

GEF Council Meeting
May 25 – 27, 2014
Cancun, Mexico

Agenda Item 10

**GEF SMALL GRANTS PROGRAMME: IMPLEMENTATION
ARRANGEMENTS FOR GEF-6**

Recommended Council Decision

The Council considered document GEF/C.46/13, *GEF Small Grants Programme: Implementation Arrangements for GEF-6*, and approves the proposed implementation arrangements for country programs of the Small Grants Programme.

EXECUTIVE SUMMARY

1. This document presents an update on the Small Grants Programme (SGP) and lays out its strategic directions to meet challenges in the sixth phase of the GEF (GEF-6). It also identifies key policies and implementation arrangements for accessing GEF-6 resources and the process for continued upgrading of select country programmes.
2. This document responds to the finding of the Phase 1 of the GEF/UNDP Joint SGP Evaluation that “the SGP has remained a relevant, effective and efficient GEF programme” but that “for the SGP to maintain its leading position in an ever rapidly changing context, on-going and emerging challenges need to be addressed”.
3. A major challenge identified by the evaluation was the considerable increase in participating countries with a high proportion of Small Island Developing States (SIDS), Least Developed Countries (LDCs) and countries with fragile or conflict-affected situations in the SGP’s fifth operational phase 5 (OP5). Another was the need to tranche GEF core and STAR funds which led to differential timing in the release of funds and start of grant-making. SGP utilized adaptive approaches that eventually resulted in positive findings of the programme’s effectiveness and relevance by the GEF Evaluation Office’s Fifth Overall Performance Study (OPS5).
4. For GEF-6, SGP will use a three-pronged approach that focuses on globally recognized ecosystems, sets up institutional and financial support mechanisms, and systematically develops the capacity of local and national civil society stakeholders. For greater efficiency in the use of limited resources and to promote mainstreaming and scaling up, SGP country programmes can select from a set of four (4) multi-focal strategic initiatives (Community Landscape and Seascape Conservation, Climate Smart Innovative Agro-ecology, Low Carbon Energy Access Co-benefits, Local to Global Chemical Management Coalitions) for focusing majority of their grant-making work.
5. To sustain the efficiency of SGP country programmes and staff in a phase of reduced grant-making, support mechanisms to help communities to access new funds, setting up communications to reach the grassroots, establishing CSO-Government policy and planning dialogue platforms, developing a dedicated window for indigenous peoples grants and fellowships and expanding support for gender equality and women empowerment will be initiated. These support mechanisms will be linked to knowledge platforms at the global level. This “Grantmaker+” role of SGP in GEF-6 is based on the programme’s experience and assets that were built up over the years and will create value beyond grant-making by SGP for GEF.
6. The major source of funding for SGP country programmes in GEF-6 will be the core funds as allocated by the GEF to SGP as a corporate programme. Grant allocations to SGP country programmes for GEF-6 will be incentive-based and will be taken into account a combination of: (a) equity considerations to include economic categorizations (i.e. LDCs and SIDS, also post-conflict countries, to be considered for higher allocations); (b) absorptive capacity, to include size of population reflecting probable demand for SGP support; (c) historical grant-making performance, and; (d) strategic opportunities.

7. In GEF-5, the GEF Council approved access by SGP country programmes to STAR funds in all countries based on country programme category and the level of STAR funds allocated to each country. The proposed STAR access formula for GEF-6 will allow SGP Country programmes to request endorsements of STAR funds at the maximum of \$2 million only in those countries where STAR allocations are more than \$15 million. Possible access to this comparably limited amount of STAR funding is important in that it will allow SGP to increase core grant funding allocations to LDCs and SIDS with priority to those who have low overall GEF-6 country STAR allocations.

8. An additional voluntary option for sustaining the efficiency and effectiveness of SGP grant-making in GEF-6 is to utilize the country programmes or the global programme as delivery mechanisms for relevant Full-Sized Projects. By doing so, Full-Sized Projects have the opportunity to save time and reduce costs by taking advantage of the existing and well-proven SGP country programme mechanisms for their community based and/or CSO grant-making and engagement. SGP also benefits as there is enhanced synergy of its work with FSPs rather than competition for STAR funds as well as gaining a foundation or framework for scaling up.

9. There were major lessons learned in GEF-5 in the upgrading process of SGP mature country programmes. These include the need for the GEF Secretariat and UNDP to provide concrete policy guidance to all governments with upgrading country programmes. It is also important for the process to be provided with PPG support and to be expedited by allowing PIF submission at the earliest opportunity in GEF-6, in order to avoid a gap in implementation. Furthermore, aside from the criteria of number of years of participation and level of total grant funds delivered, two other important criteria have to be considered: (a) no upgrading of country programmes be done where available STAR allocations in the country is below \$10 million, and; (b) government should be willing to commit to the civil society *raison d'être* of the SGP.

10. In GEF-6, two execution options will be used by upgrading country programmes: (1) UNOPS execution in the absence of NGOs with sufficient capacities to take on the role, and; (2) NGO execution in which practical and strategic conditions warrant its use. All upgrading country programmes will be implemented following the existing SGP Operational Guidelines.

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BACKGROUND

1. During 2013, the independent offices of the GEF and UNDP jointly evaluated the SGP. Phase 1 of this evaluation, undertaken as part of OPS5, concluded that “despite facing challenges in the period since the 2008 Joint Evaluation, the SGP has remained a relevant, effective and efficient GEF programme”. However, in looking at factors affecting the programme’s effectiveness and efficiency the evaluation also noted that: “Together the Upgrading Policy and the measures introduced for SGP to access GEF resources through its allocation systems (RAF and STAR) have had many positive results, but the way they were implemented has also led to several negative effects”. One of the evaluation’s conclusions was that “for the SGP to maintain its leading position in an ever rapidly changing context, on-going and emerging challenges need to be addressed”.

