

63<sup>rd</sup> GEF Council Meeting  
November 28 – December 2, 2022  
Virtual Meeting

Agenda Item 06

**GEF SMALL GRANTS PROGRAMME 2.0  
IMPLEMENTATION ARRANGEMENTS FOR GEF-8**

**Recommended Council Decision:**

The Council, having reviewed GEF/C.63/06/Rev.01, *GEF Small Grants Programme 2.0 Implementation Arrangements for GEF-8*:

- i. endorses the proposed arrangements,
- ii. approves the approach and timeline to start the selection process in 2023 of up to two new Agencies from the existing cohort of accredited GEF Agencies to serve, in addition to UNDP, as Core SGP Implementing Agencies, and that a portion of SGP Core resources is opened to these agencies to begin implementation during the GEF-8 period,
- iii. approves an amendment to paragraph 3.c of the *Agency Fee Policy (FI/PL/03)* to specify that fees for the Small Grants Program are set at 9.0%.

## **ACRONYMS**

CBO	Community-based Organization
CSO	Civil Society Organization
GEB	Global Environmental Benefits
IPLC	Indigenous Peoples and Local Communities
MEA	Multilateral Environmental Agreement
MFI	Micro Finance Institutions
MSME	Micro, Small & Medium Enterprises
PIR	Project Implementation Report
PMC	Project Management Cost
SGP	Small Grants Programme
STAR	System for Transparent Allocation of Resources

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## I. INTRODUCTION

1. This document sets out the framework of implementation arrangements for the GEF Small Grants Programme (SGP) in GEF-8. It aligns closely with the renewed ambition, size and objectives for SGP 2.0 endorsed by GEF-8 Replenishment Participants as well as evaluative evidence and lessons learned from the recent Joint Evaluation of the Programme<sup>1</sup>. Further to the SGP Strategy of the GEF-8 Programming Directions<sup>2</sup> and the subsequent Position Paper of the 62<sup>nd</sup> Council,<sup>3</sup> this document provides additional details on the financing model, governance and operational structure of the Programme as well as other cost efficiency and reporting measures.

2. The GEF SGP Corporate Programme has been a unique and essential element of the GEF's work since its establishment in 1992. It has consistently provided a highly important avenue to work closely with civil society organizations (CSOs) and community-based organizations (CBOs) in support of the GEF's mission and mandate. It has served as an essential piece of the GEF's larger and increasing efforts to support inclusion and strong engagement of civil society stakeholders and partners, providing financing as well as technical and capacity building support to Indigenous Peoples, local communities, women and youth.

3. During the GEF-8 Replenishment negotiations, the GEF Secretariat reiterated that to deliver on the GEF ambition to contribute to a green and blue recovery and a healthier, more productive and resilient planet necessitates a renewed effort from the GEF to maximize engagement of non-state actors and strategically engage new organizations and partners at the global and local levels. The GEF-8 Replenishment negotiations reiterated the centrality of local innovation and civil society actions and coalitions in meeting global environmental goals. Participants in the GEF-8 Replenishment confirmed that civil society makes a vital contribution to all areas of sustainable development, that an important characteristic of a well-functioning state is synergy between government, civil society and the private sector, and that local actions conceived and executed by civil society organizations (CSOs) and community-based organizations (CBOs) provide bottom-up approaches critical to conserving and restoring the environment.

4. The Negotiations further reiterated the imperative role of the GEF Small Grants Programme (SGP) to continue complement the many other GEF engagements through its GEF-wide, dedicated, demand-driven grant mechanism for local actions and support to CSO, CBOs, indigenous peoples and local communities, and marginalized groups. The GEF-8 Replenishment confirmed the objective for SGP 2.0 to: *"Catalyze and mobilize civil society actors and local actions needed to address major drivers of environmental degradation and help deliver multiple*

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<sup>1</sup> GEF/E/C.60/01, Joint Evaluation of the GEF Small Grants Programme (2021)

