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Agenda Item 17

PROPOSALS FOR ENHANCING GEF MEDIUM-SIZED PROJECTS

Recommended Council Decision

The Council reviewed document GEF/C.24/13, *Proposals for Enhancing GEF Medium-sized Projects*, and approves the following as means to expedite and streamline the processing of medium-sized projects.

The Council agrees to increase the ceiling of GEF financing for PDF-A's to develop medium sized projects to \$50,000.

The Council agrees that in seeking focal point endorsement for a medium-sized project, the focal point may be requested to provide its endorsement, on a no-objection basis, within four weeks from the date on which the project proposal is submitted to the focal point.

The Council approves the establishment of a GEF Corporate Program on Smaller-Sized MSPs for a three year period consistent with the program brief presented in the document. The Council also authorizes an additional \$157,500 to be included in the FY05 Corporate budget that was approved by the Council in May 2004 as a strategic initiative to cover the administrative costs of the program. The GEF Secretariat and the Implementing Agencies are requested to include in the annual corporate budget for fiscal years 06, 07, and 08 the additional financing for the administrative costs of the strategic imitative for each year over the three year period. Resources to finance the actual grants to smaller-sized MSPs should be provided through the focal area allocations foreseen in the GEF business plan.

The Council also agrees to the approval in the work program of a pilot country-level program in Argentina to experiment with the implementation of smaller-sized MSPs through a decentralized country mechanism.

Executive Summary

Procedures for preparing, approving and managing medium-sized projects (MSP) were approved by the GEF Council in October 1996 in order to encourage the submission and execution of smaller-sized projects by a broad range of groups and organizations. After five years of MSP project implementation, an evaluation of the GEF experience related to MSPs was undertaken in 2001 as an input to the Second Overall Performance Study of the GEF.

As a follow-up to the evaluation, the GEF Secretariat chaired a MSP Working Group consisting of representatives from each of the three Implementing Agencies, two NGOs, an executing agency working under the policy of expanded opportunities, and the Secretariat, to review the recommendations from the Evaluation Report with the objective of exploring proposals to improve the procedures for the development, approval and implementation of MSPs.

The Working Group reached consensus on a number of operational issues falling within the mandate of the GEF Secretariat and the Agencies, and implementation of these agreed actions are on-going. The Council was informed of the agreed action plan in the information document, GEF/C.23/Inf.6, *Action Plan to Respond to the Recommendations of the Medium-Sized Projects Evaluation*, which was available at the Council meeting in May 2004.

The Working Group also agreed to present to the Council a number of recommendations that call for Council approval before they can be implemented. These are recommendations calling for: (i) increasing the ceiling of PDF-A funding for MSPs up to \$50,000; and (ii) endorsement of MSP project proposals by the operational focal points on a no objection basis within a four week period.

In addition to the above two proposals for adjusting the project cycle for MSPs, two new approaches for smaller MSPs are being presented to the Council in this paper for consideration and approval at its meeting in November 2004: (i) a pilot global program for smaller-sized MSPs that will be managed on an expedited and fixed one year competitive process for reviewing and awarding grants; and (ii) a pilot country-level program in Argentina to test implementation of smaller sized MSPs through a decentralized country mechanism.

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BACKGROUND

1. Procedures for preparing, approving and managing medium-sized projects (MSPs) were approved by the GEF Council in October 1996 in order to encourage the submission and execution of smaller-sized projects by a broad range of groups and organizations. A principal objective of the MSPs is to promote rapid and efficient project execution by simplifying preparation and approval procedures and by shortening the project cycle relative to GEF full-sized projects. After five years of MSP project implementation, a review of the GEF experience related to MSPs was undertaken in 2001 as an input to the Second Overall Performance Study of the GEF. A number of findings and recommendations emerged from the evaluation.

2. The evaluation report concluded that MSPs have, amongst other benefits, broadened and legitimized partnerships and multilateral relationships that have improved collaboration between NGOs, governments, research institutions, the private sector and the GEF, and that the capacity at local and national levels has been increased. However, the expedited procedures envisaged for the MSPs have fallen short of expectations. For example, it was foreseen that it would take about six months between the time a project concept was approved to the start of project implementation. In practice, the average has been over two years, with several projects taking three or four years. Although the average elapsed time for MSPs is significantly less than that for full-sized projects, the current process is much longer than expected and there is clearly a scope for improvement in MSP processing times.