2. In response, this document presents an update on the programme and lays out its strategic directions to meet challenges in GEF-6. It also identifies key policies and implementation arrangements for accessing GEF-6 resources and the process for continued upgrading of select country programmes.

3. The GEF Small Grants Programme (GEF SGP) is a Corporate GEF Programme implemented by UNDP to provide financial and technical support to communities and civil society organizations (CSOs) to meet the overall objective of “*Global environmental benefits secured through community-based initiatives and actions*”. Launched in 1992, with 33 participating countries in the Pilot Phase, GEF SGP is rooted in the belief that community-driven and civil society-led initiatives that generate environmental benefits while at the same time supporting sustainable livelihoods and local empowerment are among the most effective ways to address global environmental challenges.

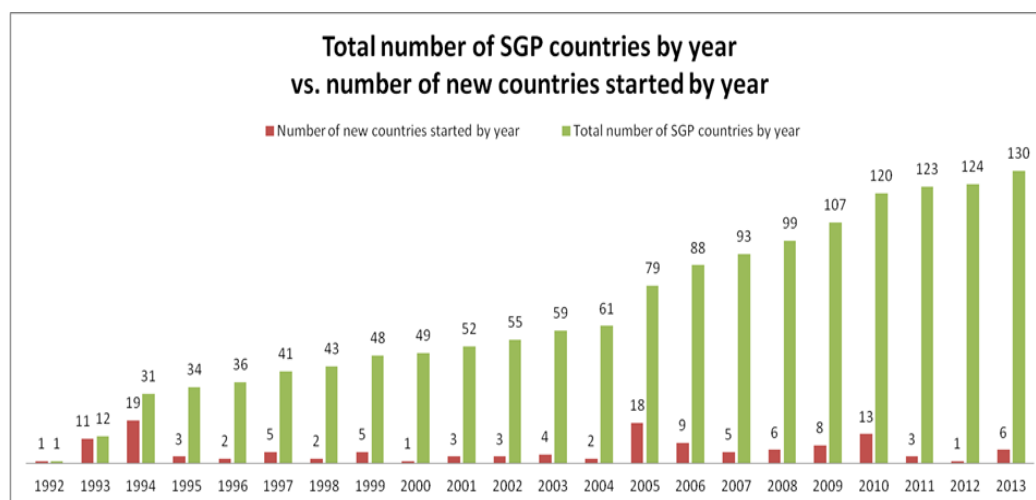
4. SGP funds “small grants” up to a maximum of \$50,000, although in practice the average grant amount is in the \$20,000 to \$25,000 range. A “strategic projects” window has recently been added for grant-making up to a maximum of \$150,000 to allow for scaling up and to support initiatives that cover a large number of communities within a critical landscape or seascape. Small grants allow communities and CSOs, in particular those that are poor and vulnerable, to access the appropriate level of funding as they develop their capacity and for the programme to take measured risks in testing new methods and technologies and to innovate as needed.

5. Each SGP country programme has a volunteer multi-sectoral National Steering Committee (NSC) which assures a “country-driven” approach to SGP implementation and allows civil-society leadership and capacity building in the management of a national program. Strong NSCs foster joint efforts between key national civil society leaders and government officials and serve as useful platforms for CSO-government dialogue and consultations in GEF matters as well as broader national sustainable development concerns.

6. Over time, SGP has developed a “local delivery service mechanism” for access by communities and local CSOs to GEF funds and non-GEF funds in its participating countries. SGP is able to reach poor and vulnerable communities in remote areas, and the networking it

supports increasingly promotes grassroots links and inputs to national level policy and development planning.

Figure 1. GEF SGP growth in participating countries from Pilot Phase to OP5



7. In its 5th operational phase, SGP has benefitted 128 participating countries (not including programmes that have closed), nine of which are in an upgrading modality. As shown in Figure 1, new countries have joined SGP in successive years, and well over half of all countries presently in SGP have been in the programme for nine years or less. As a global programme SGP offers the opportunity to transfer the knowledge and experience from mature country programmes to establish effective grant-making for the global environment in new countries joining the programme. To date SGP has worked with more than 20,000 grantee-partner organizations and institutions in its more than 20 years of operation. It has generated nearly \$600 million in co-financing as it delivered more than \$460 million in grants to support community-based projects.

SGP OP5 IMPLEMENTATION AND PERFORMANCE

8. The Global SGP in OP5 is currently providing services to 119 countries, with 111 full-fledged country programmes and eight countries covered through two Sub-regional programmes coordinated through SGP Fiji and SGP Samoa respectively. At the close of SGP's Fourth Operational Phase, ten of the most mature countries were identified for Upgrading. Nine countries were able in OP5 to establish their own upgrading SGP country programmes as GEF Full Size Projects.

9. OPS5 finds that: *“the number of countries participating in SGP has increased considerably during GEF-5. The new countries include a high proportion of SIDS, LDCs and countries with fragile or conflict affected situations. This is in line with the decisions taken by the GEF Council in November 2007 on the upgrading policy for SGP and SGP access to resources from the allocation system (currently STAR).”* (para 193).