<sup>2</sup> GEF/R.08/29/Rev.01, GEF-8 Programming Directions

<sup>3</sup> GEF/C.62/Inf.16, GEF Small Grants Programme (SGP) 2.0: Position Paper on Implementation Arrangements for GEF-8, [https://www.thegef.org/sites/default/files/documents/2022-06/EN\\_GEF\\_C.62\\_Inf.16\\_GEF%20Small%20Grants%20Programme%202.0%20-%20Position%20Paper%20on%20Implementation%20Arrangements%20for%20GEF-8.pdf](https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF_C.62_Inf.16_GEF%20Small%20Grants%20Programme%202.0%20-%20Position%20Paper%20on%20Implementation%20Arrangements%20for%20GEF-8.pdf)

*benefits across the GEF's mandated thematic dimensions, while promoting sustainable development and improved livelihoods".*

5. SGP 2.0 incorporates the longstanding history of successful community-based grant-making and capitalizes on the products and lessons learned developed over 30 years of SGP implementation. It builds on the solid foundation already established by UNDP, acts on the commitments made through the GEF-8 replenishment as part of the GEF-8 Strategy, and responds directly to the findings and recommendations of the joint IEO Evaluation of SGP<sup>4</sup> (see Annex 1).

## **II. SGP 2.0 GUIDING PRINCIPLES**

6. The SGP 2.0 will: (i) strengthen alignment with the GEF-8 strategy and focal area priorities as well as delivery of the Integrated Programs; (ii) enhance its already important role in supporting and delivering on Multilateral Environmental Agreement (MEA) and Sustainable Development Goals (SDGs) commitments; and (iii) extend SGP implementation roles to other GEF Agencies and explore new partnerships and approaches.

7. Consistent with GEF-7 SGP implementation arrangements<sup>5</sup> and the GEF-8 Strategy, the following five priorities and strategic approaches will guide SGP grantmaking at the national level<sup>6</sup>, including:

- (i) community-based management of threatened ecosystems and species,
- (ii) sustainable agriculture and fisheries, and food security,
- (iii) low-carbon energy access and co-benefits,
- (iv) local to global coalitions for chemicals and waste management, and
- (v) catalyzing sustainable urban solutions.

8. SGP grantmaking will be guided by the following cross-cutting priorities:

- (i) Increasing opportunities for local innovations and scaling up: Provisions and priority to further invest and facilitate opportunities for innovation and scaling up through: (i) facilitating broad-based engagement across partnerships and multi-stakeholder alliances to test new approaches through CSOs; (ii) scaling up finance for community-based actors including micro and small businesses and enterprises to support local innovations and global environmental benefits; and (iii) identify and leverage previous successful SGP grants to be scaled up in GEF-8 to support the delivery of the GEF-8 Strategy, Programming Directions and or Integrated Programs.

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<sup>4</sup> GEF/E/C.60/01, Joint Evaluation of the GEF Small Grants Programme (2021).

<sup>5</sup> [https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.54.05.Rev.\\_01\\_SGP.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.05.Rev._01_SGP.pdf) para 24 -30.

<sup>6</sup> SGP Country Programs and any SGP grantmaking may focus on only one or a few of these areas.