3. As a follow-up to the MSP evaluation, the GEF Secretariat organized a MSP Working Group consisting of representatives from each of the three Implementing Agencies, two NGOs, an executing agency working under the policy of expanded opportunities, and the Secretariat, to review the recommendations from the Evaluation Report with the objective of exploring proposals to improve the procedures for the development, approval and implementation of MSPs.

4. The Working Group conducted a series of meetings to review the priority recommendations from the Evaluation Report and agreed to address the recommendations under the following six headings:

- (a) capacity building for executing agencies;
- (b) technical standards of MSPs;
- (c) implementing agency policies and procedures;
- (d) role of focal points;
- (e) project cycle; and
- (f) information dissemination.

5. The Working Group reached consensus on a number of operational issues falling within the mandate of the GEF Secretariat and the agencies, and work on implementation of those agreed actions is on-going. The Council was informed of the agreed work plan in the information document, GEF/C.23/Inf.6, *Action Plan to Respond to the Recommendations of the Medium-Sized Projects Evaluation*.

6. The Working Group also agreed to present to the Council a number of recommendations that call for Council approval before they can be implemented. These are recommendations calling for: (i) increasing the ceiling of PDF-A funding up to \$50,000; and (ii) providing for endorsement of MSP project proposals by the operational focal points on a no objection basis within an agreed time limit. These proposals together with two new approaches for smaller MSPs are being presented to the Council in this paper for consideration and approval at its meeting in November 2004.

ADJUSTMENT IN THE PROJECT CYCLE FOR MEDIUM-SIZED PROJECTS

PDF-A Funding Increase

7. The current level of PDF-A financing for all GEF projects is \$25,000. The MSP evaluation and the discussion within the MSP working group indicates that for many projects this amount is insufficient to undertake satisfactory preparatory work before a MSP proposal is presented for approval by the GEF CEO. Unlike full sized projects, those proposing an MSP proposal have access only to PDF-A and do not have access to PDF-B and C to continue their project preparatory work. For example, the ratio of PDF-A (\$25,000) and MSP of \$1 million is 1:40, while PDF-B (\$350,000) and a Full Size Project of \$5 million is 1:14. As a result, in order to develop a successful MSP, both project proponents and Implementing/Executing Agencies often end up subsidizing these processes with their own human and financial resources, which is a large burden particularly for local NGOs and proponents with limited capacity.

8. Although a MSP is designed as a smaller scale, simpler funding mechanism for diverse proponents, it still requires a high quality project brief for approval based on stakeholder consultations, data collections and assessments on the ground, and other required processes. The current PDF-A amount of \$25,000 is simply too small to cover all these costs. When local proponents with innovative ideas have only limited capacity, the current PDF-A funding level is too small to ensure quality of the proposal and capacity building, thus causing delay in the process.

9. The working group has suggested that the ceiling for PDF-As for MSPs be increased to \$50,000. Council agreement is sought for this recommendation.

Endorsement by the Operational Focal Points

10. The MSP evaluation indicates that one of the bottlenecks in MSP project preparation is the requirement that a project proponent must obtain a written endorsement from the country operational focal point (OFP) before the project is submitted to the CEO for approval. This requirement is the same for all GEF projects, and it was put in place to ensure evidence of country ownership for each project.

11. Recognizing that having the endorsement letter from the OFP is one of the key delays in the MSP appraisal process, and due to the fact that in many cases the delays are due not to a particular technical reason but often times to the heavy workload of the OFP, the working group proposed that endorsement from the OFP be sought on a no-objection basis in a time limited manner. Under this proposal, a project proposer, in coordination with an Implementing or

Executing Agency would submit a project proposal to the OFP for endorsement. In seeking the endorsement, it would be specified that if no response is received within four weeks, the focal point will be deemed to have endorsed the project proposal. With this process, the OFP will continue to have the opportunity to provide feedback and inputs to the MSP or to not endorse the proposal within the specified period.

12. Council's approval is sought for this change in MSP procedures that would enable operational focal point endorsement on a no-objection basis within a four-week period.