10. At present the global SGP serves a majority of countries that are LDCs and SIDS, including several that are in post-conflict or crisis situations. Some important challenges faced by SGP in running effective programmes in some of these countries include increased security requirements and field monitoring costs, difficulties in recruiting and retaining sufficiently qualified staff, increased capacity and outreach needs for CSOs and potential grantees, and greater investment of time and effort in establishing NSCs that serve as well functioning oversight bodies.

11. During the first three years of OP5, nine (9) countries which were previously covered through sub-regional programme modalities were successfully transitioned to full-fledged SGP country programmes (Antigua & Barbuda, Barbados, Grenada, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines in the Caribbean, and Federated States of Micronesia, Marshall Islands, and Palau in the Pacific region). Additionally, seven (7) new countries joined the SGP through the successful establishment of country programmes: Afghanistan, Djibouti, Georgia, Guyana, Moldova, Sierra Leone, and Timor Leste. In total, therefore, 16 new country programmes were established in OP5. Due to consequent funding constraints for coverage of essential non-grant activities, a joint decision was taken by the GEF Secretariat and UNDP in 2012 to discontinue any further expansion of SGP to new countries for the duration of OP5 to ensure the effective running of the programme and proper coverage of costs on the basis of services rendered.

12. Table 1 below shows the total number of projects and grant funding committed as of 13 December 2013. At that time, 3,207 projects funded from OP5 funds (Core and STAR) had been committed for a total GEF grant funding amount of \$103.2m and a total co-financing of \$104m (slightly exceeding the requirement for SGP to match GEF funding 1:1 with co-financing at the global level by the end of the operational phase).

Table 1: Status of grant commitment in SGP OP5 (as of 13 December 2013)

Operational Phase	Number of Projects committed	Grant Amount	Co-financing in Cash	Co-financing in Kind	Total Co-financing
OP5 (as of 13 December 2013)	3,207	\$ 103.26M	\$41.23M	\$62.84M	\$104.07M

13. The need to tranche GEF core and STAR funds for SGP OP5 led to differential timing in the approval and release of such funds, resulting in some grant-making being possible only after 16 months from the start of the operational phase and still another set only 33 months later. Table 2 below shows the time frame during which approval of these funds was received, whereas officially OP5 commenced on 1 January 2011.

Table 2. SGP OP5 Funding tranches approved

Project	Date of Approval		Amount (not inclusive of IA fees)
Global Core	CEO Endorsement	25 April 2011	\$ 134,615,385
<i>STAR I</i>	CEO Endorsement	20 April 2012	\$ 40,828,365
<i>STAR II</i>	CEO Endorsement	19 September 2013	\$ 72,851,267

14. As a consequence, SGP country programmes were forced to catch up through expeditious grant-making in those countries that had built up significant and well developed project pipelines. In certain cases, the option taken was to do provisional review by NSCs in anticipation of the funding to be made available. An important implication of grant-making being done later is the high numbers of OP5 microprojects that will still be active well into the SGP OP6 period.

15. The capacity of the programme for adaptive management is shown by the positive findings of OPS5: *“The first phase report of the SGP evaluation also concludes that the SGP continues to be effective, particularly at the level of individual grants. Slowly, but surely, cohorts of grants are seen to be delivering cumulative and synergistic effects at the national and sub-national levels. The interaction of SGP with other GEF support has developed in interesting directions, with a recent example in the GEF Country Portfolio Evaluation in Tanzania where SGP provided services to other GEF projects that aimed to specifically reach out to local communities. In general, this interaction could and should be further explored at the country level in programming exercises”* (para 194).

16. As to the relevance of SGP’s utilization of the grant funds, OPS5 noted that “the SGP remains highly relevant in terms of both global environmental problems and supporting local communities to address these in the socio-economic conditions which they need to confront” (para 192).

SGP STRATEGIC DIRECTIONS FOR GEF-6

17. The strategic directions of the GEF SGP for GEF-6 has been presented, reviewed and finalized as part of the documentation for the replenishment negotiations. This section while presenting a highly summarized version adheres to the substance of SGP’s presentation in the GEF-6 Programming Directions document.

18. The programme’s goal for GEF-6 is to: *“Effectively support the creation of global environmental benefits and the safeguarding of the global environment through community and local solutions that complement and add value to national and global level action”*.

19. The SGP proposed design for OP6 is based on the following rationale:

- (a) focus SGP grant-making in countries around clear strategic initiatives that are based on country and global priorities and where strategic impact can be achieved;
- (b) focus SGP grant-making from six focal areas and 11 immediate objectives to four priority themes that are multi-focal in character and leverage SGP's ability to foster synergies among focal areas;
- (c) target SGP grant-making within focused geographic landscape and seascape areas, where baselines and indicators can be more appropriately selected and monitored to show impact over time (note that this approach would be implemented in the more mature country programmes, whereas relatively young and new country programmes may continue to do more foundational work with a broader geographic spread if necessary).

20. SGP will use a three-pronged approach: (a) by focusing its work on globally recognized critical ecosystems; (b) by setting-up innovative institutional and financial support mechanisms to expand the value and impact of projects nationally and globally and; (c) systematically developing the capacity of local and national civil society stakeholders as a key factor for environmental sustainability.

