

GEF Council Meeting
November 10 – 12, 2009
Washington, D.C.

Agenda Item 9

**SMALL GRANTS PROGRAMME:
EXECUTION ARRANGEMENTS AND UPGRADING POLICY FOR
GEF-5**

Recommended Council Decision for Small Grants Programme

The Council considered document GEF/C.36/4, *Small Grants Programme: Execution Arrangements and Upgrading Policy for GEF-5*, and approves the proposed execution arrangements and upgrading policy for country programs of the Small Grants Program.

Executive Summary

1. In the GEF Council meeting of April 2008, the document ‘Small Grants Programme: Follow-up to the 2007 Joint Evaluation’ (2008 Follow-up to the 2007 Joint Evaluation)¹ introduced four possible execution arrangements for the SGP in GEF-5. The GEF Council decided that “... regarding alternative execution arrangements for SGP in GEF-5, Council requests the SGP Steering Committee and UNDP, in consultation with all appropriate stakeholders, to develop detailed options for Council review ...” The idea of graduation for mature country programmes was initially examined in the 2007 Joint Evaluation of the SGP (2007 Joint Evaluation).² An assessment and recommendation on a “graduation” policy for the programme was an expected follow-up to the 2007 Joint Evaluation.
2. An expanded meeting of the SGP Steering Committee with select SGP National Coordinators was organized in January 2009 to prepare the assessment work.³ Two consultants were contracted to further assess the issues concerned. This was conducted through a review of previous studies on the SGP, taking note of the Council mandate for stakeholder consultations, and through extensive on-line surveys and interviews. The ‘Technical Paper on the Small Grants Programme: Upgrading and Execution Arrangements for GEF-5’ was submitted by the consultants to UNDP in May 2009 (2009 Technical Paper).
3. UNDP, as SGP’s Implementing Agency, contracted UNOPS in 1992 to be the programme’s Executing Agency. Responsibilities of an Executing Agency include providing for a system of financial management that meets the required international fiduciary standards, personnel administration, procurement of materials and services, programme support, monitoring and reporting, and provision of security support to staff.
4. Four execution arrangement options were assessed on the basis of cost efficiency, effectiveness, and flexibility: Option 1: *Improved UNOPS execution*; Option 2: *Execution through an international NGO or NGO consortium*; Option 3: *Country specific execution modalities*, and: Option 4: *Combinations that mix Option 1 or Option 2 with Option 3*.
5. A preceding technical paper on the management costs of the SGP prepared for the June 2007 GEF Council meeting as part of the 2007 Joint Evaluation considered the management cost ratio of the programme under UNOPS execution to be cost effective and the quality of services delivered in the programme to be worth the money invested. The GEF Council eventually approved the recommendation that SGP management costs should be funded based on services rendered rather than on a ratio. Furthermore, any shift to an alternative execution agency for the SGP would incur significant costs related to bidding, new staff recruitment and training, re-launch missions, separation entitlements, capacity building, and reduced outcomes during the transition period.

¹ *Small Grants Programme: Follow-up to the 2007 Joint Evaluation*, Global Environment Facility, (GEF/C.33.5 March 20, 2008).

² *Joint Evaluation of the GEF Small Grants Programme*, GEF Evaluation Office, June 2008 (published version)

³ *Report of the Joint Meeting of the SGP Steering Committee and Stakeholders*, SGP Steering Committee and Stakeholders, 7-8 January 2009.

6. In a follow-up survey of potential NGO executing agencies contained in the 2009 Technical Paper, it was concluded that none of the four options examined would be able to provide all the execution services required by the SGP. Instead many NGOs are more interested in pursuing programme partnerships with the SGP, rather than providing execution services.
7. The overall assessment pointed to UNOPS as the best option for executing the SGP in GEF-5 with possibilities for the mature country programmes that are to be upgraded, as they are likely to have the capacity to deal with the challenges and difficulties of transition, to explore alternative country-specific execution arrangements.
8. UNOPS execution can be further improved, particularly in executing SGP co-financing, even at levels lower than \$500,000; strengthening its staff support commensurate to the growth of SGP funding; initiating risk-based assessments of country programmes; and channelling greater technical assistance to higher risk and lower performing country programmes.
9. The idea of “graduation” of SGP country programmes is a result of its rapid growth and the need for mature countries to expand and take on greater responsibilities while liberating core funds for new countries to access the programme.
10. The SGP Steering Committee and select stakeholders observed that the term “upgrading” of mature country programmes would be more accurate. While these country programmes would be funded through a full sized project (FSP) modality, they would still be linked to the global SGP in a GEF-5 programmatic approach. This program would contain a global project and several national FSPs.
11. As part of the “upgrading” process, country programmes of the SGP will be categorized to reflect their growth in the programme: Category 1 – all SIDS and LDC country programmes, as well as those that have been in operation for fewer than 5 years; Category 2 – all other country programmes that have been in operation for more than 5 years and fewer than 15 years, and Category 3 – all country programmes that have been in operation for more than 15 years. For each successive category, higher levels of performance will be required. Funding access for country programmes would differ in these categories, with Category 1 having priority to access core funds, Category 2 having progressively decreasing access to core funds and increased access to STAR funds, and Category 3 being fully funded from STAR funds through an FSP modality. An additional criterion for upgrading will be the cumulative level of grant-making received.
12. The SGP will prepare a programmatic proposal for GEF-5 that integrates the regular SGP global project and the PIFs of the FSP proposals of upgraded country programmes. UNDP as the Implementing Agency will initiate the selection of and contract with the Executing Agency. For any country seeking to employ the alternative execution modality for its upgraded country programme, UNDP will manage together with UNOPS, a transition for the proper closure of UNOPS-related accountabilities in that country.

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Background

13. This paper builds upon three previous documents on the SGP prepared in 2007 and 2008: (i) a June 2007 Technical Paper, prepared by the GEF Evaluation Office, on the management costs of the SGP (2007 Technical Paper)⁴ ; (ii) the 2007 Joint Evaluation of the SGP conducted by the GEF Evaluation Office and UNDP Evaluation Office concluded in November 2007 (2007 Joint Evaluation); and (iii) a Follow-Up paper to the 2007 Joint Evaluation presented to the GEF Council in April 2008 (2008 Follow-up to the 2007 Joint Evaluation).⁵

14. In response to the findings of the 2007 Joint Evaluation and in its 2008 Follow-up, which introduced four possible execution arrangements for SGP, the GEF Council stated that “*regarding alternative execution arrangements for SGP in GEF-5 Council requests the SGP Steering Committee and UNDP, in consultation with all appropriate stakeholders, to develop detailed options for Council review in June 2009.*”

15. In the past, there have been discussions in the GEF Council about a “graduation” policy for SGP country programmes. The 2007 Joint Evaluation noted, however, the loss and disadvantage to the GEF overall of graduating mature SGP Country Programmes. The 2008 Follow-up to the 2007 Joint Evaluation also noted critical legal and accountability issues involved with the graduation of country programmes. On the basis of the 2007 evaluation, there was therefore an expectation that the GEF Council would review recommendations for a way forward on a “graduation” policy for the programme. A meeting of the SGP Steering Committee and stakeholders was held in January 2009 and clarified that the concept of “graduation” does not mean ending the graduated country programme nor its leaving the SGP system. Rather, it means “upgrading” the country programme to take on greater responsibilities.⁶

16. In consultation with UNDP, the SGP Central Programme Management Team (CPMT), the GEF Secretariat, a range of other stakeholders, and two independent consultants conducted an assessment of the SGP execution arrangements and the “graduation” policy for GEF-5 between February and April 2009. Extensive interviews and on-line surveys were utilized in consideration of the decision of the GEF Council for a consultative process for the study. The document review included GEF Council papers, past evaluation reports and studies, budget analyses of not-for-profit organizations with small grants programmes, and a review of GEF and SGP statistical databases. The findings of past studies were also assessed, in particular, in the June 2007 Technical Paper. The ‘Technical Paper on the Small Grants Programme: Upgrading and Execution Arrangements for GEF-5’ was submitted to the UNDP by the consultants in May 2009 (2009 Technical Paper). The report can be found at: http://eeg.undp.org/extras/SGP/SGP_GEF-5_Upgrading_and_Execution_Technical_Paper_FINAL_25_May_2009.pdf

⁴ *Technical Paper on Management Costs of the Small Grants Programme*, GEF Evaluation Office, GEF/ME/C.31/Inf.1, May 24, 2007.