NEW APPROACHES FOR PROCESSING SMALLER-SIZED MSPs

13. In reviewing the recommendations of the MSP evaluation, the working group suggests that there is a strong need to introduce and test a truly innovative approach to expedite the MSP appraisal process. At the same time, the working group, based on the evaluation findings, recognized the need to establish expedited procedures for processing financing above the \$50,000 limit for small grants programs but considerably less than the US\$1 million ceiling for MSPs. Considering that the average size of the MSPs is about \$800,000 across the portfolio, there is a significant gap between the MSPs and the SGPs. The MSP evaluation and the MSP working group also found that with the current lengthy and complex MSP procedures, most proposals tend to opt for a maximum amount of MSP funds (\$1 million) and the smaller MSPs are neglected or not adequately considered. Particularly, there has been demand from local government, NGOs, and other institutions with relatively limited capacity, for an expedited funding of projects requesting about \$250,000 - \$500,000.

14. Emerging out of the working group discussions related to financing for smaller sized MSPs are two innovative approaches. The first recommends the establishment of a corporate program under which an annual review and approval process in an expedited and simplified manner would approve a fixed number of smaller MSPs with GEF financing of up to \$250,000. The second recommends experimenting with an innovative approach to processing smaller-sized MSPs at a country-level. A global program is suggested to enable the GEF to reach out to all eligible countries and partners in an equal manner. On the other hand, the country program has also been suggested to test decentralized mechanism in a single country so that consideration could be given to its relevance and replicability in the future.

15. Based on the findings of the MSP evaluation as well as experiences in managing the MSPs for the past eight years, both approaches seek to establish a mechanism that would enhance access to smaller MSPs in a truly expedited and cost effective manner, without losing quality control and accountability. The existing MSPs, with budget of up to \$1 million each, will continue to be approved and implemented.

16. Key characteristics of the new approaches for the smaller-sized MSPs (for both the global and country levels program) include:

- (a) Development of a one stop review and appraisal mechanism, compared to the current multi-layered appraisal process for the MSPs, which would ensure truly expedited and cost effective mechanisms. The process enables GEFSEC, Implementing Agencies, NGOs and other partners to appraise proposals in a

collaborative fashion in order to better focus on the strategic priority areas of the GEF;

- (b) A system of call for proposals in periodic and competitive rounds of applications once a year with a fixed calendar, (call for proposals, deadlines for submissions, screening, assistance for project preparation, review and selection, approval of the grant) will enable a timely and transparent appraisal process;
- (c) Beneficiaries which have received little GEF assistance to date (as they fall between the Small Grants Program and the larger-sized MSPs) will be targeted. A proactive approach in reaching these medium level NGOs and other potential applicants, while also providing hands on training throughout the program application process, will be initiated.

17. Expected impacts of the proposed smaller-sized MSP programs include:

- (a) a significantly simplified and administratively streamlined model to finance smaller medium-sized projects at a lower cost than the traditional MSP process;
- (b) promotion of more direct outreach and coherent linkages between the GEF Secretariat, GEF Implementing Agencies, the proponents, including governments, NGOs, and communities;
- (c) increased access to GEF resources by medium level NGOs and civil society organizations to which these resources have not yet been accessible;
- (d) improved performance of the GEF program, by involving and raising the capacity of new proponents; and
- (e) stronger incentives for the GEF to embrace the smaller and medium size project agenda, by ensuring a critical mass of projects and by combining the monitoring/supervision of several grants (thus lowering unit costs of supervision).

Piloting a Global Program for Smaller-Sized MSPs

18. Modeled on the World Bank's Development Marketplace, it is proposed that a corporate program be established for the financing of MSP projects requiring a maximum of US\$250,000 in GEF resources. The proposed program will establish a fixed one year competitive process for reviewing and awarding grants to smaller medium-sized projects. Review and selection of the winning proposals would be the responsibility of a technical review committee whose membership would include representatives from the GEF Secretariat (Chair), the Implementing Agencies, NGOs and the STAP roster.

19. The details of the global program for the smaller-sized MSPs are attached as Annex A of this document. Following is the summary of program appraisal procedures:

- (a) The program would be announced annually with an invitation soliciting project concepts in accordance with a clear fixed schedule.
- (b) The project concepts will be screened and reviewed by the Technical Review Committee, and a shortlist of project concepts will be selected. When necessary with a large number of applications, the technical review committee will be expanded to include additional members/assessors invited from the Implementing Agencies, NGOs, STAP roster and other stakeholders who are knowledgeable on GEF criteria and operations.
- (c) Each short listed proposal will be matched with an Implementing Agency that will assist and provide necessary capacity support to the project proponent to develop a project proposal for a second review.
- (d) The project proposals will be endorsed by the respective country operational focal point before submission based on a no objection basis within a four-week period.
- (e) The project proposals will go through a second round of review by the technical review committee. The technical review committee could be expanded at this stage to include additional members/assessors from other relevant stakeholders.
- (f) The expanded TRC will select the winners who will be awarded GEF grants for that year.
- (g) The winners will be invited to Washington D.C to present their proposals at an exhibition on the margins of a Council meeting.

