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UPDATE ON UPGRADED SGP COUNTRY PROGRAMS

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Executive Summary

1. The GEF Council in November 2009 (C.36/4) requested that an information paper be prepared to update the Council on progress made to implement execution arrangements with UNOPS and that the preparation of full-sized documents for the SGP country programmes be upgraded.
2. The process of upgrading started with consultations with the GEF Secretariat in December 2009 to make sure that SGP strategic objectives would be fully aligned with GEF-5 objectives. An Expanded SGP Steering Committee that brought in National Coordinators (NC) and GEF Operational Focal Points or their representatives to discuss progress to date and plans for GEF-5 of the upgraded country programmes was then organized in March 2-3, 2009. The regular SGP Steering Committee meeting of March 3, 2009 reviewed the results of the workshop and made decisions for assuring timely submission and review of PIFs and Project documents.
3. The SGP Central Programme Management Team (CPMT) and the GEF Secretariat immediately followed up with a technical workshop on March 4-5 that was attended by National Coordinators, GEF OFP representatives, the SGP consultant, and interested members of the GEF NGO Network. A team of experts that includes UNDP Regional Technical Advisors (RTAs), under the supervision of GEF focal area Technical Team Leaders (PTAs), has been organized to support the preparation of the FSP documents of upgraded country programmes.
4. On the whole, the upgrading process is well on track. However, certain challenges must be dealt with. The global SGP and upgraded country programme FSPs should be included in the first GEF-5 work program. Therefore, it is very important that STAR fund commitments to SGP country programmes must be made before PIFs have to be submitted for review.
5. UNOPS has already implemented the recommendations for enhancing its execution services that came from the 2007 Joint Evaluation of the Small Grants Programme as well as those that came from the 2008 technical paper and the 2009 Council paper on execution arrangements and upgrading policy for SGP in GEF-5.

Background

1. This paper responds to the GEF Council decision C.36/4 that an information document be prepared to update the Council at its June 2010 session on the progress made to implement the proposed execution arrangements with UNOPS, as well as on the status of the preparation of the full-size project documents for the upgraded country programmes.
2. The Council has decided that improved UNOPS execution is the best option for SGP in GEF-5, with possibilities for mature countries to be upgraded and to explore alternative country-specific national NGOs or other National Host Institution (NHI) execution arrangements.
3. As per Council's decision, 10 SGP country programmes that are more than 15 years old and received cumulative grant funds amounting to more than \$6 million will be upgraded starting GEF-5. These country programmes include those of Bolivia, Brazil, Costa Rica, Chile, Ecuador, India, Kenya, Mexico, Pakistan and Philippines and. These country programmes will be funded solely through their country's STAR allocations following an FSP modality.

Arrangements for Improved UNOPS Execution

4. UNOPS has been the Executing Agency for the GEF-Small Grants Programme (SGP) since its inception in 1992. It was selected by UNDP to fulfil this role due to its expertise in programme operations, its status as a natural 'firewall' between UNDP implementation and execution activities, and its position within the UN system.
5. UNOPS has exercised its functions by accommodating the rapid expansion rate of the SGP from initially 20 country programmes in the Pilot Phase to 122 at present. UNOPS has made significant changes by adapting its systems to new programme realities and strategies, and by customizing operations for the SGP so that they are specifically adapted to the local conditions of each country. UNOPS has successfully developed flexible systems while maintaining a set of global execution standards. The joint use of the ATLAS financial management system and the utilization of the same ERP-based accounting and reporting principles provides for smooth communication and cooperation between UNOPS as the executing entity and with UNDP and its country offices.

Improvements Already Under Implementation

6. The SGP, however, is constantly growing and UNOPS execution has to continue to adapt to changing needs. During the 4th Independent Evaluation conducted by the GEF Evaluation Office and UNDP-OAPR in 2007, as well as during the 2008 and 2009 reviews of the UNOPS execution modality, several observations were made with regards to possible enhanced services.
7. Rather than waiting for a new operational phase, UNOPS immediately addressed and implemented the majority of these recommendations related to 'core services'. These improvements in execution services already completed are listed in Annex I.

8. In the planning for the SGP OP5, the programme’s Central Programme Management Team (CPMT) and UNOPS decided to further consult country programmes and local stakeholders on their assessment of UNOPS execution services. Of the 95 SGP country programmes that responded to a survey, 65 indicated that they had “nothing to add” and were fully satisfied with the enhancements already implemented. However, there were also those that suggested further modifications and improvements to meet and fit their unique country situations.

