



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

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Agenda item 06

MANAGEMENT RESPONSE TO:

THIRD JOINT GEF-UNDP EVALUATION OF THE SMALL GRANTS PROGRAMME

INTRODUCTION

1. The Secretariat welcomes this GEF Small Grants Programme (SGP) evaluation and we are in broad agreement with its findings, conclusions, and recommendations. The Secretariat specifically notes Conclusion (1) stating that *“the SGP is very relevant and coherent with the GEF’s mandate and with the needs for action at all levels to accelerate sustainable development”*, as well as the positive findings around the relevance of SGP as an operational modality within the GEF Partnership and as a financing mechanism for civil society. We welcome the findings that *“across all case studies, the SGP has been shown to reach isolated communities to provide “kickstart” grants and target a larger cross-section of CSOs”*. We also note Conclusion 5, highlighting that *“the SGP has been consistent in its delivery of environmental results at local, national, and global levels and in generating economic and social benefits”*.

2. UNDP has provided to its Executive Board a separate management response that pertains to both UNDP and the SGP Central Programme Management Team¹. The Secretariat’s management response and proposed actions, provided below, pertain to the GEF Secretariat only, while also reflecting UNDP’s management response to the evaluation. It describes our plans, in close interface with UNDP, the SGP Central Programme Management Team (CPMT) and the broader GEF Partnership, to assess strategic opportunities to elevate and leverage the reach, impact, and efficiency of the GEF SGP in GEF-8 and beyond.

RECOMMENDATION 1

(to the GEF and UNDP). As recommended in the 2015 evaluation, the SGP should conduct a consultative process towards the formulation of an updated long-term vision for the SGP. This process should begin by taking stock of the past 25+ years of programming and should serve to inform future replenishment discussions. The process should be inclusive of upgraded countries, countries participating in the SGP global programme, GEF Council and UNDP, and the final vision should be adopted by the GEF Council/Assembly. The purpose would be to ensure that the vision, mission and mandate of the SGP are clear and consensual and serve as a guiding framework for policy decisions through future GEF periods.

3. The Secretariat welcomes this recommendation. The Secretariat would like to point to several actions that have already been initiated to renew the strategic directions and vision for the SGP. More recently, these have included, among other things, the GEF SGP Implementation Arrangements for GEF-7², approved by the GEF Council in June 2018, and the GEF-7 project document on the SGP³, approved in June 2020.

4. The Secretariat will build on the efforts and work to update and lead a consultative process towards the formulation of a longer-term vision for the SGP in close collaboration with

¹ UNDP Management Response, Third Joint Global Environment Facility-UNDP evaluation of the Small Grants Programme, page 76.

² GEF/C.54/05/Rev.01, *GEF Small Grants Programme: Implementation Arrangements for GEF-7*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.05.Rev_01_SGP.pdf

³ <https://www.thegef.org/project/gef-sgp-7th-operational-phase-core-part-1>

UNDP and the SGP Steering Committee. Considering that the SGP is a community-driven and country-led programme, the GEF Secretariat will collaborate closely with UNDP and the SGP Central Programme Management Team to ensure that the consultative process adequately engages upgraded countries and countries participating in the SGP global programme, including national coordinators, national steering committees, together with other stakeholders including government representatives, civil society organizations and other stakeholders. It is expected that the results of the formulation of this longer-term vision will inform the GEF SGP Implementation Arrangements for GEF-8 and will serve as a broader SGP guiding framework for future GEF replenishment periods.

RECOMMENDATION 2

(to the GEF). In developing the implementation arrangements for SGP, the GEF Secretariat, in collaboration with UNDP, should provide Council and the next replenishment with a detailed analysis of the impacts of a shrinking SGP funding envelope on the operations of the SGP, the pressures placed on STAR allocations, demands to add new countries to the global programme without concomitant growth in core funding, and the risk of losing the goodwill and social capital the SGP brings to the GEF as a whole. Going forward, the level of resources provided to the SGP must be considered in proportion with the requirements for expansion and ‘universal access’, and the upgrading policy could be designed so as to maximize benefits rather than primarily as a means for creating ‘fiscal space’.

5. The Secretariat takes note of this recommendation and acknowledges the need to further analyze and adapt the strategic framework of the GEF Small Grants Programme to improve the relation between its obligations, operational modalities and resources. The Secretariat also notes that unless increased funding materializes there will necessarily be trade-offs to be addressed within the GEF Small Grants Programme in GEF-8 and beyond.