20. Besides the benefit of expedited processing of smaller MSP proposals on a fixed annual calendar, the program should also provide an opportunity to engage a wider range of actors, including local governments, academic institutions and NGOs in developing countries, thus “spreading the net more widely.”

21. The Program is being proposed as a three-year pilot for providing awards to approximately 100 projects at a maximum size of \$250,000 per project. Resources for awarding the grants will be provided through the resource allocations to the GEF focal areas, consistent with the business plan allocations. The costs of administering the program will be included as a special initiative in the GEF corporate budget. Costs for each fiscal year will be included in the corporate budget for that year. For purposes of beginning the program in FY05, the Council is requested to approve \$157,500 to be included in the FY05 corporate budget that the Council approved in May 2004 for FY05 to support the administrative budget for managing the program. Details of the proposed program, including the budget, are described in Annex A.

22. An evaluation will be undertaken before the completion of the third year of the pilot program to provide input for Council decision regarding the future of the program and any lessons for the wider policies and procedures regarding medium-sized projects.

Experimental Approach to Country-level Smaller-Sized MSPs Program

23. In parallel with the global corporate program, the working group suggests testing of an innovative program to implement a smaller sized MSPs in a decentralized manner at a country level.

24. The country-level proposal, emerging from Argentina, has a strong ownership and support of the government and all three Implementing Agencies: UNDP, UNEP, and the World Bank. The project, requesting \$2.5 million, has been included in the work program submitted to the Council for the November 2004 meeting.

25. The key difference between the above mentioned global program and this country-level program is the location of the review committees: the former is centralized, while the later is decentralized at the country level. Details of the country-level MSP program for Argentina can be found in the proposal included in the Nov 2004 work program submitted for Council review and approval.

ANNEX A. PROGRAM BRIEF: GEF CORPORATE PROGRAM ON SMALLER-SIZED MSPS

A. SUMMARY

1. The objective of this project is to pilot an innovative approach to processing smaller-sized MSPs on a global basis, i.e., the GEF Corporate Program on Smaller-sized MSPs (“The Program”) that would enhance the access of local developing country partners, including national, sub-national and local governments, NGOs, research and academic organizations, the private sector, and others to smaller MSPs in a truly expedited and cost-effective manner.² The Program calls for a one-stop processing approach and would result in a significant simplification of project review and approval processes through a harmonization of reviews by the different GEF entities within a strictly enforced schedule. Moreover, the experiences and lessons learned from this Program may be utilized and replicated to improve the ongoing regular MSP program.

3. The Program is designed in such a way that its implementation would increase the visibility of the GEF, thus attracting a wider audience and global environmental partners to the funding opportunities provided by the GEF. It would also allow for more risk taking by the GEF and its Implementing Agencies to incorporate a wider selection of partners and to test new approaches to solving global environmental problems.

B. COUNTRY DRIVENNESS

B-1. COUNTRY ELIGIBILITY

2. Grants can be awarded for activities to be carried out by a legally recognized entity in any country that meets the GEF eligibility criteria.¹ In accordance with GEF eligibility criteria activities can only be carried out in countries that have ratified the relevant convention for the GEF focal area.

B-2. COUNTRY DRIVENNESS

3. All projects to be considered under the program will be originated directly by proposers that are operating in the GEF eligible country.

4. The program is being developed in response to the MSP Evaluation Report and requests by developing countries and others over the years to improve the MSP program to be truly expedited and simplified.

¹ Besides Argentina which would implement a country-level smaller sized MSP program.

C. PROGRAM AND POLICY CONFORMITY

C-1. PROGRAM DESIGNATION AND CONFORMITY

5. All projects developed and implemented under this program will be consistent with the GEF's Operational Strategy, Operational Programs, Strategic Priorities and cross cutting priorities. This will be ensured by: 1) reflecting them into the project selection criteria to ensure alignment; and 2) having representatives of the GEFSEC and Implementing Agencies, who are familiar with the issues, in the Technical Review Committee, which is responsible for project selection. The Technical Review Committee may provide strategic direction to the program and identify areas of emphasis each year.

