, as the Implementing Agency for the project, ***Global: GEF-Development Marketplace Partnership***, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with the World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in November 2005, and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank 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.theGEF.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: Alternates, Implementing Agencies, STAP



PROJECT EXECUTIVE SUMMARY
GEF COUNCIL SUBMISSION

AGENCY'S PROJECT ID:
GEFSEC PROJECT ID:
COUNTRY: Global
PROJECT TITLE: GEF Development Marketplace Partnership
GEF AGENCY: World Bank
OTHER EXECUTING AGENCY(IES):
DURATION: 2 Years
GEF FOCAL AREA: Climate Change, POPs, Biodiversity, Land Degradation, International Waters, Multi-focal Area
GEF OPERATIONAL PROGRAM: OP1, OP2, OP3, OP4, OP5, OP6, OP7, OP8, OP9, OP10, OP11, OP12, OP13, OP14, OP15
ESTIMATED STARTING DATE: May 2006


FINANCING PLAN (US\$)	
GEF PROJECT/COMPONENT	
Project	5,000,000
(November 05 CWP)	2,000,000
(January 06 IWP)	3,000,000
PDF A	
PDF B	
PDF C	
<i>Sub-Total GEF</i>	5,000,000
<i>Co-FINANCING*</i>	
GEF Agency	1,800,000
Government	
Donors	1,000,000
Private Foundations	2,000,000
Private sector	800,000
NGOs (in-kind)	1,000,000
Others	1,000,000
<i>Sub-Total Co-financing:</i>	7,600,000
<i>Total Project Financing:</i>	12,600,000
FINANCING FOR ASSOCIATED ACTIVITIES IF ANY:	
LEVERAGED RESOURCES IF ANY:	

CONTRIBUTION TO KEY INDICATORS OF THE BUSINESS PLAN:

RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT(S): RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT(S): TO BE CARRIED OUT AFTER PROJECTS ARE SELECTED ON MAY 9TH, 2006

Focal point endorsements will be a condition of GEF grant disbursement.

Approved on behalf of the *World Bank*. This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for work program inclusion

Steve Gorman 
 IA/ExA Coordinator
 Date: April 28, 2006

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*Details provided under the Financial Modality and Cost Effectiveness section

PROJECT SUMMARY

a) Project rationale, objectives, outputs/outcomes, and activities.

This program brief package proposes a multi-year partnership between the GEF and the Development Marketplace (DM) program. The Development Marketplace is a competitive grant program of the World Bank that funds innovative, small-scale development projects. DM's primary objective is to identify and support creative ideas that deliver results and have the potential to be expanded or replicated in other areas of need.

The DM program operates at two levels: Global and Country or Regional level. At the global level, the DM team holds a worldwide competition held every 12-18 months at World Bank headquarters in Washington, D.C. To date, the Global DM has disbursed over US\$23 million in awards to 171 projects through five competitions. These projects are being implemented in more than 60 countries by non-governmental organizations (NGOs), academic institutions, private sector businesses, government agencies and other development actors. The average award size is \$150,000, with maximum awards of \$200,000.

The primary purpose of proposing GEF support is to expand the pool of Global DM funding available for bottom-up innovative projects with global environmental benefits. This can substantially assist GEF in meeting its own program objectives by providing a way to reach grassroots social innovators cost-effectively and by finding new ideas with potential to make a substantial difference in efforts to:

- Tackle climate change impacts (e.g. through promotion of renewable energy technologies such as wind pumps for mechanical water pumping, reduce vulnerability and increase adaptive capacity to adverse impacts of climate change;);
- Prevent land degradation (e.g. the halting of deforestation and desertification by providing alternative domestic fuel sources);
- Protect biodiversity (e.g. improvement of water quality affecting aquatic biodiversity);
- Reduce persistent organic pollutants (e.g. promoting access to, and transfer of, clean and environmentally sound alternative technologies, products, and management practices).
- Protect International Waters (e.g. through pollution mitigation and treatment of sewage near coastal areas or important riverbodies such as the Danube/Black Sea, or protection of environmental flows for hydropower, etc.).

This proposal involves:

Supporting two upcoming Global Development Marketplaces- The next Global DM in 2006 is a joint effort between the World Bank, the Water and Sanitation Program (WSP), and the Energy Sector Management Assistance Program (ESMAP). Entitled, "*Innovations in Water, Sanitation, and Energy Services for Poor People,*" it seeks to support innovative and sustainable local-level solutions that improve the quality of and access to water supply, sanitation, and energy services *in an environmentally sustainable manner*. The World Bank's Environment Department will also be a key partner in DM2006, scheduled for May 8 & 9, 2006. Support to Global DMs in FY07 and beyond will depend on the extent of complementarity between GEF's objectives and the DM's theme.

The objectives are to:

- Help fund projects that provide local innovative solutions to development problems. The DM program is to help the development community at large to meet the Millennium Development Goals by generating new approaches to poverty reduction from a variety of stakeholders outside the usual sources in the development agencies.

- Attract more funds for development, allowing the concept of “venture development” — providing seed money for development projects that would otherwise be too risky for traditional Bank operations and other investors —to flourish while highlighting innovative ways to reduce poverty and promote conservation. The GEF-DM partnership will expand the pool of funding available for bottom-up innovative projects with global environment benefits applying to DM for funding;
- Assist GEF in meeting its own project objectives by providing a way to reach grassroots social and environmental groups cost-effectively and by finding new ideas with the potential to make a substantial difference in GEF focal areas.
- Complement and expand the Bank’s emphasis on partnerships, effectively creating space for funding partnerships that in turn allow for a greater number of implementation partnerships to take place on the ground. In past competitions, the DM supported similarly successful projects including the Millennium Gelfuel – a renewable energy initiative that now has fully-operational commercial plants in Zimbabwe, South Africa, and Malawi with interest for replication from over 20 countries. Another example is the Mongolian Flyfishing for Conservation Project that won a DM award at the last Development Marketplace Competition and in which GEF recently invested \$1,000,000.