⁵ *Small Grants Programme: Follow-up to the 2007 Joint Evaluation*. - Global Environment Facility GEF/C.33.5 March 20, 2008

⁶ *Report of the Joint Meeting of the SGP Steering Committee and Stakeholders*, SGP Steering Committee and Stakeholders, 7-8 January 2009.

Execution Arrangements

17. UNDP, as the Implementing Agency for the SGP, has a responsibility for selecting the SGP's Executing Agency. The Executing Agency is the institutional entity entrusted with, and fully responsible and accountable for, successfully managing and delivering SGP programme activities and outputs to UNDP. The selection of the Executing Agency by UNDP should be based on at least the following factors:

- Ensuring national ownership and sustainability of SGP country programme outputs;
- Achieving the best value for cost expended;
- Providing the capabilities and experience required to achieve the project outputs;
- Matching candidate capabilities necessary to meet the key technical, financial, managerial, and administrative requirements of the project.

18. Based on SGP needs, its Executing Agency must be able to provide the following services: (a) personnel administration, including recruiting all staff and administering all human resource functions; (b) financial management, including authorizing the SGP budget and authorizing and disbursing grant allocations; (c) procurement of materials and services such as equipment and space; (d) programme support and monitoring, including assisting CPMT with the development of the annual work plan for SGP; (e) report preparation, including progress reports; (f) preparation of financial statements and updates on personnel; (g) preparation of reports on expenditures and grants status; (h) provision of the highest international fiduciary standards through organizing and managing regular SGP and country level audits, and; (i) on account of SGP global reach and operation in high security risk areas, provision of Minimum Operating Security Standards (MOSS). These services must be provided to what would at least be 132 country programmes in GEF-5 and over 8,000 active community-based and local NGO-implemented projects. These execution responsibilities vis-à-vis that of implementation are listed in Annex 1.

Execution Options Considered

19. Four execution options emerged out of the 2008 Follow-up to the 2007 Joint Evaluation for analysis and comparison.⁷

The four options proposed for consideration in GEF-5 were as follows:

1. Improved execution through UNOPS continues the overall structure of a single global executing system for participating countries; execution arrangements would remain unchanged for most countries and would be subject to further consultations for graduating countries.
2. Execution through an international NGO or NGO-consortium which would contract with UNDP to provide global and country services and would establish a CPMT to perform all global and local technical support functions, including M&E, to satisfy the minimum fiduciary standards required by the GEF Council and management and technical support structures in each supported SGP country.

⁷ *Small Grants Programme: Follow-up to the 2007 Joint Evaluation*, Global Environment Facility (GEF/C.33.5 March 20, 2008).

3. Country-specific execution modalities are similar to Option 2 but in this case, country-specific execution arrangements would be made with a provision for a secretariat to assist in global operations. Under this option, UNDP would oversee a *competitive process in each country to determine the country-specific executing agency most able to meet the expectations. Managerially, each country would constitute a separate project, and each executing agency would report to UNDP. UNDP would monitor execution in all countries and would revise the arrangements if necessary.*
4. Combined modalities mixes option 1 or 2 with option 3 in order to optimize arrangements and minimize costs. Potentially, “mature” SGP countries being upgraded and countries with high organizational capacity or special needs could establish individual execution arrangements through a process overseen by UNDP.

Criteria for Evaluating Changes in Execution Arrangements

20. Criteria for evaluating changes in execution arrangements were proposed in 2008. These criteria were, at the suggestion of the GEF Council, narrowed to those that apply solely to execution arrangements and include the following: ⁸

- (a) Decision-making must be country driven and country owned;
- (b) Fiduciary standards for accountability and transparency must be met;
- (c) The overall execution arrangement must be cost-effective;
- (d) The SGP must deliver benefits to local communities and be credible with civil society;
- (e) The implementation and execution framework must have global reach, coherence and country presence;
- (f) The SGP must be equitable and reach the poorest and most marginal communities; and
- (g) Mechanisms to select grantees must be neutral and independent.

21. The above list of evaluation criteria were categorized (see below) into three overarching factors: *Costs* (efficiencies), *Effectiveness*, and *Flexibility*.

Evaluation factors	Evaluation criteria
Cost-efficiency	(a) The overall execution arrangement must be cost-effective
Effectiveness	(a) Decision-making must be country driven and country owned (b) Fiduciary standards for accountability and transparency must be met (c) The implementation and execution framework must have global reach, coherence and country presence (d) Mechanisms to select grantees must be neutral and independent
Flexibility	(a) The SGP must deliver benefits to local communities and be credible with civil society (b) The SGP must be equitable and reach the poorest and most marginal communities

⁸ The list of GEF Council evaluation criteria are excerpted from the 2008 Follow-Up to the 2007 Joint Evaluation (GEF/C.33.5 March 20, 2008).

Cost-efficiency is defined for the present purposes as the cost of producing a defined level of output. Effectiveness is the quality of that output and the extent to which it aligns with the SGP's objectives including global reach and coherence, country-drivenness, neutrality, equitable access, accountability and transparency. Flexibility is defined as the ability to adapt to the risks associated in working with local stakeholders, particularly poor and marginal communities, as well as to provide services as needed in a variety of economic, political and security situations to maximize access and impact.

Cost-efficiency

22. Organizations similar to the SGP were analyzed in the 2009 Technical Paper to identify performance benchmarks to assess cost efficiency. Comparable execution costs across organizational types (UNOPS/NGO) were not readily available beyond the June 2007 Technical Paper. Thus, several "alternative approaches" to creating comparable data were applied using broader metrics and analysis. One common set of metrics for judging how well an NGO operates is its *management and general fund-raising expenses as a percentage of total expenses*. Estimates of the *total ratio of NGO salaries to expenses* were therefore made in order to create *models with total budget projections*, which were built on an estimate of staff needed to carry out any given piece of work.

Option 1: Improved execution through UNOPS

23. The primary drivers of execution cost are *scale* and *service requirements*. The amount of grant resources delivered, the number of grants managed, the average size of these grants and their monitoring and evaluation requirements appeared the most significant determinants of cost. Other factors that emerged as drivers of execution costs were how implementation and execution services are defined and categorized and the centralization or decentralization of these functions. Clear patterns emerged across the organizations examined. In every case examined, the small grants programmes delivering more in grant dollars had lower overall management costs than those delivering less in grant dollars.⁹

24. The June 2007 Technical Paper of the GEF Evaluation Office demonstrated that the SGP's management costs and the subset of those costs which comprise execution costs appear to be in line with other similar grant-making organizations.¹⁰ In the June 2007 Technical Paper, the study on the cost-efficiency of the SGP with 13 comparable programmes concluded that the SGP is a cost-effective programme that delivers quality services that are worth the money invested by the GEF.¹¹

Option 2: Execution by NGO or NGO consortium:

25. It is possible that in regions where an NGO has more operational scale than would execution by UNOPS (which works through UNDP Country Offices), there may be efficiencies to be reached by sharing services with sister operations. This scale would also be important in managing the "rolling modalities" of changing workloads.