Improvements for GEF-5 Implementation

9. Further suggestions from the country programmes and stakeholders on UNOPS execution have thus been utilized as part of SGP’s OP5 planning and as an important “grounding” for the planned enhancements that UNOPS and CPMT have discussed to respond to the assessed needs of SGP implementation of GEF-5.

The combined set of enhancements is detailed in Table 1 below:

Table 1: Planned Execution Enhancements for SGP OP5

Category	Enhancements Planned by CPMT & UNOPS	Enhancements Suggested by Country Practitioners¹
<i>Quality assurance</i>	<ul style="list-style-type: none"> • UNOPS is seeking ISO 9000 certification for project management • Advanced training/certification of Portfolio Manager level staff is advancing in 2010. • New SGP database and intranet with improved features, simplified reporting on substantive results, quantifiable measures and financial performance • New database / intranet to serve as ‘digital warehouse’ of critical SGP documents 	<ul style="list-style-type: none"> • Follow up when needed to speed up funds delivery to local communities (mainly with UNDP-COs) • Standard operating procedures (SOP) regularly reviewed and strengthened • Enhance procurement guidelines in SOPs; • Revise offline country team reporting format; • Clear definition and standardization of indicators • Streamlined, simplified data entry (new database/intranet)
<i>Country program oversight / M&E :</i>	<ul style="list-style-type: none"> • Continued optimization of high volume risk-based country audits 40 per year • systematic follow-up of recommendations 	<ul style="list-style-type: none"> • User-friendly monitoring tools for measuring programme delivery and effectiveness; • Ensure UNDP COs awareness of SGP procedures and country level
<i>Structure / strengthening of regional teams</i>	<ul style="list-style-type: none"> • Strengthened role of SGP Regional Teams (based on established TOR). • More synchronized Regional 	<ul style="list-style-type: none"> • Strengthen / re-emphasize role of regional Senior NC; • Clarify execution roles and set up regular communications with

¹ Refer also to comments under para 12.

	Teams, with involvement of senior NCs and the UNDP-GEF RTA (thematic advice)	country level partners (UNDP-CO and NHI); <ul style="list-style-type: none"> • Provide orientation to National Host Institutions (NHIs);
<i>Cost-effectiveness and optimization of operations:</i>	<ul style="list-style-type: none"> • Introduce improved UNOPS <u>dashboard</u> – user-friendly financial overview tool accessible to all countries (real time ATLAS data). • Continued streamlining of all UNOPS and UNDP procedures and ‘best practices’ in user-friendly reference handbook (<u>SGP SOP Manual</u>) – updated on regular basis • <u>Co-Financing System</u>: simplified system to capture and better report locally mobilized resources through UNOPS • <u>Real-time financial reporting and harmonization</u>: ATLAS One Project ID with UNDP-BDP <ul style="list-style-type: none"> ○ optimizing ERP budget management and reporting while maintaining UNOPS firewall ○ Better monitoring and prevention of potential delays in local payment processing by UNDP COs. • <u>Improved HR and contract reporting</u>: HR Workforce tool - a user-friendly platform for all HR data. • Contract monitoring log – status of all ongoing SGP contracts (incl. milestone and expiration alerts) 	<ul style="list-style-type: none"> • Provide for reasonable flexibility in the process of MOA amendments • Clear communication to UNDP COs on key timelines and deadlines that SGP has to meet, • Optimization by aligning to local experiences, needs and best practices (where possible) • Minimization of duplicate data entries in database and ATLAS financial system (new database with improved features) • timelines to be set and monitored on fund disbursements such that any unmet deadlines sets off a flag;
<i>Enhanced training of local staff</i>	<ul style="list-style-type: none"> • Web-based tools to give detailed guidance to NCs/PAs on ATLAS procedures, SOPs, procurement etc. • Online training/certificate questionnaire on basis of audit feedback 	<ul style="list-style-type: none"> • Include concrete day-to-day examples into SOPs • Develop training policy that addresses administrative and financial issues • At least one training per

		operational phase to orient or update SGP country staff on SOPs (regional workshops);
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10. UNOPS and SGP CPMT have also started discussions on the increasingly complex nature of SGP operations given SGP’s rapid growth in GEF-4 and on the additional 14 new countries that will be started up in GEF-5. The large increase in delivery expectations, strategic activities and partnerships, as well as human resource needs at different levels requires a proper match vis-à-vis the UNOPS staff complement needed to provide the programme’s execution services.