21. SGP work will contribute to the implementation of the following key actions:

- (a) *To implement sustainable co-management and governance of ecosystems of universal value at the landscape/seascape level in participating countries.*

This builds on more than 20 years of SGP work and experience, moving from stand-alone projects to a consolidated approach in such a way that, spatially and thematically, each project supported complements the others, thereby creating a greater impact at a faster rate. This also involves linking more closely to a clearly identified niche in the development and implementation of national plans and strategies as well as national policy making. Focused work can be supported by promoting the use of *SGP as a delivery mechanism* for national or regional level FSPs. Overall, these will provide support to involved CBOs and CSOs to graduate from SGP and move to active participation, even management, of larger projects.

- (b) *To expand the coverage and strengthen networks of Indigenous and Community Conserved Areas and Territories (ICCAs) within countries and globally.*

This action supports an important objective of the CBD Program of Work on Protected Areas (POWPA) and potentially increases the global coverage of protected areas from 12% to 17%. It also follows the shift to consolidated and integrated approaches for SGP in GEF-6.

- (c) *To establish a network of capable communities and CSOs in each country that will serve as a hub for country-wide joint action and provide a representative constituency for constructive dialogue with government in national-level environment and sustainable development planning and policy development.*
- (d) *To promote global sharing of innovative technologies and methodologies for the protection and sustainable management of the global environment, which are adapted to community and CSO application.*
- (e) *To increase the flow of additional resources to communities and local CSOs through the design and testing of sustainable use of local assets and innovative environmental financing mechanisms, including their replication and scaling up.*

22. SGP proposes four (4) strategic initiatives as multi-focal platforms for the implementation of its microprojects at the country level. This is in response to the reduction in SGP resources in GEF-6 as well as to promote mainstreaming and scaling up. Rather than the usual six or more focal areas, SGP will focus on four multi-focal initiatives, for which SGP country programmes will prioritize the major portion (i.e. 70 – 80%) of their grant-making. It should be noted that SGP country programme teams, in consultation with National Steering Committees and a broad base of stakeholders, will determine which initiatives are the most relevant for their countries. Depending on country and stakeholder priorities, SGP country programmes may elect to focus on only one, or two or three of the strategic initiatives to further sharpen the scope of SGP grant-making in order to achieve greater strategic impact from clustering and synergies.

- (a) *Community Landscape and Seascape Conservation*
During OP6, SGP will identify important ecosystems and use a landscape and seascape (CLSC) approach for their protection and sustainable use. With this initiative, SGP will implement a truly multi-focal approach involving communities in buffer zones and corridors thus providing connectivity for complex landscape mosaics.
- (b) *Climate Smart Innovative Agro-ecology*
SGP's niche will be in the production buffer zones of its identified critical ecosystems, also in forest corridors in danger of fragmentation, often remote and unaddressed by other traditional donors. Small grants in this initiative will be applied in synergy with the GEF-6 SLM for Climate-Smart Agriculture program.
- (c) *Low-Carbon Energy Access Co-benefits*
SGP will contribute to satisfying global demand for energy services for people without access to electricity and those that still rely on traditional biomass for cooking. SGP will focus on providing bottom-up energy solutions that are low-cost and provide high potential for carbon emissions reductions. SGP will align its efforts with the larger framework of Sustainable Energy for All (SE4ALL) to facilitate mainstreaming and scaling up.

(d) *Local to Global Chemicals Management Coalitions*

SGP will focus its support on communities in the forefront of chemical threats either as users or consumers. Activities will include support for innovative, affordable and practical solutions to chemicals management in joint efforts with SGP's established partners such as the International POPs Elimination Network (IPEN), as well as new partnerships including with government agencies, research institutions, the private sector, and international agencies.

23. In order to effectively implement SGP OP6, the programme will set-up support mechanisms based on SGP experience and assets built up over the years. These support mechanisms are based on the understanding that individual projects are not just ends in themselves but also the means to achieving more sustainable impact when greater cumulative and synergistic effects can be leveraged through the non-grant services provided by SGP such as institution building, knowledge networking, and policy advocacy. These are vital as they allow SGP to build value beyond grant-making. These also sustain the efficiency of SGP – the freed up time of the SGP country staff resulting from reduced grant-making will continue to be fully utilized as they are shifted to help establish and sustain these support mechanisms. SGP will therefore be a “Grantmaker+” in GEF-6 and will provide additional services and added value through the following support mechanisms:

- (a) assisting country stakeholders, especially communities and local CSOs, to develop relevant proposals as “*Barefoot Consultants*” particularly with the “direct access” modality of new funds;
- (b) setting up a “*Grassroots Reach*” communication channel for use not only by SGP but also by the government, GEF, other international donor agencies, and the private sector interested either as a business partner on marketing sustainable products or in CSR partnership;
- (c) supporting the establishment of a “*CSO-Government Policy and Planning Dialogue Platform*” (which could be in partnership with the GEF CSO Network) building on the trust built and joint working relationship developed between civil society and government in SGP National Steering Committees (NSCs).
- (d) developing an *Indigenous fellowship and dedicated grant-making window* to promote proactive mentoring and capacity-building of indigenous peoples at national, regional and global levels. To expand and improve the portfolio of SGP ‘Grant-makers+’, the use of strategic projects and additional resource mobilization will help to initiate a dedicated funding window to support indigenous peoples on priority themes.
- (e) expanding support for *gender equality and women’s empowerment* through proactive promotion of women-led projects, mainstreaming gender in all relevant projects, as well as the national and global networking of women grantee-leaders for knowledge-sharing and policy advocacy. SGP’s strategy on gender mainstreaming and women’s empowerment will be further strengthened during

GEF-6, in line with the GEF Gender Mainstreaming Policy and Gender Action Plan.