⁹ For example, a small environmental grant-maker in the US has cost ratios upward of one dollar in management costs for each grant dollar disbursed. See IRS form 990, 2007, for the Environmental Support Center.

¹⁰ The UNOPS fee for SGP is fixed at 6 percent in contrast with fees to other entities of 7 percent plus direct charges to projects.

¹¹ *Technical Paper on Management Costs of the Small Grants Programme*, GEF Evaluation Office, June 2007.

26. The work being done by Conservation International (CI) with the Critical Ecosystem Partnership Fund (CEPF) was looked into for comparison. However, the CEPF and SGP take different approaches to execution and, as was found in the CEPF evaluation, and supported by key persons interviewed for the 2009 Technical Paper, SGP and CEPF have different approaches to program work and grant making, including different program focal areas, target grantee recipients with considerably different levels of capacity, and different approaches to poverty alleviation (see Annex 2). The programs can be best viewed as supporting, but not duplicating one another.¹²

27. Of particular consideration in the selection of NGO execution is the interface of execution procedures with the implementing system already in place. Interface between existing implementation and new execution arrangements have proven to be difficult. For example, in 2006, Conservation International (CI specifically noted these interface difficulties in their management response to the evaluation of the Milne Bay Marine Program.¹³ CI could not, as UNDP had originally requested, adopt the UNDP Chart of Account. This eventually led to problems in the tracking and auditing of funds. As part of a UN global system, UNOPS is able to circumvent this difficulty by being able to utilize the UNDP Country Offices for the services of well-established finance units.

28. There is one other important practical consideration in any decision to move to Option 2. The move will include a loss of accumulated knowledge, history, program momentum and relationships. In addition there will be financial costs associated with making such a transition. Although transition costs of moving from one modality to another are generally one-time expenses, these costs can be substantial and are thus a material consideration (See Annex 3).

29. Due to the “rolling modality” of SGP’s grants (i.e. execution responsibility for SGP accumulates over time from one Operational Phase to the next), it should be emphasized that duplicated costs would inevitably result from any significant changes in execution arrangements. Regardless of any future changes in execution arrangements, the established legal and fiduciary responsibilities of UNOPS for the SGP in over 120 countries (related to existing signed agreements and budgets between UNDP and UNOPS) would need to continue until the existing volume of grants in the pipeline are operationally completed and financially closed. Should another execution model be selected, two side-by-side execution structures would work in parallel for a significant period of time.

Option 3: Country-specific execution

30. Operational costs for country-specific execution are expected to be higher than in Option 2. The advantage of economies of scale is not possible when executing individual country programmes at a grant-making scale of less than half a million per year on the average, with many small country programmes, such as those in the SIDS, at extremely low grant-making levels. However, the operational costs of this option are expected to be similar to those of Option 2 when each country selected has a “minimum efficient scale” which is estimated by the 2007 Joint Evaluation at \$1 to \$1.1 million per year.

¹² Report of the Independent Evaluation of the Critical Ecosystem Partnership Fund, January 2006 p. viii

¹³ Management Response to Independent Review Terminal Evaluation (July 2006) on the Milne Bay Marine Program. Pages 2-3

31. All the considerations outlined immediately above for Option 2 apply to this option as well, including more substantial one-time transition costs. The transition would be more difficult because UNDP would have to manage the transition with not just one but various agencies, each, most likely, with different financial management systems.

32. The experience of SGP in Lithuania and Poland is instructive of what needs to be done when a country programme moves out of a global execution modality. In each case, the country's SGP programmes had "graduated out of the SGP" into an independent status at the end of GEF-3. Continued support and oversight for more than two years was required to properly close out these programmes. A similar process would have to be implemented for the transfer of all legal and financial obligations to newly independent SGP country programmes under a country specific execution modality. For these reasons, the 2009 Technical Paper concluded that Option 3 would be extremely challenging from a cost perspective.

Option 4: Combined modalities

33. Cost analysis for combined execution arrangements have the same limitations as evaluating costs for other options. At the same time, this option, if it takes the combination of Option 1 (improved UNOPS execution) with Option 3 (country specific execution) for a selected number of mature and ready country programmes, may have smaller risks and costs than Option 2 (international NGO execution) or Option 3 (country specific execution), as there would be few changes in executing systems. An experiment in this direction may provide for useful innovation. As discussed above, no inherent efficiencies were found in the 2009 Technical Paper that would make an NGO cheaper than UNOPS, except possibly in cases where the joint UN presence does not reach minimum efficient scale in the country.

Effectiveness

34. Two independent consultants, using surveys with SGP stakeholders conducted in early 2009, assessed SGP execution arrangements for GEF-5 (2009 Technical Paper). These surveys revealed two primary themes with regard to execution modalities. First, there was a deep appreciation for the complexity of the SGP operational delivery system; and secondly there was an equally deep appreciation for the need for global coherence across SGP. Approximately 80 percent of all those interviewed reported that the primary consideration in choosing an execution modality should be coherence at the global level, with perceived neutrality being the second most important consideration. Related to neutrality is another important criterion which is country-drivenness, which is emphasized in the SGP's Operational Guidelines. Country-drivenness places the decisions and policy-making for the programme in the hands of National Steering Committees (NSCs) thereby creating country-ownership and support and eventually country programme sustainability and impact.

Option 1: Improved UNOPS Execution

35. The importance of global coherence is exemplified by SGP being able to effectively meet its co-financing requirements despite individual country programme assessments that show that capacities for raising co-financing vary widely. Since its inception, it has been repeatedly recognized that the SGP has been able to keep overall management costs low and to meet a 1:1 co-financing requirement because these costs have been assessed at the *global level* rather than country-by-country. Mature, more capable SGP country programmes initially

"subsidize" (by having lower management cost percentages and much higher co-financing acquired) the new entrants, as well as the more difficult countries until these countries are able to increase their capacities to help meet co-financing requirements. This constitutes one important advantage of the SGP being executed as one global programme through UNOPS.

36. Given the multi-stakeholder nature and "shared control" of the SGP between the government and civil society, as well as the competing interests and factionalism in the NGO community, preserving the SGP's perceived neutrality is vital. The SGP often responds to these concerns with assurances that the SGP National Coordinator is UN-contracted, and therefore duty-bound to be neutral and unbiased (for example all SGP NCs have been requested by UNOPS to complete the certified UNDP ethics training course and comply with the highest UN ethical standards). Since the UN is considered to be a mechanism to support developing country interests, SGP staff's being UN-contracted is seen as serving country-driven interests.

37. On-line survey responses in 2009 further pointed out that the centralized UNOPS execution system was generally well-organized for performing in an environment characterized by the SGP's particular requirements while meeting fiduciary standards for accountability and transparency (e.g. large volume of small grant disbursements, global human resources and personnel management; decentralized reporting and auditing procedures). While this response does not mean that there are no current execution service issues, it does reveal that those who rely most on the present system are satisfied with the quality of services provided and do not believe that changing execution agencies would be an advisable proposition. The preference for using UNOPS may represent familiarity and comfort with the current execution system. At the same time, however, this preference was supported by interview data that reflects a mature recognition that there have been significant, long-term investments in the development of the current systems over 17 years, resulting in a substantial base of knowledge and skill that would be costly to reinvent.