Additional Enhancements to be Considered

11. The consultation with SGP local stakeholders has also produced additional suggestions that are still being considered, subject to operational feasibility and OP5 funding. The items below represent a compilation of these suggestions:

- a. Country programme oversight/M&E: country programme visit by CPMT/UNOPS and regional workshops hosted on a rotational basis to strengthen interaction between SGP HQ staff and country programme staff; increased budgets to allow NSC members to participate in project M&E; enhance the visual aspect (photos/videos) of project site visits and M&E; improve database to allow photo and video upload to be fast and user-friendly;
- b. Quality assurance: in some cases, grantees also call for flexibility to allow creativity and reflect diversity; design country programme management structure according to PRINCE2;
- c. Institutional management: conduct annual assessment of performance of institutions supporting the country programmes; form smaller sub-regional teams of NCs and strengthen their capacity to provide support to country program planning and implementation;
- d. Cost effectiveness and optimization of operations: UNOPS and CPMT to assess local support infrastructure in order to ensure adequate and timely provision of support at country-level to SGP country programmes;
- e. Local staff development: organize regional training and orientation hubs; provide for exchange visits as a training approach; staff development options to be discussed and documented and appropriate actions taken; multi-lingual how-to guides as well as on-line and hands-on training;

12. It is to be noted that recommended improvements from the country programme and stakeholders (as in Table 1 and under item 12) refer mostly to basic operational matters and reflect their desire for flexibility, speed, and user-friendly mechanisms. Furthermore, most if not

all of these improvements require substantial funding support. Thus, their implementation depends much on the available management funds for SGP OP5 and how these improvements are budgeted.

13. Consultative processes will be an ongoing activity during SGP's Operational Phase 5. UNOPS will engage in discussions as well as standardized surveys throughout OP5 to gather feedback from SGP country stakeholders and practitioners on areas for further improvements in execution services.

Highlights of Upgrading Progress to Date

14. Consultation was held with the GEF Secretariat in December 2009 to plan how best to proceed and meet the tight deadlines for submitting the required FSP documents. A set of strategic objectives for SGP OP5, fully aligned to the GEF-5 programming paper, was also developed and later approved by the SGP Steering Committee (see Annex II).

15. At the behest of the GEF CEO, an Expanded SGP Steering Committee meeting was organized on March 2-3, 2010 with the participation of SGP National Coordinators and GEF Operational Focal Points (or their representatives) from the 10 countries whose SGP country programmes are to be upgraded. In the meeting, presentations developed by each SGP country programme with its National Steering Committee and the OFP were made to show the progress of SGP objectives and the upgraded country programme plans for GEF-5.

16. Each upgraded country programme also presented results of country consultations on whether it would retain UNOPS execution or explore the possibility of national NGO/NHI execution. As recorded in the minutes of the SGP Steering Committee on March 3, 2010, the country decisions were as stated below:

On the basis of the country stakeholders discussion and presentation of the GEF OFPs, the execution of the 10 upgraded country programmes of the SGP in GEF-5 will be varied under the following modalities: (a) Improved UNOPS execution – Bolivia, Costa Rica, Ecuador, Pakistan, Philippines; (b) National NGO execution – India; (c) Execution by UNOPS of those tasks requiring meeting fiduciary standards but other execution services to be provided by a National NGO – Brazil, Kenya. Mexico and Chile will undertake more assessment. Chile would welcome proposals from interested agencies.

17. The regular SGP Steering Committee held on March 3, 2010 to review the results of the expanded SGP Steering Committee meeting also made decisions on various additional key aspects of the upgrading process as stated below:

- SGP Strategic objectives for GEF-5

The GEF Small Grants Programme will be fully aligned with the strategic objectives laid out in the GEF-5 Programming Document (GEF/R.5/25).

- On submission of PIFs and Project documents of upgraded country programmes

While the targeted submission for the PIFs of upgraded country programmes is the November 2010 Council Meeting, the drafts of PIFs and project documents will be submitted for initial

review of the GEFSEC by June 2010 so that progress on the preparations of these documents can be gauged.

The advanced review of the project documents will allow that they can be submitted shortly after the approval of the PIFs.

In the event that there are not enough GEF-5 funds available by November 2010, the global SGP Programmatic project document will be prioritized for approval so that upgraded country programmes can be funded for a one-year transition.

GEF rules for FSPs apply as to what GEF is paying. Given the grant making nature of the upgraded country programmes, where grants are later provided in small amounts to many separate local NGO partners for work with poor and vulnerable communities, co-financing will not be identified upfront and will follow the SGP ratio of 1:1 at the minimum.