24. In addition to the support mechanisms at the country level, at the global level, under a *Global Reach for Citizen Practice-Based Knowledge* program, SGP will set up the following knowledge platforms: (a) Digital library of Community Innovations for the Global Environment, and; (b) South-South Community Innovation Exchange Platform.

25. The implementation of the four strategic initiatives in terms of their geographic focus and portfolio programming will be closely coordinated with the *support mechanisms* available at the country level and *the knowledge platforms* at the global level. Countries will have the possibility to focus grant-making at country programme level on select strategic initiatives and to identify the support mechanisms and platforms that are most useful to their context, through the development of their country programme strategies. While strategic initiatives will provide context and inputs to support mechanisms and knowledge platforms the latter will provide an enabling environment and will scale up the impacts of the strategic initiatives nationally and globally through networking and knowledge exchange. In this way, what starts at the local level eventually reaches global level discourse and action thereby allowing the SGP to contribute more fully to global environmental benefits and to the safeguard of the global environment.

26. Gender mainstreaming and women's empowerment are relevant to all of the strategic initiatives, support mechanisms and the global knowledge platforms. SGP country programmes will acknowledge gender differences and will support actions to promote women's role in implementation of programs and projects under the strategy.

SGP COUNTRY PROGRAMMES' ACCESS TO RESOURCES IN GEF-6

Access to Core Funds

27. The major source of funds for SGP country programmes in GEF-6 would be its allocated core funds as a GEF corporate programme. In GEF-5, the allocation of core funds to country programmes was based on the principle that country programmes that have had more years in SGP would have diminishing amounts but that they could also access STAR funds allocated to their respective countries. Furthermore, a proactive decision was made in GEF-5 that for equity purposes, SIDS and LDCs, and also country programmes that are 2 – 5 years in implementation, will have higher levels of core fund allocations than other country categories.

28. Experience to date, however, requires refinements to these grant fund allocation strategies for GEF-6 implementation. For one, the level of difficulty in environmental, socio-economic and political situations in the 119 participating countries in the global SGP - particularly with a substantial number in post-conflict situations having recently joined - is such that increased access to non-GEF funds cannot easily be correlated with the number of years an SGP country programme has operated. Furthermore, the GEF-5 fund access policy also resulted in many mature SGP country programmes having developed high levels of absorptive capacity and performance while at the same time being forced to contend with reduced core fund

allocations. While country programmes could perhaps draw in other donors for contributions of additional funds, SGP has adopted a policy of enjoining country programmes to not aggressively pursue other local and national funding resources should such result in undue competition that might reduce the availability of such funds to local and national CSOs. While strategic opportunities for additional resource mobilization might have opened up at regional and global levels, including for projects to replicate or scale up innovative initiatives, no ready funds were available at the global programme level to draw in or to match possible non-GEF funding partners. Critically needed flexibility for country level grant-making would have been enabled had there been a certain level of reserve funds at the global level, as was the case in previous SGP operational phases, for strategic partnerships that would pool resources with other donors.

29. As a way to best manage a phase of low overall funding dependent mostly on core funds and to assure that country grant allocations are utilized most effectively in terms of fast delivery and increased impacts, SGP country programme grant allocation for GEF-6 should thus be based on a combination of: (a) equity considerations to include economic categorizations (i.e. LDCs and SIDS, also post-conflict countries, to be considered for higher allocations); (b) absorptive capacity, to include size of population reflecting probable demand for SGP support; (c) historical grant-making performance, and; (d) strategic opportunities. In past SGP operational phases before GEF-5, the global programme was able to implement this approach by providing all country programmes a basic level of grant allocation while also setting aside appropriate amounts to provide additional resources to high performing ones and for those that implement additional strategic initiatives as participants in region-wide and global projects with major co-financing partners.

30. An incentive-related grant allocation will support improvements in aspects of increasing grant delivery, supporting resource mobilization for co-financing at regional and global programme levels, and promoting cumulative and synergistic effects of SGP projects – aspects that SGP’s 2013 Joint Evaluation noted a need for strengthening. The diversity in the ecological and socio-economic situations of SGP participating countries leads to differential development in the capacity to deliver grants and set up strategic partnerships beyond the community level. There have been many cases where country programmes could have implemented more microprojects or scaled up but were hindered by fixed allocations that did not factor in absorptive capacity, performance, and strategic opportunities. In SGP OP6, there has to be flexibility to allow additional funds for grant-making in such countries.

31. The incentive-based core grant allocations will be managed by the SGP Central Programme Management Team (CPMT) using its regular grant commitment and delivery monitoring mechanism and annual Performance and Results Assessment (PRA) system in conjunction with SGP regional workshops with Country Teams and consultations with National Steering Committees (NSCs).

Access to STAR Funds

32. In GEF-5, the GEF Council approved access by SGP country programmes to STAR funds based on country programme category and the level of STAR funds allocated to each country. It was also decided that those countries that meet the criteria for “upgrading” will

depend solely on STAR funds endorsed to them both for grant and non-grant costs. The country programmes that remained in the global SGP could access up to \$3.6 million (in countries where overall STAR allocations were more than \$15 million) or up to \$2.4 million (in countries where STAR fund allocations were \$15 million or less) for an operational phase. In the case of country programmes able to access up to \$3.6 million, no core funds were used for grant-making, hence, these were categorized as “Pure STAR” country programmes. In the case of new SGP participating countries, they can match core fund allocations with STAR funds for the first year but then follow the standard guidelines in following years. The GEF-5 STAR funds that were endorsed to SGP are shown in Annex 1.