6. The Secretariat will seek to leverage the consultative process set forth to formulate the long-term vision (see the Secretariat’s management response to Recommendation 1) to solicit input and feedback from all relevant stakeholders in the broader GEF Partnership. The Secretariat will revisit and propose to discuss, within the governance process of the GEF-8 replenishment decisions and as part of the GEF-8 SGP Strategy, adapted modalities defining the following dimensions: universal country access; upgrading policy; and the proportion of total GEF Small Grants Programme resources dedicated to flow directly to CSOs in the context of the overall resource envelope and strategy of the SGP and the GEF-8 GEF SGP Implementation Arrangements to be presented at the 62nd Council (see also the Secretariat’s management response for recommendation 9). The results and conclusions of these analyses and consultations will be incorporated in the forthcoming GEF-8 replenishment documents and GEF SGP Implementation Arrangements for GEF-8.

RECOMMENDATION 3

(to the GEF and UNDP). The SGP should reconsider whether it needs a continued upgrading policy. If upgrading is maintained, the SGP should rethink the means for its implementation in order to reduce the risk borne by countries and CSOs. This applies to all stakeholders involved in policymaking for the SGP. This would include a revision of the upgrading criteria, as recommended in the 2015 evaluation, as well as implementation arrangements and operational modalities. The two cycles of upgrading have brought to light significant challenges that need to be taken into consideration if and when continuing to upgrade countries. The revised policy should be focused on CSO capacity and potential for global environmental benefits and should consider the effects of upgrading on transaction costs, operational considerations, risks in all fiscal contexts; and also consider the risks in having small community projects go unfunded. To conserve the high levels of efficiency when transitioning from global programme to upgraded status, assumptions about civil society capacity and the CSO-government relationship need to be examined on a case-by-case basis.

7. The Secretariat takes note of this recommendation. The Secretariat appreciates the findings and conclusions arising from this evaluation related to the opportunities, challenges and risks associated with the current upgrading policy and the potential need to re-examine the upgrading Policy. As indicated by this evaluation, the upgrading process has brought some benefits (such as access to greater resources for more mature country programs), but it has also been unfavorable in other aspects, including the uncertainty of access to recourses and competition from other country priorities.

8. The Secretariat will work with UNDP to take stock of challenges and risks associated with the current upgrading policy and discuss the feasibility of adopting different criteria and operational modalities, taking into account CSO capacity, CSO-government relationship and potential for global environmental benefits. The findings and conclusion of this review and consultations will be incorporated in forthcoming GEF-8 replenishment documents and GEF SGP Implementation Arrangements for GEF-8.

RECOMMENDATION 4

(to the Central Programme Management Team). The ways that SGP interventions are packaged, such as strategic initiatives, focal area results, innovation programmes and Grantmakers Plus initiatives, should be simplified. A small number of thematic frameworks (e.g., landscape/seascape approach) may be adopted to steer or shape programming, incentivize innovation or address urgent and emerging issues, but the pace of change should be slow enough to allow for local adoption and internalization by local communities.

9. The Secretariat takes note of this recommendation and will provide support and collaboration, as needed, to the Central Programme Management Team in line with UNDP's management response to this Evaluation. The Secretariat will specifically work closely with UNDP to ensure that the SGP strategy for GEF-8 is aligned with the forthcoming GEF-8 Programming Directions and Policy Agenda.

RECOMMENDATION 5

(to the SGP Global Steering Committee and the Central Programme Management Team). As recommended in the 2015 joint evaluation, the SGP should review and re-energize its governance at the global and national levels. This will help to avoid misunderstandings and strengthen the relationship, through revised terms of reference, improved communication, agreed operational language or more frequent meetings. At the national level, the Terms of Reference of the national steering committee should be reviewed with emphasis on building synergies with the national UNDP programmes and creating spaces for new committee members that could help in increasing the broader adoption of SGP small grant projects (such as including members with expertise in building business models or inclusion of private sector representatives).

10. The Secretariat welcomes this recommendation and stands ready to support UNDP and the Central Programme Management Team in line with UNDP's management response to this Evaluation that specifies their commitment to review and re-energize its governance at the national and global levels, including the GEF Steering Committee lead by the GEF Secretariat.