At the *program level*, the proposed GEF contribution would add up to US\$2 million to the overall DM2006 global award pool, and help fund 13-18 grants dedicated to the GEF focal areas. At the *project level*, exact outcomes will vary based on the projects selected by the final jury. DM typically funds projects to test an innovative idea in pilot stage; if past results are a predictor, about 40 percent of these projects will prove worthy of investment in scaling up and replicating. This will have a potentially large benefit in terms of (a) environmental sustainability and protection, (b) demonstration effect for other funders and projects on how to address difficult global environmental challenges, (c) mainstreaming of good ideas to protect the global environment, and (d) building on DM as an effective vehicle for knowledge sharing and dissemination on sustainable land management, POPs, international waters and climate change.

Global DM

DM2006 has reviewed over 2500 proposals testing new approaches to renewable energy, air and water pollution, sanitation and water supply-- all through grassroots-oriented initiatives. Development Marketplace seeks co-funding for a very high-quality pool of projects that generate global environmental benefits related to sustainable land management, POPS, climate change mitigation, and biodiversity protection. At present, the Bank expects to have approximately \$3.7 million available in grant funding through DM’s base award pool and the partnership with Gates Foundation, ESMAP, and other sources. These funding sources – taken as a whole – would constitute the source of co-financing for the proposed GEF DM Partnership.

The DM jury will select the winning proposals and identify those to be funded from GEF funds. The selection criteria for DM awards are the following:

- *Innovation*
- *Realism and Results*
- *Financial viability*
- *Sustainability (environmental and organizational) and*
- *Replicability and Scaling up*

(See *Annex A* for definition of criteria).

Additional selection criteria for GEF-financed awards would include: global benefits, not already receiving GEF funding, and must be located in a GEF-eligible country, as well as fulfill the GEF's eligibility criteria. These sub-projects will be asked to develop a monitoring plan that demonstrates impact for sustainable land management, POPS, climate change, international waters, and biodiversity, in addition to meeting project milestones. This will be handled primarily through their final report. Furthermore, projects to be funded from the GEF portion of the pool will be pre-qualified as category C vis-a-vis World Bank environmental and social safeguards, and those that do not prequalify are not eligible for GEF funding. However, DM has no criteria for geographic balance, and it is assumed that the best projects will be selected regardless of country of implementation. Projects, where the recipients already have GEF co-financing, will not be eligible for the proposed GEF financing. World Bank Group staff and units will also not be eligible. The jury will also review sub-projects for overlap, linkages or coordination with other GEF co-financed activities in the recipient countries, including the GEF/UNDP Small Grants Program.

Development Marketplace is unusual in that funds are awarded outside the traditional Bank-Government lending relationship; as such, the DM team has developed a process that seeks to simplify project processing and minimize the number of risks throughout the project life cycle. Each project is given two years to implement their work (plus a six month grace period, if necessary, to account for start-up difficulties and any delays in DM payment). Projects receive funding in tranches tied to performance goals as agreed upon in the award contract signed between the DM and award recipient. Risks such as corruption, poor management, local politics, and lack of capacity are mitigated through the appointment and compensation of a Project Liaison, who is a World Bank staff member – typically located in the appropriate country office -- to provide oversight and lend technical support to projects during the year-long implementation phase. These staff members are actively involved in the project life cycle, serving as a project liaison between the award winners and the DM team. Grantees are required by contract to provide periodic progress reports, which help DM team assess performance measured against jointly agreed benchmarks, with decisions on tranche disbursements suitably aligned with satisfactory progress. These progress reports are also shared with donors as well as posted publicly on the DM website.

The DM carries out periodic evaluations of completed projects (successful and unsuccessful) and incorporates such lessons learned into future competitions, as well as the World Bank community, for replication and knowledge sharing (see Annex F –DM2002 Evaluation Summary). This knowledge and dissemination function enables DM to publicize successful approaches and get the ideas into broad circulation in the development community. DM would do this in a variety of ways: hosting brown-bag lunches with targeted World Bank sector specialists who have an interest in knowing about innovations in development; publicizing new approaches via the DM website and program publications as well as via Development Gateway; providing information on selected projects to other sources of onward funding; nominating successful projects for other award programs; and working with the overall World Bank external affairs unit to publicize projects to an internal and external audience through various media; clinics for GEF project teams in the Bank; project results report preparation and dissemination to GEF Secretariat and other interested parties; and inputs to the GEF knowledge-management activities, both in the Bank and through the GEF Secretariat.

b) Key indicators, assumptions, and risks

The Development Marketplace will use the following indicators to measure the success of the program and its ability to achieve to its objectives:

PROGRAM LEVEL:

- Proportion of applicants that are organizations in developing countries
- Proportion of winners that are organizations in developing countries
- # of new approaches funded, of which:
 - % which are successful and worthy of onward investment and funding
 - % which are not successful but have important lessons for the GEF focal areas

- % of which have received or leveraged additional funding to continue pilot
- % of which are mainstreamed in other WB operations
- Number of organizations to which results are disseminated
- Number of projects addressing global environmental objectives in the selected focal areas
- Number of projects evaluated and lessons learned through evaluation of funded projects

Sub-Project Level:

While each funded project will have specific indicators germane to that project only, examples of such indicators may include: market incentive measures; successful piloting of alternative sources of renewable energy; water quality; reductions in emissions or pollutants; increases in production/sanitation/etc due to new energy sources.