33. Should there be no access to STAR funds by SGP country programmes in GEF-6, the overall funds in SGP for GEF-6 will drop by 46% vis-à-vis GEF-5¹. One implication of this scenario is that with the same level of core funding for SGP as in GEF-5, no new country programmes can be started in SGP OP6.

34. Thus, while there are concerns about the complexity of the formula for SGP access to STAR funds and about the competition for such funds with other projects experienced by SGP in GEF-5, it is still necessary that SGP be allowed such access, but this time using a more simplified formula that also minimizes competition.

35. The STAR access formula will be to allow SGP country programmes to request endorsements of STAR funds at *the maximum of \$2 million in those countries where STAR allocations are more than \$15 million*. This maximum amount is only equal to the level of an MSP and is \$1.6 million lower than the maximum access allowed in GEF-5. This amount should not lead to competition given the very high level of STAR allocation of the global SGP countries involved (assuming similar STAR allocations for them as was in GEF-5) e.g. China (\$211.69 million) with the highest and Cuba (with \$17.03 million) or Papua New Guinea (\$16.49 million) at the lower end. Note also that with this formula, the *request for STAR endorsement will also be made only to a smaller group of countries as compared to more than a hundred in GEF-5* when SGP was also given access to a maximum of \$2.4 million in STAR funds endorsed by those countries with less than \$15 million in STAR allocation.

36. Possible access to even this limited amount of STAR funding will allow SGP to increase grant funding allocations to LDCs and SIDS with priority to those who have low overall GEF-6 country STAR allocations.

SGP as Delivery Mechanism of Community-based Grant-Making for Full Size Projects

37. The proposed access to STAR funds for SGP in GEF-6 can potentially raise an additional \$32 million maximum for the programme’s grant-making. But this is still roughly \$86 million

¹ In GEF-5, seventeen (17) country programmes were “Pure STAR” or fully dependent on STAR funds. Twenty (20) other country programmes had more than \$1 million to \$2 million each in additional STAR funds for grant-making: Belarus, Burkina Faso, China, Colombia, DR Congo, Cote d’Ivoire, Dominican Republic, Ethiopia, Federated States of Micronesia, Guinea Conakry, Honduras, Lao PDR, Mozambique, Nicaragua, Nigeria, Uganda, Ukraine, Vanuatu, Venezuela, and Zimbabwe. Another fifteen (15) countries each had \$0.8 million more or less of additional STAR funds for grant-making: Barbados, Botswana, Cameroon, El Salvador, Ghana, Grenada, Lebanon, Liberia, Moldova, Nepal, Palau, Senegal, Sierra Leone, Saint Lucia, and Uzbekistan.

less than what was made available in GEF-5. With less grant-making work, there will be substantial underutilized manpower potential of SGP country programmes than was the case in GEF-5. The new “grantmaker+” roles that SGP country teams plan to undertake will mitigate this problem as SGP country staff take on the tasks of forming new support mechanisms. However in high performing country programmes that used to deliver almost a million dollars of resources annually, there is still a need to provide additional resources for grant-making.

38. The additional option for sustaining the efficiency and effectiveness of SGP grant-making in GEF-6 would be to utilize the country or global programme as a delivery mechanism for Full-Sized Projects. By doing so, Full Size Projects have the opportunity to save time and reduce costs by presenting a readily available mechanism for community based grant-making and engagement. Additionally, such partnerships have the potential to enable the greater involvement and engagement of CSOs in the GEF through the improved collaboration and linkages between the SGP and Full and Medium Sized projects. The recent OPS5 technical study (OPS5 TD14 CSO Engagement) found that the SGP was rated as the most effective among six mechanisms in promoting engagement of CSOs in the GEF (*para 99*). Furthermore, the study noted that “there is not likely to be a GEF project that would not benefit from a more systematic and meaningful engagement of civil society” but that there is limited engagement of CSOs in the GEF outside of the SGP: *“According to participants at multiple recent Expanded Constituency Workshops (ECW, Senegal, Mozambique and Zambia, 2013), there is “very little opportunity for CSO engagement in MSP and FSP, only SGP” (para 42).*

39. The same OPS5 technical study of CSO engagement in the GEF also positively acknowledges the considerable experience that the SGP brings in CSO engagement within the GEF:

“The Small Grants Programme (SGP) has a long history in reaching, measuring and understanding terms describing CSO engagement. In the SGP project template they feature Section 1.6, Plan to Ensure Community Participation. Therein they clarify that “community participation means much more than how the community will benefit from the project. It refers to active involvement and ownership by the relevant stakeholders.” (para 32)

40. There has already been successful experience in using SGP as a delivery mechanism (e.g. in GEF FSPs such as the Nile Transboundary Environmental Action Project, South China Sea Project, Partnership for the Environmental Management of the Seas of Southeast Asia, as well as non-GEF projects such as the EU Tropical Forest Action Program, South-South Tsunami Recovery, Japan-supported COMDEKS (landscape/Satoyama management) project, and the EU-funded Strengthening Environmental Governance by Building the Capacity of Non-Governmental Organizations (NGOs). Two new FSPs include UNEP’s “Implementing Integrated Land, Water & Wastewater Management in Caribbean SIDS” includes \$1 million for SGP execution; and UNDP’s project in development “Caribbean Large Marine Ecosystem SAP Implementation” with \$5 million set aside for community work which SGP is expected to deliver.