RECOMMENDATION 6

(to the Central Programme Management Team). The SGP should test new ways to track and aggregate the intangible results generated by countries benefiting from SGP inputs such as the benefits received from its capacity-building activities, monitoring and evaluation, communications and knowledge management. There should be a systematic process in which the global programme countries benefit from the experiences of the upgraded countries and vice versa. At the country level, the SGP should be able to track the evolution of the grantees they support and the broader adoption of activities that have been implemented, to maximize the space for innovation and support the evolution of its grantees. The team should continue to ensure that adequate knowledge management strategies are in place with related capacity to implement these strategies, so as to allow the maximization of broader adoption opportunities stemming from SGP initiatives.

11. The Secretariat takes note of this recommendation and will support the Central Programme Management Team, as needed, in line with UNDP's management response to this Evaluation. The Secretariat will further work to ensure that the SGP strategy for GEF-8 is aligned with GEF Policies and Guidelines and forthcoming GEF-8 Policy Agenda, including ensuring that SGP adopts a results framework that is compatible and aligned with the GEF-8 results architecture, while taking into consideration the feasibility of and capacity for applying them at the community level, and the GEF forthcoming strategy on knowledge management and learning.

RECOMMENDATION 7

(to the Central Programme Management Team, UNDP, and the GEF). The approach to and measurement of sustainability in the SGP should be improved to capture the tangible and

intangible benefits of the programme. A first layer of sustainability could be measured at the level of small grant projects, while another could be measured at the level of grantees. A measure of sustainability in this context may be whether the organizations continue to operate in the environmental space after the SGP grant is concluded. A scale of CSO capacity could be devised that would allow for long-term tracking of SGP grantees and their progression along the development continuum, especially for those who receive repeat funding or whose activities are replicated or upscaled through new projects.

12. The Secretariat takes note of this recommendation. The Secretariat would like to highlight that since OPS-6⁴ we have been engaged in multiple studies on sustainability of GEF investments, together with the GEF Independent Evaluation Office (IEO) and STAP. The latest paper to the 57th Council in December 2019⁵ suggested a framework for sustainability that centered around four main, interconnected themes: (1) theory of change, (2) multi-stakeholder processes, (3) stakeholder involvement and (4) adaptive learning. These 4 themes are interwoven into the life cycle of every GEF project and program, to varying degrees, through a series of underlying programming choices, policies, strategies, and actions. The Secretariat has already put in place many elements that address these dimensions. Demonstrating sustainability takes time, with very long feedback loops, and while the effects of any steps that are being taken cannot be assessed in the near term, the GEF is indeed intensifying action in its portfolio on key dimensions of sustainability.

13. There are additional considerations with respect to sustainability in the SGP context. As stated in UNDP's management response: *"SGP often operates in a 'first mover' capacity that provides seed funding for pilot and demonstration projects, which are often followed by multiple investments by SGP and other funding over subsequent operational phases to ensure sustainability and scale-up of project successes. Communities targeted by the SGP are often the poorest and most vulnerable with typically low capacities to adequately address global environmental problems, which in turn can hinder community-based project sustainability. In addition, the SGP operates in many fragile environments with political and economic instability and other macro factors that impact sustainability."*

14. In the context of this evaluation and this recommendation, and building on the work already being done in the wider GEF portfolio, the Secretariat will work with UNDP and the CPMT to understand more deeply the factors that influence sustainability in the SGP, and the ways in which these factors can be influenced within the parameters of the program. Sustainability considerations can also be discussed as part of efforts to develop an appropriate approach to capture the intangible benefits of SGP interventions (see response to recommendation 6) as well

⁴ GEF/ME/C.53/Inf.01, *Sixth Comprehensive Evaluation of the GEF (OPS6)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf

⁵ GEF/C.57/08, *Towards Greater Durability of GEF Investments*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.57_08_Towards%20Greater%20Durability%20of%20GEF%20Investments_0.pdf

as in the formulation of an updated long-term vision for the SGP (see response to recommendation 1).

RECOMMENDATION 8

(to the Central Programme Management Team). The team should create operational mechanisms to improve and incentivize innovation and business-oriented approaches in country programmes. These mechanisms would maximize the potential for environmental benefits and social inclusion while creating opportunities for long-term viability of supported SGP small grants. The social economy model provides a useful avenue for the SGP to expand to new beneficiaries and to optimize the sustainability of its results. Enhanced and more systematic synergies between UNDP and the SGP at the country level could facilitate this process. Examples include priority selection of innovative projects, varied scales of financing for business-oriented initiatives, and the broader adoption of SGP small grant projects into UNDP programming.