N.B., specific sub-project indicators will be proposed by the sub-project teams during the final stage of the competition. Once selected, these indicators will be negotiated with the DM to ensure proper evaluation of each project's success.

Assumptions

- The primary responsibility for identifying and monitoring the funded projects rests with the development Marketplace program.
- Project screening and assessment is not performed by the DM team – but by specialists from inside and outside the World Bank that the DM engages to participate in the project selection process.
- DM manages the overall Development Marketplace process and events.
- There will be continued institutional and financial commitment from the World Bank toward the Development Marketplace program.

Risks

- *Misuse of Funds:* Given that many of the projects are innovative startups managed by small NGOs and other local organizations, there is some risk that funds would be misused for purposes other than those for which they won the awards. DM mitigates this risk through its detailed project payment process (using tranches for contracts, etc.) and this ensures that funds are being spent as intended. This tranching arrangement also significantly mitigates most project execution risk.
- *Organizational risk:* It is possible that through a broad outreach and selection process, the DM jury would make a final award to a project team that is from an organization that is not legitimate and/or could cause political/reputational risk to the Bank and GEF. DM mitigates this risk by having three layers of review of projects by Bank staff and other assessors who are development specialists from outside the Bank. In addition, before announcing finalists DM circulates the list to country offices and Country Directors to get their feedback on whether a group poses a particularly undue risk or is in bad financial standing with the Bank. The country offices also provide comments on the track record of each applicant in that country, and how innovative their idea is within the country context. As such, by the time a project is selected, it has been reviewed by 10 – 14 different individuals within the Bank Group, so this extensive review process has, so far, kept DM from making awards to illegitimate organizations.

1. COUNTRY OWNERSHIP

a) COUNTRY ELIGIBILITY

Country ratification of the relevant convention will be an eligibility criterion for all DM applications and GEF focal point endorsement will be a condition of disbursement of GEF funds.

b) COUNTRY DRIVENNESS

DM projects are proposed by individual social entrepreneurs, Civil Society Organizations (CSOs), NGOs, academics, and others based on their own ideas for how to achieve development and conservation results. Thus, projects are not explicitly aligned to national priorities and programs because they are bottom-up projects proposed by those on the ground closest to the problem(s) being addressed.

Nonetheless, to ensure that projects are not contradictory to national priorities, DM subjects each potential project to a review by World Bank Country Office staff (as designated by the country director) to (1) validate the legitimacy of the executing team, (2) comment on the implementing group's implementation record, and (3) identify any potential conflict with relevant World Bank strategies and programs (whether stated government priorities, PRSP, CAS, lending operations, etc.). DM jurors are not required to reject those rare projects that conflict with country strategies, but jurors are instructed of the poor success rate of past projects where such a conflict has existed. In the very rare cases where direct synergies have not been identified, the Development Marketplace acts as a catalyst for linking successful winning projects back into World Bank knowledge management and strategies.

2. PROGRAM AND POLICY CONFORMITY

A) FIT TO GEF OPERATIONAL PROGRAM AND STRATEGIC PRIORITY

1. Climate Change: DM2006 will address Renewable energy and energy efficiency at the community level as well as projects with innovative application of clean technologies in small enterprises. Mitigating climate change through productive uses of renewable energy e.g. renewable energy technologies such as wind pumps for mechanical water pumping, power for agro-industries, efficient lighting and housing, solar thermal heating, and other new technologies, etc.)
2. POPs: DM2006 will address global benefits from protecting environmental health (e.g. promoting access to, and transfer of, clean and environmentally sound alternative technologies, products, and management practices, demonstrating viable and cost-effective alternatives to POPs products, and to processes and practices that lead to releases of POPs, etc.)
3. Land Degradation: DM2006 will focus on global benefits from projects that address sustainable land management. This will also include land and water projects. Helping catalyze sustainability of protected areas by funding initiatives targeting community or indigenous groups, removing barriers to public-private partnerships, and reducing conflicts over land use (e.g. rehabilitation of damaged catchments, reduction of water withdrawals, water harvesting for irrigation, improved water use efficiency, improved management of agricultural waste to improve water conservation, etc.).
4. Protect biodiversity (e.g. energy conservation projects that emphasize alternative energy sources to conserve the vegetation and biological diversity in human use, watershed protection providing removal of specific causes of biodiversity loss such as deforestation, improvement of water quality affecting aquatic biodiversity, etc.)
5. International Waters (e.g. funding for wetland restoration to provide habitats and mitigate effects of pollutants before they reach international waters; innovative approaches to cost-effectively improve water quality in shared water bodies; development of new technologies to neutralize priority contaminants; fast-track demonstration projects of approaches, techniques, pilot projects, innovative technologies, etc.)

In addition to providing seed funding for these pilot projects, DM works with each grantee to ensure that success stories and lessons learned are linked back to World Bank operations as well as other donor agencies in an effort to cross-fertilize promising ideas in other countries.