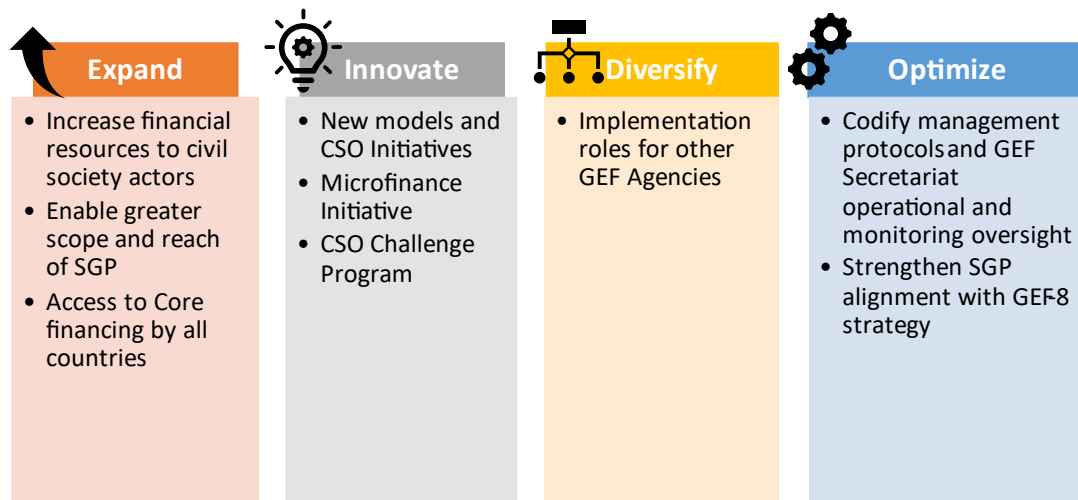
- (ii) Enhancing approaches to strengthen social inclusion: In alignment with GEF Policies and guidelines on stakeholder engagement and gender equality<sup>7</sup>, SGP 2.0 will support decision-making of women, youth and Indigenous Peoples and Local Communities (IPLC) through: (i) targeting women and women groups as SGP grant beneficiaries; (ii) supporting women’s voice at all levels including in the SGP national governance structure and SGP project design and implementation; (iii) supporting Indigenous Peoples to benefit from, engage in and lead SGP grant activities; and (iv) accelerating approaches to ensure youth perspectives in community, national and international discourses, promoting youth participation in the SGP project design and implementation, and targeting youth and youth groups as SGP grant beneficiaries.
- (iii) Leveraging private sector and business-oriented approaches: In alignment with the GEF's Private Sector Engagement Strategy <sup>8</sup> and building on the UNDP SGP guidance note on Private Sector Engagement, SGP is encouraged to further support multi-stakeholder platforms and dialogues to seek greater scale and impact as well as leveraging private sector entry points at local, national and global levels.

**III. SGP 2.0 KEY FEATURES**

9. The key features of SGP 2.0 incorporate 4 pillars: expansion, innovation, diversification, and optimization.

**Figure 1: The 4 Pillars of SGP 2.0**

**GEF-8: 4 Pillars for SGP 2.0 Implementation**



<sup>7</sup> [https://www.thegef.org/sites/default/files/documents/Gender\\_Equality\\_Policy.pdf](https://www.thegef.org/sites/default/files/documents/Gender_Equality_Policy.pdf), [https://www.thegef.org/sites/default/files/documents/Stakeholder\\_Engagement\\_Policy\\_0.pdf](https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Policy_0.pdf)

<sup>8</sup> [https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF\\_C.58\\_05\\_GEFs%20Private%20Sector%20Engagement%20Strategy\\_0.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.58_05_GEFs%20Private%20Sector%20Engagement%20Strategy_0.pdf)

10. SGP 2.0 is designed to achieve the following objectives:

**a. Expand SGP financing envelope**

- Enable greater scope and reach of SGP projects and programs.
- Ensure access to SGP core financing for all eligible GEF countries, within the scope of the GEF-8 financing framework. Building on IEO findings and conclusions, the SGP upgrading policy will no longer apply<sup>9</sup>.

**b. Innovate with complementary delivery models**

- Pilot and test new approaches to support youth, women and Indigenous Peoples through enhanced access to financing and technical assistance and increased capacity to effectively contribute to conservation and environmental outcomes.
- Pilot and test new and complementary approaches to achieve Global Environmental Benefits (GEBs) at the national and regional levels through the Microfinance Initiative and the Challenge Program.

**c. Diversify Implementing Agencies**

- SGP 2.0 implementation roles will be opened to up to two new Agencies, in addition to UNDP. The two additional agencies will be selected from the existing cohort of accredited GEF Agencies. This is expected to facilitate countries' access to complementary expertise, help reduce concentration of GEF funding among Agencies, bring new institutional and organizational strengths, and support new opportunities for innovation and engagement
- Launch of two new CSO programs that will be open to all GEF agencies. This will bring new complementary expertise, institutional and organizational strengths, and support opportunities for innovation and new engagements.

**d. Optimize use and impact of SGP resources**

- Enhance SGP management and operational oversight including: (i) improve cost efficiency of SGP and maximize the proportion of SGP financing ultimately reaching CSOs and CBOs; (ii) strengthen reporting and monitoring standards; and (iii) expand the GEF Secretariat's monitoring and oversight functions and coordination role.
- Leverage opportunities to align with GEF strategies and scale up, including in the delivery of the GEF-8 Integrated Programs.