15. The Secretariat welcomes this recommendation and will seek to collaborate with UNDP and the Central Programme Management Team to leverage linkages with the newly approved GEF Private Sector Engagement Strategy and lessons learned from the GEF Non Grant Instruments (NGI). During GEF-8, the GEF's ambition is to build on experiences with micro-credits in a number of SGP Country Programmes and to explore modalities to further promote sustainable livelihoods through i.e. greater collaboration with local micro-financing entities; and to support and accompany the creation of micro, small and medium enterprises at the local and community level.

16. The Secretariat will also explore options to expand SGP Dialogue Platforms towards a greater engagement of the private sector to leverage its potential to support sustainability at the local level and to provide opportunities for local communities to engage in policy dialogues with national and local governments. The collaborative work and findings of these efforts is expected inform the GEF SGP Implementation Arrangements for GEF-8 and to serve as a broader SGP guiding framework for future GEF replenishment periods.

RECOMMENDATION 9

(to the GEF). The GEF Secretariat should apply the explicit, accepted accounting standards that are applied to the rest of the GEF portfolio when assessing SGP management costs. The appropriateness of the level of management expenditures should be a factor of the level of management activities that are required. Programmatic activities related to CSO capacity-building, monitoring, knowledge, technical assistance and communication should not be considered part of the management cost even if they are expenditures incurred by UNDP and UNOPS in their capacity as implementing agency and executing agency. Further discussion on this matter between the GEF and the UNDP should take place on the basis of clarification as to the future vision of the SGP. The next GEF replenishment may wish to consider setting benchmarks for programmatic costs in relation to the demands placed on and resources provided to the SGP.

17. The Secretariat takes note of this recommendation and understands that there could be some confusion related to the definition of management costs when applied to GEF SGP as a GEF Cooperate Program. The Secretariat fully agrees, with this Evaluation, that the calculation of SGP's management costs should not extend to services to CSOs and costs for activities related to CSO capacity-building, monitoring, knowledge, technical assistance and communication.

18. The Secretariat wishes to highlight the fact that the important point of substance that this recommendation indirectly refers to, however, is the issue of the proportion of the total SGP core program resources directly financing Civil Society Organizations. SGP serves as an important direct funding mechanism to civil society and community- based organizations. The Secretariat has in the past tracked the proportion using the methodology as defined and calculated in the Joint IEO-UNDP SGP evaluation of 2008⁶. This proportion remains a valuable marker of SGP operations. As per the recommendation, the Secretariat commits to continuing this conversation with UNDP in the context of formulating the longer-term vision of the SGP (see recommendation 1).

19. It is worth noting that the Secretariat has been working closely with UNDP, in GEF-7, to increase the proportion of grants flowing to CSOs, while also ensuring adequate funding for capacity building, knowledge management, monitoring and evaluation, as well as the needed technical assistance and communication for the program as a whole. The Secretariat will consult and work with UNDP to, as part of setting the long-term SGP vision, make sure that SGP program resources flowing directly to CSOs are carefully defined in terms of terminology, methodologies and resources. The Secretariat will seek to align with IEO's recommendation that the next replenishment should consider setting benchmarks for programmatic costs. We also propose that the next replenishment considers setting a proportion of the total SGP financing to flow to CSOs in the context of the overall resource envelope and strategy of the SGP and the GEF-8 GEF SGP Implementation Arrangements to be presented at the 62nd Council. The collaborative conclusion of this effort is expected to inform the GEF SGP Implementation Arrangements for GEF-8 and to serve as a broader SGP guiding framework for future GEF replenishment periods and for project approval.

CONCLUSION

20. The Secretariat expects that many of the actions pertaining, in our management response, to the specific recommendations identified above, will commence in 2021 and will be part of the consultations and development of the GEF-8 replenishment documentations. Apart from regular monitoring and reporting as part of the GEF APMRs and Scorecards, it is envisaged that the outcome of the analytical and consultative work in 2021 and early 2022 will be incorporated in forthcoming GEF-8 replenishment documents and GEF SGP Implementation Arrangements for GEF-8, as well as through the IEO's standard Management Action Record.

⁶ <https://www.gefio.org/sites/default/files/documents/reports/sgp-2008.pdf>

(The 2021 IEO-UNDP joint evaluation did not repeat the 2008 exercise and therefore does not inform this important point)