C-2. PROGRAM BACKGROUND AND JUSTIFICATION

C-2.1. BACKGROUND AND CONTEXT

6. The GEF Council approved a proposal for medium-sized projects (MSPs) in April 1996 to encourage submission of proposals and execution of smaller projects by a broad range of groups and organizations. A principal objective of MSPs is to promote rapid and efficient project execution by simplifying preparation and approval procedures and by shortening the project cycle relative to GEF full-sized projects. As of August 2004, the GEF has approved 253 medium-sized projects with total GEF financing of \$202 million.

7. In 2001, GEF's Monitoring and Evaluation Unit, in cooperation with the GEF Implementing Agencies, undertook a series of background studies on specific topics in GEF policies, institutional structures and cooperative arrangements. One of these studies was the Medium Sized Projects Evaluation (GEF/C.18/Inf. 4), undertaken by an inter-agency team led by independent consultants. The evaluation recognized that while MSPs, amongst other benefits, broadened and legitimized partnerships and multilateral relations that have improved collaboration between NGOs, governments, research institutions, the private sector and the GEF Implementing Agencies, and increased capacity at local and national levels, the expedited procedures have fallen short of the expectations. The evaluation reported that, although elapsed time for project preparation for MSPs has been significantly shorter than full-sized projects (and compared well with the practices of other intergovernmental organizations that provide grant funding), the preparation and approval process for MSPs on average has been much longer than expected. Compared to the initial estimations of 6 months, in average, the process has taken over two years, with several projects taking three to four years..

8. The evaluation attributes this to (i) long delays within the GEF bureaucracy, (ii) inconsistent and conflicting technical reviews from Implementing Agencies and GEFSEC, (iii) cumbersome fiduciary procedures for small projects, (iv) delays in obtaining focal point endorsements, (v) weak capacity of the Implementing Agencies in some field locations to supervise the process, (vi) internal divergences about GEF's MSP priorities (countries, focal areas) and (vii) uncertainties about future budgeting envelope for MSPs within the GEF.

9. After the May 2003 Council Meeting and as a follow-up to the MSP evaluation, the GEF Secretariat organized a MSP Working Group consisting of representatives from each of the three Implementing Agencies, two NGOs, an executing agency working under the expanded opportunities and the Secretariat to review the recommendations from the Evaluation Report with the objective of exploring proposals to improve the procedures for the development, approval and implementation of MSPs.

10. The outcome of the meetings of the Working Group led to two outputs: (a) an action plan which provided concrete recommendations to improve the processing procedures under the existing MSP system. This was shared to the Council in May 2004 as *GEF/C.23/Inf.6, Action Plan to Respond to the Recommendations of the Medium-Sized Projects Evaluation*²; and (b) innovative approaches to process smaller-sized MSPs at both global and country levels³.

C-2.2. PROGRAM RATIONAL AND OBJECTIVES

11. In reviewing the recommendations of the MSP evaluation, the working group suggests that there is a strong need to introduce and test a truly innovative approach to expedite the MSP appraisal process. At the same time, the working group, based on the evaluation findings, recognized the need to establish expedited procedures for processing financing above the \$50,000 limit for small grants programs but considerably less than the US\$1 million ceiling for MSPs. Considering that the average size of the MSPs is about \$800,000 across the portfolio, there is a significant gap between the MSPs and the SGPs. With the current lengthy and complex MSP procedures, most proposals tend to opt for a maximum amount of MSP funds (\$1 million) and the smaller MSPs are neglected or not adequately considered. Particularly, there has been a demand for an expedited funding of about \$250,000 - \$500,000 among local governments, NGOs, and other institutions..

12. Based on these findings of the MSP evaluation as well as experiences in managing the MSPs for the past eight years, this proposed program is developed with an objective to establish a mechanism that would enhance the access of smaller MSPs in a truly expedited and cost effective manner, without losing quality control and accountability. The proposed program will be implemented in parallel with the existing MSP funding request which could be any grant amount up to \$1 million and to be submitted to the GEFSEC on a rolling basis. The experiences and lesson learned from this program may contribute to improving the existing MSPs program.

13. The MSP working group has studied various small and medium sized grant programs that are conducted by bilateral and multilateral as well as foundations. Learning lessons from the successful World Bank's Development Marketplace, the proposed program will establish a fixed one year competitive process for reviewing and awarding grants to smaller-sized MSP projects

² Recommendations made under this paper are currently under review and will be separately addressed and operationalized.