11. Consistent with these 4 pillars, the expanded SGP 2.0 incorporates several new features. These include: (i) opening up SGP core implementing roles with up to two new agencies, in addition to UNDP; (ii) provisions for two new CSO initiatives, including a Challenge Program and

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<sup>9</sup> The term "upgrading" refers to the transition of the longest standing and most mature SGP country programmes (excluding LDCs and SIDS) to a new funding regime reliant on access to country STAR resources. GEF IEO evaluation indicated that the SGP Upgrading Policy, introduced in GEF 5, placed the SGP within the STAR allocation and increased the influence of government.

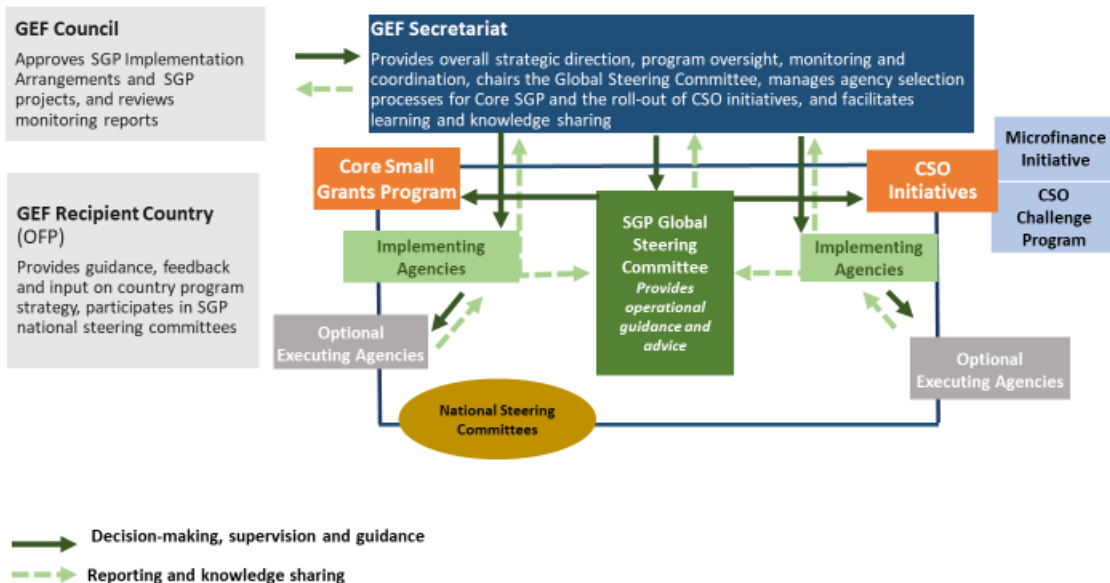


a Microfinance Initiative; (iii) expanded role of the GEF Secretariat in terms of direct program oversight and monitoring; and (iv) elimination of the upgrading country policy with provision that core SGP resources are allocated equally across eligible countries. During GEF-8, the process to select new Implementing Agencies for the SGP core will start in 2023 and a portion of SGP Core will be allocated to these agencies. All GEF agencies will have the opportunity to come into the SGP space through the two new CSO initiatives. To facilitate the operationalization of SGP 2.0, the GEF Secretariat will lead the development of operational guidelines in consultation with relevant stakeholders.

**IV. GLOBAL GOVERNANCE ARRANGEMENTS**

12. The SGP 2.0 global governance structure comprises the necessary renewed constitution and roles and of the SGP Global Steering Committee, GEF Secretariat, and SGP Implementing Agencies. It considers new features relating to introduction of CSO initiatives, the need for the GEF Secretariat to provide oversight continuous monitoring and reporting and the importance of the global SGP Steering Committee for program guidance and decision making.

**Figure 2: SGP 2.0 Global Governance Arrangements**



**Roles and Responsibilities**

13. The roles and responsibilities of each entity in the SGP 2.0 global governance arrangements are described below.

**GEF Council:** Endorses SGP Implementation Arrangements, approves funding for projects covering multiple countries submitted by GEF Agencies, receives reports and reviews implementation progress and results.

**GEF Secretariat:** Provides the strategic direction and manages the operationalization of SGP 2.0 along the Implementation Arrangements per Council decisions. It provides the program oversight and monitoring, manages the agency selection processes of Implementing Agencies, and leads the development of the operational guidelines of the program. It chairs the SGP Global Steering Committee.