B) SUSTAINABILITY (INCLUDING FINANCIAL SUSTAINABILITY)

DM takes a three-pronged approach to sustainability in evaluation of applicants. DM looks for (a) financial sustainability, (b) organizational sustainability, and (c) environmental sustainability in its review of all projects. Sustainability – and all the subcomponents – is one of the five DM evaluation criteria. In looking for financial sustainability, DM instructs jurors and assessors to look for projects that are either sustainable commercially within 3-4 years, or are financially sustainable in other ways for non-commercial projects. This includes an evaluation of the likelihood of finding other grant funding if the project pilot proves successful, and, for projects with social purposes, DM jurors look to see if there is a possibility of receiving support or mainstreaming by a relevant government agency over the medium term should the pilot prove to be useful and successful.

To ensure organizational sustainability, DM is particularly interested in proposals from local organizations working in developing countries.

- Proposals from international organizations will be considered eligible only if their implementing partner is a local organization.
- Private businesses and individuals must include a non-profit partner such as NGOs/CSOs, multilateral/bilateral development agencies, foundations, universities/schools, or government.
- Municipal and local government agencies are eligible to apply in partnership with at least one of the other different organizations mentioned above.

DM's recent evaluation of projects funded in the 2002 round suggested that projects with local partners outperformed projects where neither partner was resident in the country of implementation. ALL of the activities funded by DM are undertaken in the developing countries in question, in keeping with the local, grassroots ethos of the program's mission.

For environmental sustainability, DM typically has each finalist project reviewed in the second round by 2 or more environmental specialists from the World Bank Group and other reputable organizations (e.g., UNDP, UNEP, Conservation International, USAID, CGIAR, World Resources Institute, IDB, NOAA, etc) as part of the overall process of finalist selection. Moreover, DM submits all finalist projects to technical review by sector specialists to comment on the merits of each full proposal. Technical reviewers point out any issues that a project may have regarding environmental sustainability as an input to the final jury deliberations.

a. REPLICABILITY

The projects funded through the DM would illustrate new and innovative pilots which could provide learning for the design of subsequent MSPs and FSPs by the Bank and other GEF Implementing and Executing Agencies. The innovations could be institutional (how can various groups, organizations and businesses can be brought together to share the risks involved in doing innovative projects that address climate change and biodiversity concerns in development), or technical (trying out new technical models or equipment which support development while addressing climate change and biodiversity as well). Consequently, it is expected that the selected projects would be high risk, but the successful projects would yield high rewards in terms of their replicability.

The DM program will work with each beneficiary group to ensure that success stories and lessons learned are linked back to World Bank or other donor operations, in an effort to cross-fertilize promising ideas in these and other countries.

These cross-fertilization efforts of the Development Marketplace will specifically ensure knowledge dissemination with other GEF-funded activities, such as the UNDP/ GEF Small Grants Programmes in other countries. By introducing the GEF to the DM there is a great potential to expand the number of partnerships with organizations working with local organizations in country and complement in-country GEF initiatives.

b. STAKEHOLDER INVOLVEMENT

Because DM funds bottom-up projects proposed by grassroots actors and NGOs, most projects begin with a high level of stakeholder involvement. Many projects assert that the innovation in their project is not so much the idea but the community-based nature of the way that they choose to implement the idea. In addition all applicants to the Global DM are *required* to have a local partner for implementation, which is another measure taken to ensure that local stakeholders are involved and consulted. DM's final round application also requires each project team to detail both the number of intended beneficiaries and the proposed plan for involving them in the activities.

The overall DM jury is constituted of development and environment experts from the World Bank Group and over 20 outside institutions, ranging from IADB and USAID to The Nature Conservancy and Africare. At the sub-project level, public involvement will vary by sub-project type and plan. Each project has answered a question on the application for how they intend to involve and/or consult beneficiaries. DM does not require a public involvement plan as a matter of policy, given that (a) all of the projects are proposed by groups working on the ground in the affected country, and so come to DM from a bottom-up perspective; and (b) most projects are small and in pilot mode, so lack the resources to engage in extensive public consultation.

Outreach:

Specific outreach activities will be undertaken to publicize and disseminate DM's call for proposals among potential proponents. These activities will be targeted to a wide range of actors, including national, sub-national and local governments, NGOs, research and academic organizations, the private sector, and others, to enable them to participate in the call for proposals.

A proactive approach in reaching these medium level beneficiaries and other potential applicants could improve performance of the GEF program, by involving and raising capacity of new proponents. Moreover, it would also provide greater visibility of the GEF in providing innovative financing to wider beneficiaries in the developing countries. This goal cannot be achieved solely by disseminating the SMSP information through the regular Development Marketplace (DM) and GEF websites, and requires additional outreach and communication activities. The aim of the proposed outreach and communication strategy is to provide potential proponents with the necessary information to develop successful SMSPs.

The following activities could be included as part of the larger GEF SMSP/DM proposal which to be undertaken by the lead of DM team, in collaboration with the GEF Secretariat, GEF Implementing Agencies, and GEF NGO Network.

- **Dissemination:** The program will use the existing Development Marketplace and GEF websites to announce the call for proposals and disseminate the Guidelines (Item B below). In addition, outreach efforts will be done through electronic message and a brief brochure, for those with limited access to the Internet. E-mail messages, including specific information on GEF-DM partnership for the program, could be used to disseminate messages through various channels (e.g.: GEF Talking Points, GEF-NGO Network, IAs' country offices, and Development Marketplace newsletter). A hard copy of a brief brochure that explains the program including specific information on GEF-DM partnership, in English, Spanish, and French, could also be developed and disseminated to the potential proponents at the local level through GEF-NGO Network, Official Focal Points, and other channels.