³ A country-level pilot project proposed for Argentina is included in the Work Program for Nov 2004 Council Meeting.

up to \$250,000. Review and selection of the proposals would be conducted by a Technical Review Committee whose membership would include representatives from the GEF Secretariat, the Implementing Agencies, NGOs and the STAP roster.

14. The program differs from the traditional MSPs and aim to improve/achieve the following:

- a) ***One stop appraisal process***: The program would introduce a single coordinated process for submissions and reviews, which would ensure a truly expedited and cost effective mechanism compared to the current multi-layered appraisal process for the MSPs by both the Implementing Agencies and GEFSEC. By having a Technical Review Committee, the process enables GEFSEC, all Implementing Agencies, NGOs and other partners to appraise proposals in a collaborative fashion in order to expedite and provide further coherence to the process. Moreover, this significantly simplified and administratively streamlined model to finance smaller-sized MSPs should allow lower transaction costs than the traditional MSP process.
- b) ***Fixed schedule***: Compared to the existing MSP proposals that are submitted to the GEF on a rolling basis without clear deadlines, the program will introduce a fixed and announced schedule for application. This system of call for proposals in an annual, competitive manner with a fixed calendar, (call for proposals, deadlines for submissions, screening, assistance for project preparation, review and selection, approval of the grant) will enable timely and transparent appraisal process.
- c) ***Outreach to new target beneficiaries***: The program will enable outreach and increased access of GEF funding by medium level beneficiaries, between national and community levels, which have received little GEF assistance to date (as they fall between the Small Grants Program and the larger-sized MSPs). 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. The mechanism will also allow promotion of more direct outreach and coherent linkages between the GEF Secretariat, GEF Implementing Agencies, the proponents, including governments, NGOs, and communities.

C-3. PROGRAM DESIGN

C-3.1. PROGRAM GOALS AND OBJECTIVES

15. The objective of this program is to pilot an innovative approach to processing smaller-sized MSPs on a global basis that would enhance the access of local developing country partners, including national, sub-national and local governments, NGOs, research and academic organizations, the private sector, and others to smaller MSPs in a truly expedited and cost-effective manner.

16. The goal of the program is to contribute in achieving the specific targets set by the GEF Strategic Priorities by combining the results of the selected projects.

C-3.2. RESULTS AND ACTIVITIES

17. The project is expected to lead to three major results: a) an innovative and effective financing mechanism for smaller sized MSPs will be developed; b) capacity building and knowledge management systems are established and implemented among the selected projects; and c) a monitoring and evaluation system to track and assess program effectiveness and impact is implemented

a) An innovative financial mechanism for smaller sized MSPs is developed

18. The details of appraisal and implementation procedures are described below in sections C-3.3 on program modality which includes information on project selection process, criteria, eligible proposers, and institutional arrangements. The program is expected to fund 100 projects over 3 years, with maximum GEF financing of \$250,000 each. The total GEF resources approved through this program for projects will not exceed \$25 million.

b) Capacity Building and Knowledge Sharing Systems are established and implemented

19. To complement and strengthen the financing mechanism, the program will work in the following areas:

- i) **Global and local outreach:** The program will take a pro-active role by reaching out to proponents at the national level as well as remote areas and provinces. With the aim to increase outreach, the program will collaborate with some intermediary agents such as experienced NGOs, GEF Operational Focal Points, government agencies, the Implementing Agencies, and others to help facilitate the involvement of more remote and less-experienced applicants. A comprehensive communication strategy will be developed and implemented to enable successful outreach activities
- ii) **Capacity Building:** To ensure adequate capacity to develop the final proposals, some low-cost proposal development tools and support would be provided by the Program, including assisting inexperienced proponents to link up with more experienced partners to develop capacity and improve the quality of the project.
- iii) **Knowledge sharing:** The program will explore ways to share and publicize successful approaches, and have innovative ideas into broad circulation among the projects as well as within the development communities. The networking among the project proponents at the GEF Council award ceremony would also provide a forum to exchange knowledge and lessons among the projects.

Development of regional learning networks could also be considered to promote horizontal learning and exchange of experiences among the projects.

c) Monitoring and Evaluation System to track and assess program effectiveness and impact is established and implemented

20. The projects under the Program would be required to provide annual progress reports to the independent GEF Monitoring and Evaluation Unit, that would cover progress towards achieving their objectives, implementation progress, and financial management. The country office staff in the Implementing Agencies assigned to supervise projects would be responsible for ensuring compliance with GEF M&E requirements. An independent evaluation of the Program would be carried out at the end of two years with the purpose of deciding on the continuation and possible expansion of the Program.