Option 2: Execution by NGO or NGO consortium

38. In a survey of the capacities of international NGOs, none was able to provide the global coverage that the SGP needs. The selection of Option 2 as an execution modality would therefore require the setting up of new offices in a substantial number of countries and would definitely require not only additional costs but also time to develop adequately the effectiveness that UNOPS can provide by executing the SGP as one global programme.

39. One other important disadvantage of this option would be the greater risk that the international NGO as execution agency will be seen as working in line with the advocacy positions of its headquarters. In a survey of international NGOs, one of the two organizations that indicated some level of interest and potential capacity in providing execution services for SGP noted that because of their strong advocacy positions, personnel recruited and managed by their organizations would not be able to convey neutrality.¹⁴

¹⁴ From the two NGOs in question with interest in execution services (RARE and the Indigenous Peoples of Africa Coordinating Committee), IPACC recognized the potential conflict of interest between the advocacy position of the organization and the need to ensure full neutrality as an execution service provider. Both RARE

40. In a significant number of countries, national and local NGOs will see the execution of an SGP country programme by an international NGO as competitive. In a majority of SGP countries, governments have agreed to consensus decision-making with NGOs in NSCs but have yet to agree to NGOs' hosting the SGP country programme.¹⁵

Option 3: Country-specific execution

41. This option has a distinct advantage in the country-drivenness criterion but fails in terms of providing global coherence. The SGP experience initially in India and in the Philippines, where there are actively competing NGOs, also show that a national NGO doing execution for the programme can be suspected of being biased in favor of its allies and its advocacy positions. Similarly as in Option 2, there are governments that are not yet in agreement with NGOs taking a role beyond the consensual decision-making of the multi-stakeholder NSC.¹⁶

Option 4: Combined modality

42. The advantages and disadvantages in this modality depend on the combinations of execution arrangements. A combination of Option 2 (Execution by NGO or NGO consortium) with Option 3 (Country-specific execution) puts together the disadvantages of both options noted above. A combination of Option 1 (Improved UNOPS execution) with Option 3 (Country-specific execution) will provide for the advantages of global coherence if a large number of country programmes are placed under Option 1, while those with strong national NGO bodies, that have the trust of both the civil society community and the government, utilize Option 3 and thus provide for increased country-drivenness.

Flexibility

43. Flexibility can be increased, *inter alia*, by assuming a higher tolerance for accountability risk or by accepting higher costs. Acting on behalf of the GEF Council as the Implementing Agency of the SGP since 1992, UNDP has had a low tolerance for exposure to risk on the legal and financial execution arrangements of the programme. This has been true throughout its early development, expansion, and subsequent consolidation phases. On the basis that execution arrangements are centered on the efficient and effective programming of GEF resources, meeting the highest standards of international financial management is crucial. Yet SGP must deliver support to local communities particularly to the poorest and most marginal who are the least prepared to develop and manage projects. The execution agency for

and IPACC also confirmed that they do not have a network of field offices in the majority of the countries targeted for potential grant-making execution responsibilities.

¹⁵ During the process of SGP start up missions, an agreement must be reached with the national government on country programme hosting arrangements. The SGP Operational Guidelines allow hosting in an NGO, in a University, and in the UNDP Country Office. At present, in 122 countries participating in SGP, only 17 hosting arrangements with NGOs have been agreed with governments.

¹⁶ From the 586 responses received from SGP NSC members during the global on-line survey conducted in March-April 2009, 113 responses were received from government representatives to the NSC. Of these, 56% of government respondents supported continued UNOPS execution, 5% indicated interest in a role for international NGOs, 15% expressed support for national NGOs, 12% for a National Environmental or Conservation Trust Fund, and 13% were unsure.

SGP must therefore be able to provide flexible implementation with all the needed innovations but also one that retains critical parameters of strict fiduciary management.

Option 1: Improved UNOPS execution

44. Present UNOPS execution allows for a system of multi-institutional checks and balances that had gradually been developed and refined by UNDP and UNOPS over a 15 year period from 1992-2009. The complex web of interrelationships among SGP institutional stakeholders are complementary, rather than symptomatic of bureaucratic red tape, and highlight the highly participatory nature of the SGP. These checks and balances include fiduciary oversight carried out by the National Coordinators (NCs), NSCs, UNDP Country Office Resident Representatives at the country level; by the UNDP/GEF Regional Coordination Units (RCUs) at the regional level; and by the Central Programme Management Team (CPMT) and the UNOPS SGP cluster at the global level. In addition, the SGP's collaboration with the GEF NGO network and other international bodies, further strengthen programme accountability.

45. The important innovation in this multi-level system of checks and balances is the minimization of bureaucracy, the adaptive inputs that come from different stakeholders, and facilitation of speedy decision-making. This is achieved by integrating the oversight roles of various actors within a single mechanism such as the NSC where checks and balances that come from government, the UNDP Country Office which also represent UNOPS at the country level, and the NGOs converge. The presence of linked institutional infrastructure at the global and national levels allows for a clear yet complementary delineation of global vis-à-vis country programme roles and responsibilities and results in flexibility. System flexibility that minimizes risk also results from the use of stable, *consistent reporting frameworks*, where data are comparable across the organization and over time. Within this system, SGP is able to take on the risks of working with poor and marginal communities with the knowledge that adaptive measures and quick responses are available from a multitude of committed stakeholders at all levels.

Option 2: Execution by NGO or NGO consortium

46. The provision of fast and effective support to poor and marginal communities requires the flexibility to provide services as needed in a variety of economic, political and security situations found in the programme's more than one hundred country programmes. Thus, the major consideration in this option relates to the capacity and interest of international NGOs in providing the wide range of execution services needed by SGP. In a first round of consultations, a number of NGOs were approached by the consultants for telephone interviews in order to provide feedback and observations in relation to SGP execution services.¹⁷ Thirteen international NGOs were further invited in May 2009 to participate in an on-line survey.¹⁸

¹⁷ International NGOs contacted by telephone interview included the World Wildlife Fund (WWF-US); Conservation International (CI); International Union for the Conservation of Nature (IUCN); RARE Conservation ; Global Green Grants; and Fauna and Flora International (FFI).

¹⁸ Organizations included in the on-line survey included: Royal Society for the Protection of Birds (RSPB); Conservation International (CI); World Wildlife Fund (WWF-US); Wildlife Conservation Society (WCS); RARE Conservation ; Fauna and Flora International (FFI); International Union for the Conservation of Nature (IUCN);

Seven organizations responded, with three declining consideration. Two others indicated that they might be interested but were uncertain of their capacity.

47. After a careful review of the answers from the organizations, it was clear that there was in fact not sufficient organizational capacity to meet the SGP's needs. Feedback from the on-line survey and interviews with international NGOs suggests the need to make a strong distinction between programme partnerships and execution arrangements which may generate more interest in programme-related partnering. Most of the organizations were interested in non-execution partnerships with the SGP on issues related to capacity building, knowledge management, joint efforts for co-financing and improved influence on policy, also by developing joint micro lending programs and expanding reach with CBOs (2009 Technical Paper).

48. Of the two organizations that initially felt that they could provide execution services, each eventually indicated that they could not provide Minimum Operating Security Standards (MOSS) compliant security for office space and did not have internal auditing functions capable of supporting the SGP's audit needs. One of the organizations could not provide in-house legal counsel; one could not provide reporting functions and both indicated concerns about electronic bookkeeping and reporting needs.