- Development of a user-friendly SMSPs guideline document: Basic guidelines for the SMSPs will be shared in a user-friendly language, including all necessary information on GEF/DM eligibility criteria, procedural aspects, templates, deadlines, partners and beneficiary selection, among other key elements. These guidelines will be translated into Spanish and French to ensure the broad participation of proponents.

c. MONITORING AND EVALUATION

Each project that receives a DM award signs an individual award contract with DM. These contracts stipulate major implementation milestones, each of which is tied to release of the next tranche of payment. The payments are a percentage of the overall award tied to the specific deliverables at each milestone. DM projects typically have 4-5 payments during the 24-month implementation period. Before a project can receive a payment, the team must submit a report to the World Bank project liaison (usually in-country Bank staff), who then verify that the milestones have been met and provide advice to the project team. After the Project Liaison signs off on the request, the DM team does another check before releasing funds. This system ensures that teams are achieving their objectives during the course of implementation. In addition to these interim progress reports, each DM awardee is required to submit a final report upon completion of activities, no later than three months after the final DM disbursement.

Finally, about 18-20 months after project completion, the DM team undertakes an overall portfolio evaluation of projects that were funded in one Global DM using a project evaluation framework to identify the most successful projects. This process includes:

- ❑ a review of all project documents
- ❑ a survey and project scoring mechanism to assess the projects
- ❑ Consultations with project liaison, project teams, and stakeholders
- ❑ collecting quantitative and qualitative data about the projects from the survey and or direct interactions with the project teams
- ❑ analyzing the data collected to assess a project's success and lessons learned
- ❑ developing a strategy for the DM team based on these evaluations on next steps with the project teams
- ❑ dissemination of evaluation results (of the overall portfolio and by project)

See *Annex B* for DM's evaluation framework and enclosed attachment, "DM2002 Evaluation Summary" for a synopsis of the evaluation of the projects funded by DM in 2002.

In addition to the project evaluation, the DM team undertakes an overall review of the DM program every 3-4 years. This exercise enables the team to systematically assess whether or not the program is meeting its objectives and to articulate any changes and the future direction of the program.

The summary finding of a program review and strategy exercise is enclosed in *Annex C* and provide as separate attachment to this document.

INCREMENTAL COST ANALYSIS

Incremental cost analysis of the project will be done at the grant making level where the in-kind contribution indicated in the cover sheet will also be calculated for each selected project.

C) FINANCIAL MODALITY AND COST EFFECTIVENESS

Co-financing Sources for DM06			
Name of Co-financier (source)	Type	Amount (US\$)	Status
The World Bank Group*	Cash	900,000	Confirmed
Google Foundation	Cash	500,000	Confirmed
Gates Foundation	Cash	1,000,000	Confirmed
Global Village Energy Partnership (GVEP)	Cash	75,000	Confirmed
Others – International Finance Corporation (IFC)	Cash	250,000	Confirmed
TOTAL co-financing confirmed for DM06		US\$2,725,00	

*The World Bank will contribute \$500,000 of this amount for finalists travel awards and other event costs.

All other donors' contributions will go directly to funding winners.

Co-financing Sources for DM07			
<i>Funding for the global competition coming up in DM07 is currently underway. Co-financiers and contributions will be confirmed upon finalization of theme in September.</i>			
Name of Co-financier (source)	Type	Amount (US\$)	Status
The World Bank	Cash	900,000	Confirmed
Private Foundation	Cash	2,000,000	Anticipated
Others – (IFC, etc.)	Cash	400,00	Anticipated
TOTAL Co-financing anticipated for DM07		US\$3, 300,00	

DM uses a transparent and streamlined process to surface innovations that address development challenges at the community level. Open to all, DM competitions are designed to attract ideas from a range of innovators—civil society groups, social entrepreneurs, foundations, academia and private sector corporations, as well as staff from the World Bank and other donor organizations.

After a thorough review of these proposals by development experts, the most innovative and potentially viable are selected for presentation at the Marketplace, where the finalists compete in person for grants for their project ideas. A jury of development professionals meets with each finalist team to hear their ideas and ultimately decides which projects merit funding.

Each Marketplace also features a Knowledge Exchange designed to share ideas and experiences and engage the finalists with other representatives of the international development community.

The winners receive funding and other forms of assistance from the DM program to help implement their proposals. DM assigns a sector specialist (typically from

Call for Proposals

Assessment Process
Proposals reviewed by World Bank & external assessors

The Marketplace
Finalists attend a public “Marketplace” to present their idea to expert judges

DM Winners Announced

Monitoring & Evaluation
Award payment, and project monitoring

the World Bank country office) to supervise and monitor the winners. Periodically, the DM team undertakes a comprehensive evaluation of the winning projects to gather lessons from implementation and disseminate them within the World Bank and to the broader development community.

The overall process takes between 7-9 months and project implementation by the sub-grantees is completed by 24 months. In short, the Development Marketplace operating model is well-suited to the GEF's objective of being responsive to smaller projects.

D) INSTITUTIONAL COORDINATION AND SUPPORT

a. CORE COMMITMENTS AND LINKAGES

DM is a World Bank-wide program to encourage innovation in development by funding new approaches to poverty reduction from a variety of stakeholders outside the usual sources in the development agencies. The partnership with Gates foundation and the one proposed with GEF would extend joint efforts already underway in the Critical Ecosystem Partnership Fund, and expand it to smaller grassroots innovation with strong potential for scale up and replication in many WB operations.

b. CONSULTATION, COORDINATION AND COLLABORATION BETWEEN IAS, AND IAS AND EXAS, IF APPROPRIATE.