C-3.3. OPERATIONAL MODALITY

C-3.3.1. PROJECT SELECTION AND IMPLEMENTATION PROCESS

19. Following is the summary of program appraisal procedures. The entire process, from submission deadline of the project concepts to disbursement of funds, is expected to be completed in nine months:

Submission of Project Concepts (8 weeks)

- a) The program will be announced annually with an invitation to submit relatively short project concepts (2-3 pages) in accordance with a clear fixed schedule. To better align with the GEF Operational Program and Strategic Priority, some key focus areas or themes could be identified and announced annually for project selection.
- b) The Program will have a web-based application, tracking and notification system. Interested proponents will complete and submit a relatively brief and simple project concept using a template accessed through a web-based application. The application could also be sent through email to enable application from countries with limited internet connection.
- c) Proponents will be requested to state their preferences for an Implementing Agency with which to collaborate in seeking support on further project development and implementation, preferably in consultation with the concerned agency. Once short-listed, acceptance by an Implementing Agency is a condition for the proposal to be eligible for a second review.

Short listing – First Appraisal (8 weeks)

- d) The project concepts will be screened and reviewed by the Technical Review Committee, and a shortlist of project concepts will be selected. When necessary with a large number of applications, the technical review committee will call for support from additional staff from the Implementing Agencies, NGOs, STAP and other stakeholders who are knowledgeable on GEF criteria and operations.

Proposal Development (10 weeks)

- e) Each short listed proponents, with support from the responsible Implementing Agency, will develop a project proposal for a second review.
- f) The project proposals are required to be endorsed, (on a no-objection basis within a four-week period), by the respective country's GEF Operational Focal Point before submission.

Selection of Winners – Second Appraisal (8 weeks)

- g) The project proposals will go through a second round of review by the technical review committee. The technical review committee could be expanded at this stage to include additional experts from relevant stakeholders. The proposals will be reviewed and ranked according to the selection criteria established by the TRC for each focal area, taking into consideration the GEF MSP review criteria and the strategic priorities, as well as technical standards and feasibility of the project approach
- h) The expanded TRC will select the winners who will be awarded GEF grants for that year. The project approval process will be concluded with the project endorsement by the CEO.
- i) The winners will be invited to present their proposals at an exhibition on the margins of a Council meeting and display their ideas, exchange of knowledge, and network with peers.

Project Implementation Arrangement and disbursement of funds (10 weeks)

- j) The winning proponents will prepare implementation arrangements with the collaborating Implementing Agency, conclude a contract, and start project implementation. It is expected that the winning projects would be completed within 2-3 years of receiving initial disbursement from the partner Implementing Agency.

Project Monitoring and Evaluation

- k) Project monitoring will be conducted at the country level by the collaborating Implementing Agency. The program level monitoring and evaluation will be managed by the GEF Office of Monitoring and Evaluation, in collaboration with the GEF Secretariat and Implementing Agencies.

C-3.3.2. PROJECT SELECTION CRITERIA AND ELIGIBLE PROPOSERS (TENTATIVE)

21. The program is not expected to have any new review criteria in addition to what GEF already uses for MSP proposal reviews. The following project selection criteria provides a general overview of eligible project and selection criteria, mainly based on the existing ones. These criteria are tentative, and will be reviewed and revised further by the Technical Review Committee once it is formed.

22. Eligible Entities for project submission:

- (a) an officially/legally recognized entity or entity that responds to a legally recognized body in a country eligible for GEF funding, including national, sub-national, and local governments, NGOs, research and academic organizations, and private sector. Particular emphasis would be given to medium level actors;
- (b) an entity with appropriate capacity and proven experience in the preparation and implementation of environmental projects;
- (c) an entity engaged in or wishing to engage in global environmental issues related to GEF's strategic priorities in any of its operational programs or where appropriate in areas of emphasis identified by the TRC.

23. Project selection criteria will include:

- (a) Innovation;
- (b) post project sustainability;
- (c) possibility for replication;
- (d) mobilization of local resources for co-finance, including in kind contribution;
- (e) partnerships between two or more of the above mentioned entities, including national-international NGOs, public-private, and South-South cooperation;
- (f) linkage with country priorities; and
- (g) national, regional, or global based initiatives, including transboundary initiatives.