Option 3: Country-specific execution

49. SGP experiences with testing country-specific execution modalities provide important lessons learned. One of the results of these tests (in the Pacific and elsewhere) has been the unanticipated degradation in the responsiveness and nimbleness of execution. For example, when using a single execution agency, the pooling of funds and even the coordinated timing of the release of funds from GEF and other co-financiers is facilitated. The opposite occurs in the use of different executing agencies. For example, in the SGP Pacific Environment Fund co-financing with NZAID, one problem encountered was that the honoraria for the National Focal Persons could not be timed to coincide as the executing parties involved had differing release methods.

50. The resulting difficulties are due to learning curves and developing new systems, but also due, unexpectedly, to the substantial requirements and number of additional steps required by partner organizations to meet their own legitimate fiduciary responsibilities, which duplicate checks and balances already present in SGP's system. Experience shows that developing new execution arrangements to respond to local needs takes longer than anticipated to create. Moreover, at least in the early years, these new arrangements will come with unacceptable delays and uncertainty. Decoupling execution for the SGP from UNOPS does not dissolve the SGP's relationship and accountability to UNDP on implementation. Rather, the management of this linkage resulted in expensive, duplicate systems.

Option 4: Combined modalities

51. The only viable combination, given the assessments above, is that of Option 1 (*improved UNOPS execution*) with Option 3 (*country-specific execution*). But as in the assessment using the *effectiveness* criteria, this combination only becomes advantageous when

Option 3 is utilized in very select countries where there are NGOs that could provide high fiduciary standards in a flexible manner.

Recommended Execution Option

52. Based on the criteria of cost efficiency, effectiveness and flexibility, the “improved UNOPS” execution is the best option for the SGP.

53. However, there is value to testing execution innovations. With the introduction of an “upgrading” policy in GEF-5, as discussed in the succeeding section, there could be country-specific execution modalities for mature and upgraded country programs that could make use of opportunities available in the country. Some of the most mature country programmes selected for upgrading would have the capacity to deal with the challenges and possible difficulties associated with changes in execution arrangements. It is anticipated that the number of upgraded country programmes that can pursue an alternative country-specific execution arrangement would not overtax the capacity of UNDP as Implementing Agency to provide needed oversight and guidance.

Improvements in UNOPS Services

54. The “improved UNOPS” option comes with required improvements that strengthen the cost efficiency, effectiveness and flexibility of SGP execution. Efficiency in fund disbursements must be strengthened, given the increased number of new country programmes and new projects during GEF-4, and those forecasted for GEF-5. UNOPS, CPMT and UNDP should conduct a review of delays in disbursements to identify patterns, bottlenecks and opportunities for improvement. Any delay can be disruptive and damaging to the SGP’s credibility particularly among the most fragile of its grantee-partners.

55. In the past, there has been a tendency for UNOPS to decline the execution of co-financing contributions of less than \$500,000 because the amount of work required to process these amounts is approximately the same as that entailed in processing much larger amounts. There are, however, many groups that wish to partner with the SGP for substantially lower amounts. Thus, UNOPS has been testing new methods for quarterly pooling and reporting on such funds, and such a system should be in full operation by GEF-5.

56. The SGP in GEF-5 will be managing a larger funding amount and will be mobilizing substantial donor funds to meet the GEF’s co-financing requirements. For GEF-5, the level of complexity of the SGP is expected to increase. The upgrading of mature countries and the inclusion of new countries interested in participating in the SGP will require additional support. In this regard, UNOPS must correspondingly add staff support that will allow its team to handle the expanded execution of additional funds and activities.

57. From interviews and discussions with SGP stakeholders, the following recommendations emerged for improving UNOPS’ execution arrangements for the SGP’s Fifth Operational Phase in GEF-5:

- Risk-based decision-making should be instituted with regard to country audits after the current round of GEF-4 country-level audits is concluded. UNDP and UNOPS could also use Assurance Statements, such as those being tested by the EU, to buffer any dangers in this approach;
- An updated Roles and Responsibilities matrix developed by UNDP and UNOPS in GEF-4 should set further quantifiable benchmarks for budgetary and financial reports on execution costs to the Implementing Agency;
- The multiple checks and balances that have been developed within the SGP since 1992 should be examined with an eye toward removing bottlenecks;
- UNOPS should continue to develop and operationalize a template for processing and reporting on smaller pooled co-financing contributions;
- Based on risk-based auditing principles, UNOPS should provide UNDP with a list of SGP countries assessed in terms of execution into high, medium and low performing categories;
- Disproportionately greater technical assistance could be focused on bringing low performing countries up to a baseline mid-range performance by mid GEF-5. In case where SGP country programme cannot stabilize and improve its execution performance, a focused review of existing country capacity needs could be conducted by UNOPS to ameliorate problems and create the conditions for improved performance.
- UNOPS could institute regular reviews of high-risk countries that are experiencing disbursement delays to identify patterns and process improvements.¹⁹

58. In order to respond to the anticipated upgrading of SGP country programmes, UNDP will also need to task UNOPS to put in place appropriate transition mechanisms for country programmes that may decide on an alternative execution arrangement in GEF-5.

Upgrading of Country Programmes

59. The growth of the SGP since 1992 has led to a proposed approach towards the ‘graduation’ of country programmes as part of their progressive evolution in delivering global environmental benefits. With the overall growth of the SGP to up to 122 countries worldwide during GEF-4, a proposal has also emerged to recognize that certain “mature” country programmes have the capacity to raise increased funding on their own, which would allow for the preferential allocation of limited GEF core resources to the new SGP country programmes.

60. The 2007 Joint Evaluation concluded however that “*automatic graduation of country programmes ... from SGP risks reducing the cost effectiveness of the overall GEF portfolio.*”²⁰

¹⁹ The UNDP/UNOPS Roles & Responsibilities Matrix identifies regional "Senior NCs" and regional "Senior Programme Assistants" as the first line of contact for new NCs queries about ATLAS, financial management, monitoring. It would be important to maintain the experience and knowledge of these senior NCs in the SGP Global Programme even if these SGP countries are upgraded.

The report also concluded that “if older country programmes were to graduate, GEF will lose an effective instrument to influence policy dialogues in these countries.”²¹

61. GEF Regional Constituency meetings also raised concerns regarding the graduation of SGP mature SGP country programmes.

62. In a joint meeting of the SGP Steering Committee and Stakeholders in Washington DC on 7-8 January 2009, participants concluded that SGP country programme graduation would not be beneficial, and that instead of being ‘graduated,’ the relevant country programs based on selected criteria should have an ‘upgraded’ status. The consensus of the meeting stated that: “Given the fact ... that mature countries are often those that are more effective in delivery of global environmental benefits and promotion of GEF agendas, the meeting agreed that ‘graduation’ should not mean the end of the ‘graduated’ country programme. Neither does it mean de-linking ‘graduated’ country programmes from the global SGP. [Instead the concept would mean] that a country is advanced in managing and sustaining SGP and is fully prepared to take broader responsibilities in an upgraded status.”²²

Country Programme Categorization

63. The SGP Steering Committee and Stakeholders workshop also developed a categorization process that would serve as marker of progress and maturity of SGP country programmes with the highest category being that of upgraded country programmes.