This proposal is the result of the work of a GEF inter-agency task force that developed a series of recommendations on streamlining medium-size project processing for Council's consideration.

c. PROJECT IMPLEMENTATION ARRANGEMENT

This Project will be implemented by the World Bank's Development Marketplace program, which was established under the Strategic Compact to fund internal innovations in World Bank products and services. The DM program opened up to outside groups in the 2000 Global Competition, and since 1998 has funded over 800 projects in over 60 countries through 5 global competitions (1998, 2000, 2002, 2003, 2005) and 21 country-level Development Marketplace events. These country-level DMs are replicas of the global competition but are implemented by WB country offices in line with key development themes and CAS priorities in each country.

DM is located in the Strategy, Finance, and Risk Management (SFRM) Vice Presidency within the World Bank. The DM team is a subgroup within the Corporate Strategy Group within SFRM. DM operates within the overall management structure of SFRM and has two primary sources of funding:

- Annual WB budget allocation which is used to seed and leverage the award pool for global competitions and country-level DMs, and
- Operating costs (staff, travel, supplies, etc.) as a part of the overall corporate strategy group administrative budget.

Incremental cost analysis for the projects is done at the grant making level The DM team operates with three full-time staff, and is augmented by 3 JPAs, and 2-5 consultants during peak periods to manage the intricate project selection and event management processes. All of the work of project assessment and screening is not performed by the DM team – rather, DM engages over 200 sector specialists from inside and outside the World Bank to participate in the project selection process. DM manages this process and sets guidelines and criteria for judging.

Budget (US\$)¹

Activities	DM2006	DM2007
To provide funds to 20 to 25 grants (over multiple global competitions) providing global environment benefits	2,000,000	2,874,000
Finalist travel and presentation material (estimated at US\$4,200 per finalist)	0,000 ²	126,000
Total Contribution Requested of GEF	2,000,000	3,000,000

Estimated GEF funding for DM2006	
Total Award pool for Global DM2006	\$ 4,275,000
Anticipated GEF contribution to DM Program in FY06	\$ 2,000,000
Percentage of GEF funds going to awards (grant recipients)	100%
GEF contribution as a percent of total award pool	47%
Maximum individual award size	\$ 200,000
Average Award size	\$ 160,000
Anticipated # of GEF winners in DM2006 (out of approx 25 total)	13
Estimated GEF funding DM2007	
Total Award pool for Global DM2007(estimated)	\$ 5,000,000
Anticipated GEF contribution to DM Program in FY07	\$ 3,000,000
Amount of GEF funds for awards (to grant recipients)	96%
Amount of GEF funds for finalists representation	4%
GEF contribution as a percent of total award pool	60%

¹ **The DM Program Budget Clarification** - The DM program incurs two categories of costs independent of the amount of awards provided or number of projects funded, and therefore is not affected by the proposed GEF MSP.

Fixed Costs: A fixed average annual cost of managing the Development Marketplace program is estimated at approximately \$700,000 per year. This amount is needed regardless of the number of projects funded by the DM in that particular year, or regardless of any contributions coming into DM from outside the core budget. This funding enables the organization of global competitions (every 12 – 18 months), technical support to 9 – 12 country-level marketplaces per fiscal year, managing donor and trust fund relations, tracking project progress and executing payments, evaluation and monitoring of funded projects, and dissemination of project results both within and outside the World Bank Group.

Event-Specific Costs: DM also incurs costs related to hosting and organizing Global DM events such as the competition scheduled for May 2006. These costs are estimated at approximately \$500,000 per event. Part of GEF's contribution is intended to increase the total number of finalists attending the Marketplace by roughly 20 percent. The travel, hotel, per diem, and presentation materials of roughly 20 finalists (out of 118) will be covered from the GEF funds. The rest will be borne by the Bank's DM program.

² **Update since Council approval in November 2005:**

Due to minor reallocation of funds for the DM2006, the Development Marketplace will be able to cover the costs of the additional finalists whose representation was to be included by GEF's DM2006 requested contribution. As such, the DM will use GEF's entire award in 2006 to fund grant recipients.

ANNEX A: Assessment Criteria for DM2006

Criteria	Description
Innovation	Extent to which idea varies from current approach – e.g. a novel approach to implement an idea or in a new country/region. The DM is especially interested in a variety of innovations, such as affordable technologies; application of advanced technologies to services to the poor; financing mechanisms; institutional arrangements and partnerships designed to unblock constraints to service delivery; innovative contracting instruments; people-centered approaches to service delivery; behavioral change; and innovative use of technology for capacity building and training; among others. Examples of past DM winners, including those in the area of water supply, sanitation and energy, can be found on our website.
Realism and Results	Extent to which project outputs or results are clear and have a direct impact on improving service delivery to the poor. Project teams should present a realistic implementation time frame and budget.
Financial Viability	Extent to which the implementing organization is able to sustain their activities beyond DM funding phase. Project teams should demonstrate their ability to make the project financially viable by leveraging funds from grants and non-grant resources (such as user fees, community contributions, etc) to make the project financially viable.
Sustainability (i)Environmental (ii)Organizational	Extent to which the proposal addresses organizational capacity, environmental sensitivity, and local support and participation. The ability to grow or expand the scope and/or leverage funds from elsewhere.
Replicability and Scaling up	Extent to which project could be transferred or replicated elsewhere (internally or in another country). In particular, the potential for the idea to be applied at a large scale.