**SGP Global Steering Committee:** Provides periodic operational guidance for SGP within the parameters of these Implementation Arrangements. It provides strategic guidance, oversight of progress, and any strategic issues arising during SGP implementation. The GEF Secretariat chairs the Committee and leads the process to update the Committee's Terms of Reference which will be included in the operational guidelines to be developed by the GEF Secretariat. In GEF-8 the Secretariat will strategically expand the membership and increase the frequency of meetings to strengthen the role and effectiveness of the SGP Global Steering Committee to support the operationalization of SGP 2.0.

**SGP Implementing Agencies:** The GEF Secretariat manages the process to select up to two additional SGP Implementing Agencies in addition to UNDP to serve as implementing Agencies for the SGP core program during GEF-8. Other Implementing Agencies can be selected to serve as implementing agencies for the two CSO Initiatives. Implementing Agencies will coordinate and develop SGP project proposals following the operational guidance developed by the GEF Secretariat. Implementing Agencies will contribute to SGP global knowledge and coordination, information sharing, communication, and engage in the long-term SGP visioning exercise. Implementing Agencies are encouraged to work with local executing agencies, ideally to be identified among local CSOs. In case local capacity constraints do not allow for national executing agencies to be identified, the Implementing Agencies will work with an international executing agency. The GEF SGP Implementing Agency remains fully accountable for the use of GEF resources, in accordance with GEF policies and its Financial Procedures Agreement with the Trustee.<sup>10, 11</sup>

## **V. NATIONAL GOVERNANCE ARRANGEMENTS**

14. The SGP operates in a decentralized and country driven manner. The form of agreement between SGP Implementing Agencies and countries is not prescribed, however the following overarching principles apply to the operational structure and arrangement at the country level:

**Transparency.** Overall processes and procedures are clearly and transparently described and articulated in the PIF.

**Inclusiveness:** A wide range of stakeholders including NGOs, academic and scientific institutions, CSOs and CBO, including women and youth participate in the development

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<sup>10</sup> Minimum Fiduciary Standards for GEF Agencies.

<sup>11</sup> Separation of implementing and executing functions (within GEF Agency or among GEF Agency and grantee) nevertheless must be maintained in accordance with GEF Policy on Minimum Fiduciary Standards.

of SGP Country Programmes. An independent multi stakeholder national steering committee should be provided opportunity to participate in the allocation of resources and decision-making of SGP grant-making.

**Independence:** As a mechanism to provide demand-driven grants to CSOs and CBOs, SGP operates at the country level through a multi-stakeholder National Steering Committee Operational. This ensures a transparent and decentralized SGP grant mechanism, respecting the consensual nature of decisions by an independent a steering committee.

15. The roles and responsibilities of each entity in the Core SGP program’s national governance arrangements are as follows:

**SGP Executing Entities:** SGP Implementing Agencies may use SGP Executing Entities, but it is not a requirement.<sup>12</sup> SGP Executing Entities receive funds from the SGP Implementing Agencies and execute SGP projects in accordance with respective SGP Implementing Agency policy and procedure and the terms of financing and other agreements among them. Executing Entities are accountable to SGP Implementing Agencies and manage project budgets in accordance with SGP Implementing Agency requirements. In cases where SGP Executing Entities are used, engaging national entities is strongly encouraged, including civil society organizations, insofar as the entity meets the SGP Implementing Agencies’ fiduciary and other standards. In cases where the SGP Implementing Agency may already have established policies and procedures to work directly with CSO/CBO/NGO grantees that the Agency has identified as having sufficient capacity, the Agency may opt to provide funding directly to such entities and give them the role of executing agency. In such cases, the grantee may assume functions traditionally carried out by executing entities, under the supervision and oversight of the SGP Implementing Agency. In all cases, the required separation of implementing/supervising functions by the SGP Implementing Agency and executing functions (either by the SGP Agency or the grantee) must be preserved, and the GEF SGP Implementing Agency remains fully accountable for the use of GEF resources, in accordance with GEF policies and its Financial Procedures Agreement with the Trustee.