41. There are several important advantages in this approach:

- (a) There is synergy or integration of SGP work within FSPs rather than competition for STAR funds. FSPs using SGP as a delivery mechanism provide SGP its foundation or framework for scaling up.
- (b) FSPs are able to bring community and CSO components into its activities in ways that save time and resources otherwise spent on creating a new delivery mechanism.
- (c) This approach will help meet the Public Involvement Policy objectives of the GEF.
- (d) Use of SGP as a delivery mechanism will function on a voluntary basis. A strong message encouraging this approach from the GEF Council and the GEF Secretariat will be needed.

42. The effective use of SGP as a delivery mechanism for FSPs will necessitate the proactive liaising and coordination of the SGP Central Programme Management Team (CPMT) with GEFSec's Focal Area units and GEF colleagues at IA headquarters as well as by the SGP Country Team and National Steering Committees at the country level with the GEF Operational Focal Point and IA country teams. Experience to date shows that it is vital that utilization of SGP as a delivery mechanism for community and CSO components be considered very early in project design and that there is proper cost recovery for SGP country programmes involved and for the SGP CPMT, as needed.

SGP OP6 UPGRADING PROCESS AND REQUIREMENTS

43. Despite initial difficulties early in the project cycle, all nine SGP upgrading country programmes are currently under different stages of implementation. SGP country programmes have responded to the challenges of upgrading in a variety of ways that together constitute a significant source for reflection and evaluation of the process of upgrading. The 2013 Joint UNDP-GEF SGP Evaluation Phase 1 Report brings out many of the lessons learned from this process. Together with UNDP's analysis of its own project cycle management experience, these provide the basis for recommendations and proposals for reform aimed at strengthening the upgrading process to make these and future SGP Upgrading country programmes more effective as part of the GEF's primary civil society instrument for global environmental benefits.

44. OP5 has essentially been an exploratory period for SGP country programme upgrading. Preliminary guidance on upgrading provided the most basic criteria as well as analysis of execution options, and two objectives were frequently discussed: (1) upgrading the most mature country programmes would lessen the burden on the global SGP and allow incorporation of additional new countries; and (2) mature country programmes undergoing upgrading would be able to receive higher levels of funding commensurate with their greater capacities. These two objectives appear to have been achieved as OP5 saw an increased number of new countries participating in the SGP and the average funding level of the SGP upgrading country programmes in OP5 was over USD 4.6 million per country.

45. Based on lessons learned from this initial phase of SGP country programme upgrading, a number of improvements to the upgrading process will substantially improve quality and effectiveness of country programme design, as well as increase efficiency in terms of project cycle management and country programme delivery.

- (a) *Concrete policy guidance will be provided by the GEF Secretariat and UNDP to all governments with upgrading country programmes* reconfirming the civil society leadership of the SGP country programme and the role of the different governance and management mechanisms that ensure that the SGP country programme remains GEF's primary civil society instrument for the global environment². The roles and responsibilities of the different actors will be clearly communicated to reduce the potential for misunderstanding and conflict regarding decision making, to secure continued compliance of the upgrading country programme with Global SGP Operational Guidelines, and to ensure that the SGP as a global brand of the GEF maintains and enhances its value as one of the GEF's most important strategic assets.
- (b) *The upgrading process will be expedited*, with planning for the transition begun as early as possible to avoid interruptions to programming and support to community organizations while the corresponding FSP is processed through the initial stages of the project cycle³. The risk of a hiatus in Upgraded country programme financing between Operational Phases will be mitigated by improved planning and dialogue at an early stage to avoid truncated support to still active projects approved in the preceding OP and a gap in financing of staff contracts with the consequent potential for a loss of institutional memory and installed capacity. There is also need for Upgrading country programmes to receive assurances from GEF and government as early as possible that GEF STAR resources will be made available to these country programmes so that work can begin on the necessary PIF submission in time for the first or second GEF Council meeting and work program for GEF-6. It is indispensable that upgrading country programme FSPs are approved at the earliest possible opportunity in GEF-6 to avoid a gap in country programme implementation. To support expedited preparation of project documentation, UNDP-GEF will provide annotated formats, as well as other materials, to National Coordinators and UNDP CO focal points. The requisite number of UNDP-GEF staff will be assigned to formulate the necessary PIFs and PPGs, and expert consultants – to be financed with PPG funds – will be recruited to assist the National Coordinators with the preparation process.

² This is consonant with the 2013 Joint GEF/UNDP SGP Evaluation Phase 1 recommendation to “make sure that weaknesses in [the operationalization of upgrading] are addressed before any other countries are upgraded”. One key action is to “ensure that civil society continues to be at the ‘wheel’ of the SGP – even when no longer alone in the driving seat.”

³ The time required for project development and approval varied widely among upgrading country programmes for a variety of reasons, including the need for clarification and negotiation of stakeholder roles in country programme execution, PIF development and the formulation of project documentation (without benefit of PPG resources), and general processing requirements.