Annex B: Development Marketplace Project Evaluation Framework (draft)

Success Factor	OUTPUTS: Specific accomplishments that combine to achieve outcomes	SIGNIFICANCE: Synthesis or importance of outputs
1. Innovation	<p>Innovation Rubric:</p> <ul style="list-style-type: none"> • Concept (Technology, Process and Use) • Delivery (Partnership, Financing, and Target group) 	<ul style="list-style-type: none"> • Demonstration of new and creative means of achieving project's objectives • Demonstration of advantages of new and creative idea over existing methods
2. Project Objective and Results	<ul style="list-style-type: none"> • Significant and growing number of beneficiaries • Income generation for beneficiaries • Environmental benefits ▪ Dynamic results measurement (conclusions influence project design and implementation) ▪ Successful project expansion by team on national or global level (scaling up) 	<ul style="list-style-type: none"> • Change in lives of beneficiaries (health, education, social, financial, etc.) • Met or exceeded project objectives (caution: don't penalize ambitious objectives or reward low objectives)

Success Factor	OUTPUTS: Specific accomplishments that combine to achieve outcomes	SIGNIFICANCE: Synthesis or importance of outputs
3.Sustainability and Partnerships	<ul style="list-style-type: none"> • Institutional/Operational status <ul style="list-style-type: none"> • Degree to which project remains operational today • Has or is actively seeking to acquire necessary skills, human resources, TA and capacity building ▪ Defined focus and strategic direction ▪ Recognize and reduce risks and obstacles ▪ Leader and team take initiative to sustain and expand project ▪ Financial sustainability (post-DM strategy) <ul style="list-style-type: none"> • Income generation • Number of funders and • Amount of follow-on funding • Percentage income covers operating costs ▪ Number of partners (local and international) ▪ Strength, duration, and type of partnerships: <ul style="list-style-type: none"> • <i>Donor partner</i>: exclusively fund and do not participate in implementation • <i>Implementing partner</i>: share some responsibility for implementation, either as partners or contractors • <i>Beneficiary partner</i>: associations, cooperatives, etc. (organized by project or pre-existing entities) • Awards, media, and other recognition • PL support and endorsement 	<ul style="list-style-type: none"> • Ongoing and expanding project activities and results with clear direction for the future • Entrepreneurial project team ▪ Wider project expansion and indicates potential for further scale-up • Defined financial outlook <ul style="list-style-type: none"> • Concrete and realistic plan for financing ongoing and expanding activities • Long-term plans for financing (funding relationships, profit-making, etc.) ▪ Enhanced project sustainability ▪ Active external local support of project idea from multiple stakeholders ▪ Strong international support of project idea with financial/in-kind commitment ▪ Demonstration of project’s relevance for other national or global contexts

Success Factor	OUTPUTS: Specific accomplishments that combine to achieve outcomes	SIGNIFICANCE: Synthesis or importance of outputs
4. Knowledge Dissemination and Replicability	<ul style="list-style-type: none"> ▪ Project adoption and replication by others <ul style="list-style-type: none"> ▪ Frequency of replication ▪ Success of Replication ▪ Cost effectiveness of replication efforts ▪ Knowledge creation strategy exists to document ideas, activities, metrics, best practices, and lessons learned <ul style="list-style-type: none"> ▪ One-off delivery of knowledge/lessons learned <ul style="list-style-type: none"> • Conferences, presentations, workshops • Publication of project model in academic journals, on websites, etc. • Promotion of lessons learned by multilateral organizations, universities ▪ System for regular information dissemination with partners (government, NGOs, private sector, and/or the general public) ▪ Advocacy and public education campaigns organized to spread knowledge and lessons ▪ Policy reform: seek sustained impact through institutional influence, policy and/or legal reform 	<ul style="list-style-type: none"> • Local acceptance and/or ownership of project idea (community participation, local partners) • Demonstrated global potential of project idea • Knowledge generation and capture • Knowledge dissemination on local and global level

Annex C: Development Marketplace Program Review

Summary findings

- ✚ Both products (Country DMs and Global DMs) are now well-established ‘products’ that are closely identified with the Bank.
- ✚ The Global DM (GDM) program has been highly successful in terms of casting the Bank in a different light, engaging and supporting a variety of different (albeit somewhat more sophisticated) group of players (small entrepreneurs, social entrepreneurs, civil society groups, etc.) who work on development issues at the local level.
- ✚ The GDM has also proven to be a good tool for offering other donors an easy way to find well-vetted, creative local development projects.
- ✚ Projects funded by GDMs tend to perform well, meeting most or all of their objectives, with about 30 percent of each class of projects or ideas showing a high degree of promise for future growth and spread (a good proportion by R&D/start-up standards).
- ✚ Although the Global DM has a core group of Bank staff who are engaged and care about the process, GDM projects do not serve as a source of ideas for their work in Bank operations.
- ✚ The Country DMs (CDMs) are highly valued by country directors, country teams, civil society groups, and partners in each country. Although highly labor intensive, most country directors indicate a strong desire to repeat the process.
- ✚ CDMs are an extremely flexible tool that Country Management Units (CMUs) are able to use for a range of purposes, e.g., substitute for ESW on high priority topics (e.g., Thailand), re-engagement in a region or country (e.g., Brazil, Sudan), building civil society (e.g., Ukraine, Ethiopia) or better PR and positioning for the Bank (e.g., South Africa, India).
- ✚ CDMs are particularly effective in strengthening and deepening the Bank’s in-country and intra-country engagement with civil society, private sector actors, partners, and small grassroots groups.