**National Steering Committees:** A multi stakeholder Steering Committee ensures participatory, independent and transparent procedures for grant selection. It further provides guidance for the use of SGP resources in the country, participate in the development of SGP country strategy and approves SGP grants to CSOs and CBOs along GEF and country priorities. The GEF OFP or equivalent should participate in the National Steering Committee. Non-government members should, however, comprise the majority of its decision-making membership, including individual members from CSOs, CBOs, academia, private sector, government, and the SGP Implementing Agency.

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<sup>12</sup> Separation of implementing and executing functions (within GEF Agency or among GEF Agency and grantee) nevertheless must be maintained in accordance with GEF Policy on Minimum Fiduciary Standards.

Membership is without monetary compensation.<sup>13</sup> Further details on the terms of reference of the national steering committees will be included in the operational guidelines to be developed by the GEF Secretariat.

**Recipient Country Governments:** The GEF Operational Focal Point decides whether to request an SGP program. The Government should also be represented in the National Steering Committee, provide guidance on the use of SGP grants consistent with GEF and country priorities and decide on the use of additional STAR resources. SGP implementation is a multi-stakeholder country-driven process; the recipient country government is therefore expected to support a demand driven and independent SGP grant decision making mechanism.

## VI. RESOURCE ALLOCATION

16. In GEF-8, the SGP grantmaking component is financed from the following sources:

- (a) proportion of the global resource allocation agreed by the Participants to the Eighth replenishment of the GEF Trust Fund (“core funds”);
- (b) countries’ allocations under the System for Transparent Allocation of Resources (STAR); and
- (c) co-financing from sources other than the GEF, consistent with the Co-Financing Policy.<sup>14</sup>

17. The GEF-8 replenishment concluded with US\$ 155 million allocated to the SGP (Corporate Program)<sup>15</sup>. Of these, US\$ 135 million will be allocated to SGP Core and US\$ 20 million will be allocated to the CSO Initiatives (US\$ 10 million each, respectively). The SGP Core resources will be operationalized through two tranches which will be split 50/50 into US\$ 67.5 million each. The first tranche will be open to UNDP only to be allocated for a PIF submitted for Council approval in June 2023. In parallel, in 2023 the Secretariat will begin a process to select up to two new Agencies, in addition to UNDP, from the existing cohort of accredited GEF Agencies to serve as Core SGP Implementing Agencies. The second core tranche will be opened later during the GEF-8 period once this selection process is complete. The second tranche of SGP Core will then be open to UNDP and selected Agencies.

18. Core SGP grant allocation to countries will be based on allocations to be made equally across all eligible countries. Provisions may be made towards the end of the GEF-8 cycle to reallocate any unused core funds with a view to promoting the effective and efficient utilization of the GEF-8 SGP envelope. Consistent with IEO findings and recommendations, the concept of

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<sup>13</sup> Project budgets may cover travel, incidental or other expenses (e.g. for local field visits), depending on the nature of the project, policies and procedures of the SGP Implementing Agency and/or executing entity (if applicable).

<sup>14</sup> Policy on Co-financing, FI/PL/01, June 2018.

<sup>15</sup> Summary of Negotiations of the Eighth Replenishment of the GEF Trust Fund, GEF/C.62/03, June 2022.

‘upgraded countries’ that had applied in previous phases, is discontinued. The implication of this will be that all GEF-eligible countries will have access to SGP core resources.

19. The Secretariat will communicate the SGP Core country allocations to eligible countries and GEF Operational Focal Points (OFPs) as per Council decision of these Implementation Arrangements, following the below parameters:

- (i) Each country eligible for GEF resources can access Core SGP resources.
- (ii) Core SGP resources are allocated equally.
- (iii) GEF countries are encouraged to utilize resources from their country’s allocation under the System for Transparent Allocation of Resources (STAR) to top up their SGP grantmaking. Countries may allocate up to 10% of their GEF-8 STAR allocation, to a maximum of US\$ 5 million.
- (iv) SGP Implementing Agencies will submit Project Identification Forms for Council approval, covering groups of countries, inclusive of both Core and STAR resources for the countries covered by the respective PIF(s). Financing amounts are to be listed, by country. SGP Implementing Agencies will work with the OFPs of the respective countries to determine the respective amounts.
- (v) Project Identification Forms submitted for Council approval should be inclusive of both Core and STAR resources, with financing amounts listed, by country.