- Support to NGOs/CBOs

SGP to use GEF-5 to build the capacity of National NGOs to be able to eventually execute upgraded SGP country programmes in GEF-6 and those due for the next upgrading.

18. The SGP CPMT and the GEF Secretariat followed up with a technical workshop on upgrading on March 4-5, 2010. This was attended by nine concerned National Coordinators,² the consultant selected to support the development of the global SGP FSP proposal, as well as interested representatives of OFPs and of the GEF NGO Network.

19. As the Implementing Agency of the SGP, UNDP has assigned its Regional Technical Advisors (RTAs), under the supervision of the GEF focal area Technical Team Leaders (PTAs), to support the preparation of FSP documents of the upgraded country programmes. SGP also contracted a national consultant for each of the upgraded country programmes, two international consultants, a consultant to assure quality of documents prepared by six upgraded country programmes in Latin America, a consultant in Africa, and another consultant for the three programmes in Asia.

20. In order to coordinate the work of this comprehensive complement of support expertise, a detailed delineation of tasks and timing of input was developed. The flow diagram of preparation activities leading to submissions for the first GEF Council working program as it is shown in Annex III.

21. In implementation of the identified preparatory process, another workshop on upgrading was organized in San Jose, Costa Rica, especially for the six upgraded country programmes from Latin America. This was attended by the National Coordinators and their selected national consultants, as well as by the international consultant selected to ensure quality of submitted documents. The international consultant for the global SGP OP5 PIF and project document preparation also attended to ensure coherence and complementation in GEF-5 strategic

² The SGP National Coordinator from Chile was regrettably unable to attend the Expanded Steering Committee meeting and technical workshop from 2-5 March, 2010, on account of the devastating earthquake which struck the country shortly before the meeting.

objectives and outcomes between the global SGP and the upgraded SGP country programmes. The GEF Secretariat was also represented as well as CPMT, and the UNDP through its assigned RTA. The comprehensive representation of institutions and expertise in the workshop led to a clear understanding of the PIFs and project documents to be submitted in the November 2010 Council work program. This workshop will be replicated for the upgraded country programmes in Asia while Kenya as the only country from Africa will be provided with its own support workshop.

Challenges and Recommended Actions

22. It is very important that the global SGP PIF and those of the 10 upgraded country programmes are submitted to the GEF Secretariat for review and the Council approval as early as possible with their inclusion into the Council first work program in GEF-5. There will also be an almost parallel development of the project documents such that these are submitted as soon as the PIFs are approved with a target of getting the needed CEO endorsement shortly afterwards.

23. Critical action is needed from SGP participating countries, particularly those with upgraded country programmes, to endorse commitment of STAR funds of their SGP country programmes using the guidelines for access to STAR funds approved during the first GEF-5 council meeting. They should do so before PIFs are sent to the GEF Secretariat for review prior to the first GEF-5 Council meeting.

24. As of May 11, 2010, several countries have agreed to provide commitments to SGP using their STAR funds. These countries include Ecuador, Bolivia, and India for those with upgraded country programmes as well as Kazakhstan and Mauritania. It is important that all participating countries that can contribute STAR funds for their SGP country programmes make their commitments as early as possible.

Annex I. Improvements in UNOPS Execution Services Already under Implementation or Completed.

Recommendation	Action taken	Timeframe
a) In response to GEF Council paper “SGP – Execution Arrangements & Upgrading Policy for OP5” (Oct 2009)		
Include co-financing below US\$500 k	Systematic approach to incorporate any co-financing contributions on a regular (quarterly) basis.	May 2009
Technical assistance to high risk/low performing countries	Quarterly review of financial performance of all countries by SGP Board – also in view of audit risk categories - to address reasons for “bottlenecks” and provide specific solutions/support	since March 2009
b) In response to GEF Council paper: Follow-up to Joint Evaluation (April 2008) related to Option 1 – Improved Execution by UNOPS		
Codify with UNDP HQ matrix of roles & accountabilities	<ul style="list-style-type: none"> - <u>SGP Operational (SOP) Manual</u> - online, user-friendly, reference handbook for SGP practitioners established. - <u>Standard Operating Protocol</u> signed by UNOPS and UNDP-GEF in October 2008, codifies SGP-specific relationship and oversight structure on both country and HQ level. - <u>Roles & Responsibility Matrix</u> for UNOPS, UNDP-GEF, CPMT, NC and UNDP COs established and shared with all parties in August 2009. 	since June 2008
Risk-based approach	Revised risk assessment (for audit prioritization) established and updated.	June 2008, updated June 2009
c) In response to issues raised during the Independent Evaluation (2007):		
Central structure more suitable for expanded program	<ul style="list-style-type: none"> - Re-emphasis of SGP regional team structure for strengthened support and oversight (composed of senior NCs, UNOPS and CPMT) 	Initiated in 2008, and throughout 2009
Resolving grant disbursement delays	<ul style="list-style-type: none"> - Specific payment email mailbox established and daily maintained/updated (ensures clear monitoring and timely processing of payment authorizations). - Quarterly financial performance review by SGP-Board synthesizes ‘problem cases’ 	launched in early 2009