C-3.3.3. INSTITUTIONAL ARRANGEMENTS

Coordination

24. The program will be coordinated by the GEF Secretariat with support of the TRC. The GEFSEC will have a full time Program Coordinator to manage the program, with a Program Assistant.

25. The main role of the Program Coordinator will be to act as a central coordination unit for the project applicants as well as for the Technical Review Committee. Under the overall guidance of the Technical Review Committee, the Coordinator will be responsible for overall management and monitoring of the program. As noted below, project development and implementation are to be managed by the Implementing Agencies.

Technical Review Committee (TRC)

26. The TRC will comprise of the following members: Chair from GEFSEC, one GEFSEC staff, one representative from each of the three Implementing Agencies, two from NGOs and one to two representatives from the STAP roster. Detailed terms of reference, including the roles and responsibilities of the TRC members will be developed during the preparation phase of the program.

27. The TRC will be constituted once a year to provide technical strategic direction to the Program, identify areas of emphasis, and screen, review and approve proposals. The TRC will also be responsible for endorsing the criteria for initial screening of the proposals and establishing the review criteria for final approval. The role of these members should be differentiated from their regular role within their organizations, and will be responsible for providing unbiased comments and contributions to the process from a scientific and technical point of view, thus avoiding any conflict of interest. Experts from other organizations can also be invited to participate in the TRC on a volunteer basis, according to specific areas of expertise.

Implementing Agencies

28. Besides the participation in the TRC, the Implementing Agencies will oversee development and implementation of the winning projects, conclude contracts with the winners, and manage disbursement, supervision and individual monitoring/evaluation of each project. The Implementing Agency fees, according to the policy that is in place at the time of project approval, will be applied to manage these functions. The project will be implemented under the regular Implementing Agency procedures for procurement by taking into account flexibility and expedited processes for smaller grants.

NGOs

29. In addition to their participation in the TRC, NGOs will work together with the GEFSEC and Implementing Agencies on outreach and capacity building activities, acting as catalysts and facilitating the linkage of the program with less experienced applicants. The role of the NGOs working in the TRC should be differentiated from the ones submitting proposals to avoid conflict of interests.

C-4. SUSTAINABILITY AND REPLICABILITY

30. *Project level:* Sustainability and replicability of the projects will be carefully considered by having them as key proposal selection criteria. The TRC will carefully look into not only financial sustainability, but also organizational and environmental sustainability of the proposal.

31. *Program level:* The program is designed as an innovative pilot program for a three-year period and the GEF with the Office of Monitoring and Evaluation will carefully review the success and failure, and lessons learned from the project at the end of the three years for potential continuation of the program. In terms of replicability, the program is designed to provide lessons to improve the existing MSP program (up to \$1 million).

D. FINANCING

D-1. PROGRAM FINANCE AND BUDGET

32. The program is being proposed as a three-year pilot for providing awards approximately 100 projects at a maximum size of \$250,000 per project. It is proposed that up to \$25 million⁴ in GEF grant resources be made available through the fiscal area allocations for the winning proposals over three years. The costs of administering the program will be included as a special initiative in the GEF corporate budget. The operational expenses of the program would be \$1.968 million over the three-year period. The details of the budget are listed below:

Operational expenses requested as Special Initiative for FY05 (Jan-June 2005)

Program Coordinator and Assistant (6 months).....	\$100,000
Development of web-based application system and outreach.....	50,000
Contingency 5 %.....	7,000
Total budget for FY05.....	\$157,500

⁴ Agency fee is not included in this amount.

Estimated Program Budget FY06-08 (July 2005 – Dec 2007)

Budget for Program Management as Special Initiative:

Program Coordinator and Assistant (2 ½ years).....	\$ 500,000
Cost for 25 Winners to Washington:	
Travel (airfare): 25 x \$2,600 x 3 years.....	195,000
Accommodation/per diem: 3 days x 25 x \$200/day x 3 years	45,000
Outreach, capacity building, and exhibition	325,000
Program Monitoring and Evaluation.....	50,000
Contingency 5 %.....	55,750
Estimated Total budget for FY05.....	\$1,170,750
Total of operational budget for the 3-year pilot period (a + (b-1)).....	\$1,328,250

Budget for Project Grants:

100 projects with a maximum project budget of \$250,000..... **\$25,000,000**
(additional Implementing Agency fees will apply, according to the policy at the time of project approval)