64. The age of the country programme is the main criterion for categorization, as it brings in the level of benefits a country programme has received from the GEF, as well as the extent of operational experience, institutionalization and growth. With equity in GEF benefits and length of operation in SGP as a major criterion, categorization will operate in the following manner:

- **Category I:** All SIDS and LDC country programmes and country programmes that have been in operation for fewer than 5 years.
- **Category II:** All country programmes that have been in operation between 5 and 15 years; the country programmes in this category to be further subdivided into those in operation between 5 and 9 years; 9 and 12 years; and 12 and 15 years; and for equity considerations, including those in operation more than 15 years but with cumulative grants received of less than \$6 million before GEF-5.
- **Category III:** All country programmes that have been in operation for more than 15 years and have been able to access a cumulative total of more than \$6 million in grants received before GEF-5.

A list of countries in all categories is provided in Annex 4.

65. In addition to age, country programmes in these categories will be assessed according to expectations placed on them:

²⁰ GEF Evaluation Office, 2008, *Joint Evaluation of the GEF Small Grants Programme*. p. 50.

²¹ GEF Evaluation Office, 2008, *Joint Evaluation of the GEF Small Grants Programme*, p. 51.

²² SGP Steering Committee and Stakeholders, 7-8 January, 2009. “Report of the Joint Meeting of the SGP Steering Committee and Stakeholders,” p. 1-2.

Category I countries are expected to focus on setting up the simplified yet effective and efficient grant-making system needed to reach poor and vulnerable communities and to support the capacity building of local CBOs and NGOs. At the end of five years, these country programmes at the minimum must have demonstrated full utilization of assigned grant allocations with efficient grant-making procedures, have an active NSCs, and have initiated grantee networks. LDCs and SIDS will remain in this category, regardless of the age of the programme.

Category II countries would already have a rich portfolio of projects with a substantial number already completed and sustained. Category II country programmes should be focusing on replication, scaling up, and mainstreaming of successful projects, as well as generating useful knowledge management products. These SGP country programmes, especially those at more than 9 years in operation should have strong local networks of grantees and local NGOs that are influencing local and national development planning and policy making; with NSCs that are active, not only in proposal reviews, but also in influencing policy and resource mobilization; raising at least 1:1 cash and in-kind co-financing; and having established a knowledge management (KM) platform or network.

Category III country programmes would provide an important source of training and examples for reaching the targeted expectations for Category I and II country programmes, as these programmes not only would have successfully achieved these expectations but would have already expanded on them. Country programmes in this category would have a strong institutionalized collaboration between civil society and government; would be able provide leadership in relevant regional or global partnerships and networking and would have the capacity for knowledge sharing at the global level.

66. The above expectations would serve as performance targets for the SGP country programmes. The regular independent evaluations of the SGP would also utilize them as evaluation criteria. Country programmes that will not be able to meet these expectations and criteria will be phased out of participation in the SGP.

Funding Access by Country Programmes in Different Categories

67. The source of grant funds for SGP country programmes in GEF-5 would both be allocated core funds and contributed STAR funds. The basic principle for GEF funding of SGP country programmes is the diminishing core funds made available and increasing utilization of STAR funds contributed by the respective countries as country programmes gradually move from Category I to III, with no core funds being allocated when a country programme reaches Category III.

68. Analysis was made of the distribution of core funds for grant-making to various country programmes under various replenishment scenarios. The analysis followed the established practice in the allocation of core funds to grants and management costs.²³ Table 1 shows proposed distribution of core funds to the different country programmes under \$5bn replenishment scenario in I and II categories:

Table 1. Proposed allocations for country programmes from core grant in categories I and II

Category I	Amount in US\$/year
SIDS/LDCs	250,000
Sub-regional SIDS Programmes	500,000

²³ While the GEF Council had approved the policy that SGP management costs should be at the level of services needed, this analysis for practical purposes used a conservative cap of only 24% allocation for non-grant costs.

First Year Country Programmes	150,000
2-5 Years Old Country Programmes	200,000
Category II	
Category IIa (5-9 years)	150,000
Category IIb (9-12 years)	100,000
Category IIc (12-15 years, and more than 15 years with accumulated grants amount lower than \$6 million)	50,000

69. The above proposed allocations, however, may require refinements to fit replenishment decision, certain unique country programme situations or emerging opportunities. The SGP Steering Committee should be able to undertake individual analyses and decide on needed changes in allocation.

70. For access to STAR funds, the present proposal is to closely follow the existing guidelines for access to RAF funds of the SGP in GEF-4. This has the advantage that GEF-eligible countries and existing SGP country programmes will have familiarity with the current set of established procedures and guidelines. A particular refinement to the existing GEF-4 guidelines during GEF-5 would allow access to STAR funds for all SGP country programmes, since all GEF-eligible countries will have indicative allocations under the GEF-5 STAR policy.

71. The following guidelines for access to STAR funds for grant-making are proposed for country programs in Category I and Category II:

- a) Countries which have an indicative overall STAR country allocation of up to \$15 million, a maximum cumulative amount total of \$2.4 million, with an average of up to \$600,000 per year can be allocated.
- b) Countries which have an indicative overall STAR country allocation of more than \$15 million will no longer be able to access the SGP's core funding and will need to finance their projects from their STAR allocations. A maximum cumulative amount of up to \$3.6 million, with an average up to \$900,000 per year can be allocated.
- c) A new country entering the SGP with an indicative STAR country allocation can program a matching amount of STAR funds. For the second year and thereafter, the country will follow the standard guidelines above.

72. Country programmes in category III will access STAR funds through an FSP modality using their STAR allocations. Additional guidelines will be developed by the SGP Steering Committee as necessary.

Upgraded Country Programmes

73. In the Joint Meeting of the SGP Steering Committee and Stakeholders in January 2009 the following policy option was outlined: *"The programme would have to submit the equivalent of an FSP [Such projects would] still be within the framework and considered as part of the overall SGP Project Document in order to maintain global coherence, just like the*

individual projects within a programmatic approach.”²⁴

74. In GEF-5, the SGP will be a programmatic approach with several stand alone FSPs. The shift of upgraded country programmes to an FSP modality must also take into account certain important considerations. For one, the high degree of involvement with grantees of SGP teams and the volunteer NSC is a cornerstone for programme success, and for reducing risk associated with grants to poor and vulnerable communities that often have little experience with project management. Significant increases in budget size would require corresponding strengthening of staff and policy measures that would support volunteer work.

75. The funding of upgraded SGP country programmes in GEF-5 also requires early commitments of STAR funds for these country programmes by the governments involved. Early expert support, either external or through UNDP, in the design and development of FSP equivalent proposals, as well as a facilitative approach to the review by GEFSEC of these proposals, would also be needed.

76. At the joint meeting of the SGP Steering Committee and Stakeholders in Washington DC on 7-8 January 2009, it was suggested that upgraded country programmes take on broader responsibilities within the programme.

77. Upgraded country programmes will follow the same SGP approach to program implementation and will be part of its programmatic approach to achieve global benefits through local community and civil society actions. They will *inter alia* sustain and support SGP efforts in: (i) global knowledge sharing; (ii) training and capacity building of new country programmes, particularly in replication, scaling-up and mainstreaming; (iii) furthering full participation in GEF MSPs and FSPs as delivery mechanisms or operators, particularly of components related to strengthening community and NGO partnerships; and (iv) delivering on new initiatives utilizing GEF funds, as well as the non-GEF funds of Implementing Agencies and Executing Agencies and other donors.

78. Upgraded country programme involvement in knowledge sharing and capacity building for new country programmes would capture the benefits of decentralized forms of information flow, while maintaining the strength of the CPMT as a central hub for the broader programme. New responsibilities in knowledge management would encourage the development of “multi-hub small networks” and “smart networks,” which would improve the flow of information across the growing system.