- (c) *The overall goal of the global SGP and upgraded SGP country programmes will be one that is shared in common following the 2013 Joint GEF/UNDP SGP Evaluation Phase 1 Report recommendation that SGP be “implemented under a single, coherent global programme framework”. However, the strategic objectives of the upgrading country programmes will be further refined in OP6 to take into consideration higher funding levels and expectations for scaling up with the aim to increase the already substantial value of SGP as the GEF’s most important civil society window. The upgrading process should result over time in a country programme with the capacity to consistently mobilize funding from an appropriate variety of sources and execute greater amounts of funding. The upgraded country programme should be able to apply these resources programmatically in alignment with local, national and global priorities and in strategic partnerships with public and private entities. The upgraded country programme should be capable of engaging with community and landscape level organizations to achieve long term sustainable development outcomes based on participatory, bottom-up planning and management of landscapes and seascapes.*
- (d) Upgrading eligibility criteria in OP6 will be retained as defined in document *GEF/C.36/4, Small Grants Programme: Execution Arrangements and Upgrading Policy for GEF-5*. Two important additional criteria will be considered based on lessons learned from OP5: 1) the country’s STAR envelope i.e. if a country’s STAR allocation is below USD 10.0 million, it would not be subjected to upgrading, and 2) government willingness to support a country programme with a civil society raison d’être requiring renewed written government commitment to follow the SGP Operational Guidelines.
- (e) *A number of improvements will be made to the FSP design process and project cycle formats for SGP upgrading country programme projects to enhance and strengthen the development of bottom-up design, programming and implementation strategies, as well as the development of monitoring and evaluation approaches and systems that are specifically adapted to participatory, community-based approaches to adaptive land and resource planning and management. SGP FSPs will continue to enable SGP’s broader grant-making and civil society support functions and allow the technical and geographic focus of the strategy to be developed, endorsed and owned by stakeholders through a participatory process to be carried out at the start of project implementation. Upgrading country programme technical development will follow the logic of participatory landscape planning and management in the context of a community based, multifocal approach. In this regard:*
 - (i) The design of OP6 upgrading country programmes will reflect their substantive experience with the SGP Global Programme, based on their ongoing country programme Strategies, and will be aligned in OP6 with the strategic initiatives of the SGP Global Programme for landscape/seascape management, climate-smart agriculture and low carbon energy access;

- (ii) PPG resources will be applied to design the participatory planning process that will be carried out as a first step in project implementation;
- (iii) Cofinancing for SGP upgrading country programmes will follow SGP best practice, continually being raised during the course of project implementation, reflective of the nature of SGP as a demand-driven, grant-making programme duly considerate of the context and situation of its community and civil society stakeholders;
- (iv) As recommended by the 2013 Joint GEF/UNDP SGP Evaluation Phase 1 Report, specific tracking tools and other M&E instruments and methods more relevant to the SGP country programme approach will be developed;
- (v) Reporting on upgrading country programme progress will be aligned with reporting from the Global SGP Programme to generate a coherent global outlook on progress and performance;
- (vi) Knowledge management in upgrading country programmes will be closely coordinated with the Global SGP Programme to ensure common approaches and products following a generalized strategy to systematize, codify and disseminate lessons from community projects and landscape management strategies to other communities, as well as government agencies and donors.
- (vii) Communications will also be closely coordinated between upgrading country programmes and the Global SGP Programme to guarantee the benefits to the GEF and other stakeholders of common branding and messaging.

46. In OP6 the following SGP country programmes meet the existing criteria for upgrading in terms of the criteria of project duration (>15 years) and aggregate grant commitments (>USD 6.0 million): Egypt, Indonesia, Jordan, Kazakhstan, Peru, Sri Lanka, and Thailand. Using the criteria of high STAR allocation (>USD10 million), Jordan will drop out. Whether all the remaining ones will meet the criteria of government commitment to support the SGP approach and design still remains to be seen. LDCs and SIDS remain exempt from consideration for upgrading.

UPGRADING SGP COUNTRY PROGRAMME IMPLEMENTATION AND EXECUTION ARRANGEMENTS

47. Upgrading country programmes were executed under three different modalities in OP5, which provided an important foundation for analysis and recommendations for OP6. One possibility that upgrading has opened up is that of capable national NGOs being selected and able to play an execution role for their country's upgraded SGP programme. However, lessons learned from experience in establishing and operationalizing these different modalities point to the need for substantial capacity building for those country programmes opting for NGO execution.

48. Thus, based on analysis of experience in OP5 execution modalities, two execution options will be used in OP6: one, *UNOPS execution* in the absence of NGOs with sufficient execution capacities, which provides an already familiar set of procedures and instruments to NCs and UNDP COs and can thus guarantee a reasonable rate of project delivery without additional investment in time and resources; and two, *NGO execution*, where practical and strategic conditions warrant its use and the proposed executing agency (NGO) fulfills criteria and standards related to fiduciary management and small grants management and reporting.

49. In its role as GEF Implementing Agency (IA) for this project UNDP shall provide project cycle management services as defined by the GEF Council. All upgrading country programmes will be implemented following the existing SGP Operational Guidelines.

ANNEX 1. GEF-5 STAR FUNDS ENDORSED TO SGP

GEF 5 STAR funding endorsed to GEF SGP “Pure STAR” Country Programmes without access to Core	\$42,461,500
Argentina	\$2,700,000
Cuba	\$3,600,000
Egypt	\$2,671,500
Ethiopia	\$3,290,000
Indonesia	\$3,600,000
Iran	\$2,000,000
Kazakhstan	\$2,400,000
Madagascar	\$3,600,000
Malaysia	\$3,200,000
Morocco	\$1,000,000
Papua New Guinea	\$2,500,000
Peru	\$3,600,000
South Africa	\$2,000,000
Tanzania	\$3,600,000
Thailand	\$1,400,000
Turkey	\$1,300,000
Vietnam	\$1,000,000
GEF 5 STAR funds endorsed to GEF SGP for countries with access to Core	\$74,765,318
Total GEF 5 STAR amount endorsed in GEF- 5 for all countries (inclusive of IA fees)	\$117,226,818