See enclosed document, “DM Program Review and Strategy FY04-05” for details.

ANNEX D: List of suggested indicators for impact reporting

Project-specific indicators will not be available until winning projects are selected on May 9th. Shortly after that date, the DM, with the guidance of ESSD and the project liaisons, will work with winning teams to develop milestones or outputs for each project. Specific impact indicators will be defined much more clearly once that process is set in place. However, all winning projects will be expected to touch on a number of the following indicators:

Climate Change (CC)

1. Increase in applied innovations or new technologies developed/applied
2. Successful usage and distribution of energy efficient and renewable energy technologies at the grassroots level

Land Degradation (LD)

1. Reduction in land degradation from water and soil pollution
2. Uptake and usage of new innovations or new technologies developed/applied

Persistent Organic Pollutants (POPs)

1. Reduction in the amount of release into the environment or elimination of POPs through DM sub-grants
2. Number of local policies informed in POPs focal area
3. Number of national policies informed in POPs focal area

Biodiversity (BD)

1. Increase in forested areas protected for watershed protection and protection of groundwater source.
2. Reduction in the number of trees (mangrove, coniferous, deciduous) harvested for fuelwood.

International Waters (IW)

1. Improvement of water quality (i.e. reduction of faecal coliforms, BOD, arsenic, etc.) in waterbodies near coastal zones or important river bodies.
2. Maintenance of environmental flows for small-scale hydropower purposes.

Livelihood Indicators

1. Change in livelihood of households affected by GEF-DM sub-grants
2. Change in livelihood of individuals affected by GEF-DM sub-grants
3. Improvement of access to clean drinking water through GEF-DM subgrants

Sustainability Indicators

1. Ability of CBOs/NGOs to enable activities beyond the GEF-DM subgrants cycle
2. Total additional in cash or in kind support obtained for sustaining, up-scaling, and replicating GEF-DM subgrants (in US dollars)

Annex E: Logical Framework Analysis—Development Marketplace

Note: Specific Outcomes, Indicators, and Risks/Assumptions will be linked to individual winning projects. The following are relevant to the DM program only.

Project Strategy	Objectively verifiable indicators			
<i>Goal</i>	To help the development community at large to meet the Millennium Development Goals by generating new approaches to poverty reduction from a variety of stakeholders outside the usual sources in development agencies.			
<i>Immediate Objective</i>	To reach grassroots social innovators cost-effectively and finding new ideas with the potential to make a substantial difference in efforts to reduce poverty and promote conservation. To complement and expand the World Bank’s emphasis on partnerships, effectively creating space for funding partnerships and implementation partnerships.			
	Outcomes	Indicators	Sources of verification	Risks and Assumptions
Project Objective 1	Fund social entrepreneurs and innovators addressing development challenges in the areas of climate change, land degradation, biodiversity conservation, mitigation of Persistent Organic Pollutants (POPs), and protection of international waters.	25-30 projects funded	Development Marketplace project agreements	<ul style="list-style-type: none"> ⊗ Misuse of funds by the sub-projects ⊗ Lack of organizational capacity at grassroots level
				<ul style="list-style-type: none"> A Working with grassroots organizations enables GEF and the DM to address global issues at multiple levels and with different partners.
Project Objective 2	Attract more funds for development and social innovation—making funds available for development projects that would otherwise be too risky for traditional World Bank, GEF, and other funders and investors (venture philanthropy).	US\$12 Million received for 2005-07.	Development Marketplace project agreements	<ul style="list-style-type: none"> ⊗ Funders focus may shift away from environmental issues making it difficult for sub-projects to attract follow-on funding.
				<ul style="list-style-type: none"> A GEF, the World Bank, and other funders are not usually set up to work with CBOs/NGOs on a retail scale. The DM mitigates this gap in development

Project Objective 3	Assist GEF in meeting its own program objectives by providing a way to reach grassroots social innovators cost-effectively and by finding new ideas with potential to make a substantial difference for bottom-up innovative projects with global environmental benefits.	<p><i>Climate Change (CC)</i>: Number of innovative projects at the grassroots level promoting successful usage and distribution of energy efficient and renewable energy technologies at the grassroots level</p> <p><i>Land Degradation (LD)</i>: Number of innovative projects at the grassroots level promoting reduction in land degradation from water and soil pollution</p> <p><i>Persistent Organic Pollutants (POPs)</i>: Number of innovative projects at the grassroots level leading to reduction in the amount of release into the environment or elimination of POPs</p> <p><i>Biodiversity (BD)</i>: Number of innovative projects at the grassroots level to conserve biodiversity in forested areas simultaneously protecting watershed and groundwater source.</p> <p><i>International Waters (IW)</i>: Number of innovative projects at the grassroots level promoting improvement of water quality (i.e. reduction of faecal coliforms, BOD, arsenic, etc.) in water bodies near coastal zones or international river bodies.</p>	Development Marketplace project and financial reports to GEF	R DM competition theme may not focus on GEF core priorities
				A Given the wide variety of sectors, some (infrastructure, public health, education, etc) may not focus directly on environmental issues prioritized by GEF. However, they will nonetheless touch on these issues.

Annex F: Executive Summary of DM Project Evaluations (2004)

Submitted as separate file **dm2002 evaluation summary.doc**

Annex G: Response to Project Reviews

- a) Convention Secretariat comments and IA/ExA response
- b) STAP expert review and IA/ExA response
- c) GEF Secretariat and other Agencies' comments and IA/ExA response