Country program oversight to be strengthened	<ul style="list-style-type: none"> - Mandatory staff ethical certification implemented in 2008 - Special attention to potential ‘conflict of interest’ cases raised with NCs - Roles & responsibility matrix shared with all UNDP-RR partners, re-emphasizing the country oversight role 	since June 2008
Improved monitoring & evaluation: increase of audit volume	<ul style="list-style-type: none"> - <u>Systematic volume increase</u> of country audits undertaken: 39 completed in 2009, 40 planned for 2010 - to identify strengths and weaknesses of the SGP governance structure, compliance of grant making process, effectiveness of UNOPS and UNDP financial and internal control framework, policies and procedures for maintaining data accuracy, integrity and timeliness of reporting, human resource administration and effective local procurement. - Respective country audit reports and their designated follow-up to each recommendation <u>consolidated</u> in an <u>online system</u> (with access to responsible units). - Country audits individually and in summary re-emphasized <u>need to report project site visits</u>; shared with all NCs - Other recommendations and best practices are summarized and shared with all SGP countries after their consolidation in order to further “optimize” all addressed issues. 	launched in 2009
Additional UNOPS system enhancements can be summarized as follows:		
Category	Measures implemented	Timeframe
Quality assurance	<ul style="list-style-type: none"> - Standardization and Certification of project management: UNOPS and UNDP are implementing Prince2 (projects in controlled environments), method for managing projects within a clearly defined framework. 	launched in 2008 - ongoing
Optimized cost-effectiveness	<ul style="list-style-type: none"> - Streamlining of all UNOPS and UNDP procedures and ‘best practices’ as reflected and regularly updated in SGP SOP Manual to 	launched in 2008 - ongoing

	ensure optimal use of resources.	
Financial management	<p>On corporate level:</p> <ul style="list-style-type: none"> - Enhanced timeliness and quality of financial reports. New finance structure and “dashboard” of financial data enabling managers and staff to monitor performance and manage resources on basis of timely, reliable information; - ERP-based transactions (through on-line ATLAS financial system, enhanced in January 2009) to improve controls and ensure real-time reporting; - More transparent and flexible policy of client pricing; - Corporate insurance scheme to protect against the risk of business interruption, criminal damage, and litigation. - Gradual implementation of IPSAS (International Public Sector Accounting Standards) to update the current recognition of expenses (including all obligations) and make it clearer for external partners 	launched in 2008 - ongoing
Economies of Scale / Resource Mobilization:	<ul style="list-style-type: none"> - Further expansion of SGP, including use of established structure by other parallel programmes/projects (CBA, Nile Basin, UNEP, AusAID) under cost-recovery and -sharing arrangements 	ongoing

Annex 2. SGP OP5 Strategic Objectives

Biodiversity

Objective 1: Support community-based actions to improve sustainability of protected areas and indigenous and community conserved areas.

Objective 2: Develop community initiatives to mainstream biodiversity conservation and sustainable use into production landscapes, seascapes and sectors.

Climate Change

Objective 1: Promote the demonstration, development and transfer of low carbon technologies at the community level.

Objective 2: Promote and support energy efficient, low carbon transport at the community level.

Objective 3: Support the conservation and enhancement of carbon stocks through sustainable management and climate proofing of land use, land use change and forestry.

International Waters

Objective: Support transboundary water body management with community-based initiatives.

Land Degradation

Objective 1: Maintain or improve flow of agro-ecosystem and forest ecosystem services to sustain livelihoods of local communities.

Objective 2: Reduce pressures at community level from competing land uses (in the wider landscapes).

Chemicals

Objective: Promote and support phase out of POPs and chemicals of global concern at community level.

Capacity Building

Objective: Enhance/strengthen capacities of community, CBO, and CSO stakeholders: for engagement through consultative process; to generate, access and use of information and knowledge; for supporting participatory processes in policy and legislation development; for management and implementation on convention guidelines; to monitor and evaluate environmental impacts and trends.

Annex III. Flow Diagram of FSP Proposal Development for SGP Upgraded Country Programmes

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