79. It should be noted that some country programmes are already building regional networks that are providing support to one another. For example, the SGP has senior NCs that provide training for new country programmes in their regions. Complementarity between the SGP and UNDP regional coordination units could be led by the upgraded country programmes.

80. In relation to the GEF partnership, SGP work as a delivery mechanism with both MSPs and FSPs would build the complementary strengths of both the upgraded SGP country programmes and these larger projects, enhancing their overall goals. SGP country programmes, particularly those for upgrading, could be given the role of serving as delivery mechanisms or

²⁴ SGP Steering Committee and Stakeholders, 7-8 January 2009. “Report of the Joint Meeting of the SGP Steering Committee and Stakeholders,” p. 3.

operators for micro grants (particularly for community-based organizations), or facilitators for consultative processes and other relationships that build strong community participation.

81. SGP country programmes, however, would need to be asked by FSP and MSP project developers in early project design to participate in crafting the goals, objectives, activities, target outcomes and budget of such projects. There is also the added potential of upgraded SGP country programmes as a delivery mechanism for non-GEF funds that may come from UNDP, the World Bank, UNEP, the Regional Banks, FAO, IFAD and UNIDO.

82. The above analysis of execution options has noted the possibility that in a limited number of countries the situation allows for piloting the use of an alternative execution arrangement. In such cases, an early and detailed assessment of an identified possible alternative execution agency using the criteria of cost efficiency, effectiveness and flexibility would be made as part of proposal development. As the SGP's Implementing Agency, UNDP would initiate the selection and contracting of the execution party following UN rules and procedures. There must be agreement on transition processes from UNOPS execution to the new modality, taking note of UNOPS' accountability for old but still active projects and allowing for the proper termination of existing staff contracts.

83. The time period for the SGP to initiate the changes recommended will be the 6 months between the late November 2009 Council Meeting and April/May 2010. Internally within the SGP, the NSCs and National Focal Groups of participating countries, particularly for those to be upgraded, will have to assess the implications of these changes to their country programmes and provide the SGP CPMT key inputs for a consolidated programmatic proposal for SGP OP5. A Programmatic Project Document for GEF-5 will be developed and submitted for GEF Council review for its first meeting in 2010.

Annex I - OVERVIEW OF IMPLEMENTATION AND EXECUTION SERVICES

Implementation Support Services	Execution Support Services
<ul style="list-style-type: none"> ✓ Technical programme identification and development ✓ Corporate policy and programme negotiations ✓ Corporate institutional relations & reporting ✓ Quality assurance ✓ Technical policy advisory services ✓ Research and development ✓ Knowledge management ✓ Training and capacity building for UNDP country offices ✓ Project identification, formulation, appraisal ✓ Determination of execution modality and local capacity assessment ✓ Briefing & de-briefing of project staff and consultants ✓ General oversight & monitoring, including participation in project reviews ✓ Receipt, allocation and reporting to the donor of financial resources ✓ Systems, IT infrastructure, branding, knowledge transfer 	<ul style="list-style-type: none"> ✓ Recruit and administer international and local personnel ✓ Administer personnel salaries, allowances and entitlement and manage payroll ✓ Review and authorize operating budgets ✓ Authorize disbursement and administer all grants ✓ Monitor and oversee all financial transactions ✓ Undertake all procurement activities ✓ Maintain an inventory of all capitalized assets ✓ Undertake trouble-shooting and problem-solving missions ✓ Prepare semi-annual and annual financial progress reports ✓ Prepare periodic status on grant allocations and expenditures ✓ Prepare and implement an annual audit plan ✓ Follow up on all audit recommendations.

**Annex II - COMPARISON OF SGP AND CRITICAL ECOSYSTEM PARTNERSHIP
FUND (CEPF) FUNCTIONS**

	SGP	CEPF
Provides funds to national NGO's/CBOs	Over 11,000	Provides funding to some NGOs and CBOs
Provides funds to international NGOs	No	Yes. This is a substantial program focus
Number of countries with programs	120	18 regions covering 31 countries ⁱ
Focal areas of concern	Biodiversity Climate Change International Waters Land Degradation Persistent Organic Pollutants Climate Change Adaptation (all while working to create sustainable livelihoods)	Biodiversity
Average size of grants	\$25,000	\$170,000 ⁱⁱ
Annual funding	\$55M ⁱⁱⁱ	\$9.66 M ^{iv}
Grant-making authority	Volunteer and multi-sectoral NSC with majority non-government members in each country	RIT for grants ≤ \$20,000 Central office for grants > \$20,000
Grant disbursement authority	CPMT/UNOPS	RIT for grants ≤ \$20,000 Central office for grants > \$20,000
Responsibility for auditing	CPMT/UNOPS	RIT
Personnel administration	CPMT/UNOPS	A mix between RIT and central office
Procurement	UNOPS	More decentralized than SGP

ⁱ Data from interview with CI staff. CEPF is currently expanding and these numbers are, as a result, approximate. CEPF sometimes subcontracts with other NGOs through a re-granting process to establish country offices. As a result, not all of CEPF's country offices are staffed by CI staff.

ⁱⁱ SGP's median grant is \$22,000 while CEPF's median grant is \$66,000.

ⁱⁱⁱ Approx annual GEF funding per year during 4th Operational Phase 2007-2010.

^{iv} CEPF 2008 Annual Report p. 25.

Annex III - TRANSITION COST ESTIMATES

Transition in execution (one-off) *	Estimated Additional costs **	Notes
Monetary		
<i>Bidding and NGO audit process</i>	\$1.26 million	Estimate based on \$3,500 per country bidding and \$7,000 for audit (UNDP fiduciary standards)
<i>Team recruitment (advertisement / time)</i>	\$510,000	Estimate based on \$4,250 per country (additional UNDP staff recruitment for transition process)
<i>Communications</i>	\$180,000	Estimate based on \$1,500 per country (UNDP staff time, communications, outreach)
<i>Start-up / re-launch missions</i>	\$1.44 million	Estimate based on \$7,000 per country for direct mission costs and \$5,000 in UNDP staff time
<i>Training of new SGP country staff</i>	\$600,000	Estimate based on \$2,000 per national coordinator training (neighboring country) and \$3,000 in UNDP staff time for recruitment transition process
<i>Office move and set up (including possible launch of new NGO country offices)</i>	\$1.8 million	Estimate based on \$15,000 per country minimum (termination of rental agreements, service provision, asset and equipment disposal / sales etc.) for 6 month transition***
<i>Retirement / separation entitlements for NCs with UNOPS contracts</i>	\$900,000	UN separation and entitlement of SGP NCs and Programme Assistants (80 Fixed Term contracts and 140 service contracts)
<i>Capacity building for NGO services</i>	\$600,000	Variable cost estimate \$5,000 per country minimum (NGO dedicated support service unit, trouble-shooting, conflict resolution for civil society grievance mechanism)
Non-Monetary		
<i>Loss of institutional memory</i>	15 years UNOPS processes	UNOPS operating systems have been developed over a 15-year period at the global level and would be foregone in totality (including longitudinal data comparability of SGP costs) in the event of a switch to execution by a global NGO / NGO consortium
<i>Restart working relationships with grantees, government, donors and</i>	4-8 months	SGP NSCs would need to realign working relationships with an international NGO which may not be

<i>NSC</i>		familiar with the working conditions in the country concerned
<i>Time and effort to align financial management and reporting to UNDP requirements</i>	6-18 months	In the experience of NZAID funds being implemented by alternative execution modality (UNDP DEX) for the SGP in the Pacific from 2006-2009, there was an actual transition period of some 3 years
<i>Cost of reduced outcomes during transition period</i>	25-30% discount rate in grant value	Based on the change in execution modality for the SGP in the Pacific, the overall program will suffer from reduced efficiency and grant dollars delivered for a minimum of 3 years, equivalent to an approximate discount rate of 25-30% reduction in the outcomes of GEF grants delivered for the time period.

* An underlying assumption of global NGO / NGO consortium execution would be that the NGO would be responsible for execution services in all SGP country programmes worldwide. In addition to the one-off costs described, UNOPS would also be responsible for a minimum 2-year period of recurring costs for the fiduciary closure of ongoing SGP projects from previous SGP Operational Phases.

** Cost estimates for 120 countries based on the number of person days of UNDP/GEF Oversight, UNDP Country Office hand-over process, UNOPS SGP cluster transition services, UNOPS & UNDP review of legal and reputational liabilities, UNOPS & UNDP review of financial liabilities from previous operational phases.

*** UNOPS will remain legally and financially responsible for any remaining grant agreements from the previous phases (OP2, OP3, OP4) that are valid beyond June 2010. A rough monetary estimate would mean a budgetary balance of between \$40-45 million in grant commitments to be disbursed after July 2010. These grant commitments can run an average of 3 (but up to 5) years after June 2010. This assumption is based on the current records of at least 50% of grant MOAs requiring amendments/extensions of duration (sometimes for more than 1-2 years). There is no policy to terminate any valid grant MOA that simply requires longer time to achieve its approved objective. As the budget custodian of these funds, UNOPS is required to retain specific staff in each country to monitor and certify these remaining grant disbursements. Such responsibility and task cannot be transferred to staff of another entity. The principle of “retaining staff” would be similar to what has been done in Poland and Lithuania (after the closure of OP3 grants in 2007), as several grant projects were still implemented in subsequent years.

Annex IV - CATEGORIES OF SGP COUNTRY PROGRAMMES

CATEGORY I COUNTRIES: LDCs and SIDS

Country Name	Year of Entry	LDC- SIDS
Afghanistan	2008	LDC
Benin	2006	LDC
Bhutan	1998	LDC
Burkina Faso	1992	LDC
Burundi	2009	LDC
Cambodia	2005	LDC
Central African Republic	2008	LDC
Chad	2005	LDC
DR Congo	2008	LDC
Eritrea	2009	LDC
Ethiopia	2004	LDC
Guinea	2006	LDC
Laos	2009	LDC
Lesotho	2007	LDC
Liberia	2008	LDC
Madagascar	2005	LDC
Malawi	2008	LDC
Mali	1993	LDC
Mauritania	2001	LDC
Mozambique	2003	LDC
Nepal	1998	LDC
Niger	2003	LDC
Rwanda	2005	LDC
Senegal	1993	LDC
Tanzania, United Republic of	1996	LDC
Togo	2008	LDC
Yemen	2004	LDC
Zambia	2006	LDC
Cape Verde	2008	LDC-SIDS
Comoros	2006	LDC-SIDS
Haiti	2005	LDC-SIDS
Maldives	2009	LDC-SIDS
Samoa	2003	LDC-SIDS
Cook Islands	2004	SIDS
Niue	2006	SIDS
Solomon Islands	2006	LDC-SIDS
Vanuatu	2006	LDC-SIDS
Bahamas, The	2009	SIDS
Barbados	1994	SIDS
Antigua and Barbuda	1994	SIDS

St. Kitts and Nevis	1994	SIDS
St. Lucia	1994	SIDS
St. Vincent and the Grenadines	1994	SIDS
Grenada	1994	SIDS
Belize	1993	SIDS
Cuba	2004	SIDS
Dominica	1994	SIDS
Dominican Republic	1994	SIDS
Fiji	2005	SIDS
Kiribati	2006	LDC-SIDS
Nauru	2006	SIDS
Tuvalu	2006	LDC-SIDS
Tonga	2006	SIDS
Jamaica	2003	SIDS
Mauritius	1995	SIDS
Federated States of Micronesia	2004	SIDS
Marshall Islands	2004	SIDS
Palau	2004	SIDS
Papua New Guinea	1994	SIDS
Seychelles	2008	SIDS
Suriname	1995	SIDS
Trinidad and Tobago	1995	SIDS

Category Ib: Non-LDC and Non-SIDS country programs less than 5 years old

Country Name	Year of Entry
Argentina	2005
Bulgaria	2005
Cameroon	2005
Panama	2006
Uruguay	2005
Gambia, The	2006
Uzbekistan	2008
Algeria	2009
Nigeria	2009
Slovakia	2008
Tajikistan	2009
Armenia	2008
China	2009
Paraguay	2009
Venezuela	2009

CATEGORY II COUNTRIES**Category II.a: Country programmes that are 5-9 years old**

Country Name	Year of Entry	Number of Projects	Cumulative Grants Received
Mongolia	2002	187	\$1,486,492
Namibia	2002	85	\$2,257,895
Lebanon	2004	33	\$1,014,720
Nicaragua	2004	93	\$1,731,715
Syria	2004	32	\$1,449,245
Romania	2004	59	\$1,628,010
Macedonia	2005	43	\$ 834,682
Belarus	2005	49	\$1,715,100

Category II.b: Country programmes that are 9-12 years old

Country Name	Year of Entry	Number of Projects	Cumulative Grants Received
Peru	1998	171	\$5,849,891
Vietnam	1998	159	\$3,978,028
Malaysia	1999	78	\$2,782,802
Iran	2000	154	\$3,314,760
El Salvador	2001	105	\$2,521,361
Honduras	2001	137	\$3,521,447
Kyrgyzstan	2001	210	\$2,713,857
South Africa	2001	54	\$2,254,598

Category IIc: Country programmes that are 12-15 years old and received cumulative grants of less than \$6 million

Country Name	Year of Entry	Number of Projects	Cumulative Grants Received
Albania	1996	176	\$1,949,694
Guatemala	1996	320	\$3,545,184
Kazakhstan	1996	244	\$4 095 461
Morocco	1996	120	\$3,109,743
Uganda	1996	144	\$4,036,811
Sri Lanka	1997	313	\$5,724,292
Zimbabwe	1993	124	\$3,980,368
Cote d'Ivoire	1993	193	\$3,912,000
Turkey	1993	172	\$3,516,151
Ghana	1993	159	\$3,504,669
Botswana	1992	134	\$3,502,686
Tunisia	1993	124	\$4,004,750
Thailand	1993	323	\$4,411,186
Egypt	1993	236	\$4,725,801
Jordan	1992	162	\$5,250,000
Indonesia	1992	301	\$5,667,518

CATEGORY III COUNTRIES:

Country programmes that are more than 15 years old and received cumulative grants amounting of more than \$6 million

Country Name	Year of Entry	Number of Projects	Cumulative Grants Received
Mexico	1994	459	\$9,678,497
Costa Rica	1993	469	\$8,198,591
Brazil	1995	296	\$7,401,613
Pakistan	1993	205	\$7,304,414
India	1995	296	\$7,217,931
Philippines	1992	246	\$7,213,800
Kenya	1993	270	\$7,027,581
Chile	1992	247	\$6,627,048
Ecuador	1994	221	\$6,525,365
Bolivia	1992	237	\$6,182,377