## VII. COST EFFICIENCY MEASURES AND REPORTING

20. Key elements of the regular financing structure of GEF-financed Projects will apply to SGP projects funded from Core SGP resources plus any added STAR allocation, and the CSO Initiatives. The following breakdown indicates a proposed target to allocate at least 72% of SGP funding directly to grantmaking to CSOs/CBOs<sup>16</sup>. This target has been identified by applying the following proposed ceilings to non-grant activities:

- (a) SGP Implementing Agency fee is 9% for GEF-8 SGP projects, reflecting the level of transaction costs inherent to setting up SGP in countries. This is consistent with the current fee structure for GEF project/program financing above US\$ 10 million and for Agencies accredited through the Pilot Program on Accrediting GEF Agencies<sup>17</sup>. This represents an increase from the current 4% Agency Fee for SGP specified in the GEF Agency Fee Policy, however the 5% fee for execution activities under previous phases will no longer apply.<sup>18</sup> SGP Implementing Agencies will have the flexibility to develop execution arrangements most appropriate to the country contexts.

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<sup>16</sup> This grants/non-grants ratio of 72:28 is also in line with the IEO Technical Paper on Management Costs of the Small Grants Programme, within the Joint Evaluation of the SGP in 2007, [https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.ME\\_C32.2.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.ME_C32.2.pdf).

<sup>17</sup> GEF/C.59/Inf.03, Guidelines on the Project and Program Cycle Policy (2020 Update).

<sup>18</sup> GEF Agency fee Policy: FI/PL/03.

- (b) Project Management Costs (PMC), which finances the costs associated with the executing function of the project, are capped at 10%<sup>19</sup> of the total project cost (net of Agency fee).
- (c) Resources for Monitoring and Evaluation should not exceed 3%, reflecting experiences observed in GEF-financed projects and taking into account needs to monitor a large number of small grants.<sup>20</sup>
- (d) Resources for Knowledge Management should not exceed 3%, within the range of the share of resources use for knowledge management in Full-sized projects financed with GEF-6 and GEF-7 resources.
- (e) Resources for Capacity development and technical assistance activities provided directly by the SGP Implementing Agency (i.e. in addition to activities funded by the grants provided directly to CSOs/CBOs) are capped at 3%, following the average share of resources observed in Full-sized projects financed with GEF-6 and GEF-7 resources.

21. A budget table is provided by Implementing Agencies to the GEF Secretariat for each SGP project for Work Program entry and CEO Endorsement. It includes budget allocation along the key categories of grants to CSOs/CBOs, capacity development and technical assistance, Monitoring and Evaluation, Knowledge Management, PMC, and Agency fee. Details on grant allocation, commitment and disbursement to CSOs/CBOs for each country is expected to be provided at CEO Endorsement/ Approval and during project implementation. During implementation, annual reporting on the use of resources is provided along the key expenditure categories as outlined in the budget table for each SGP project.

22. During project implementation, SGP Implementing Agencies submit to the Secretariat annual Project Implementation Reports for each SGP project, including information on implementation and disbursement progress. Disbursement values are provided by country along the categories listed in the above paragraph. From the onset of GEF-8, this reporting framework also applies to each SGP financing tranche (or projects) funded under resources from GEF cycles earlier than GEF-8, disaggregated by Core and STAR financing. MTRs and TEs will also be required for each SGP project at mid-term and towards project closure.

## **VIII. OPERATIONALIZATION AND TIMELINES**

### **Timeline to Initiate the SGP Implementation Agency Selection Process for the Core SGP Program**

23. The GEF-8 replenishment negotiations reiterated the benefit of opening up implementation roles of the SGP program to additional Implementing Agencies, alongside UNDP. This will be achieved during GEF-8 through (a) selection of up to two new implementing agencies for SGP core and (b) the launching of the two CSO Initiatives.

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<sup>19</sup> Consistent with GEF Project and Program Cycle policy and related Council decisions.

<sup>20</sup> GEF/C.59/Inf.03, Annex 3, Guidelines on the Project and Program Cycle Policy (2020 Update).

24. The Secretariat will select up to two new Implementing Agencies in addition to UNDP from the existing cohort of accredited GEF Agencies to serve as Core SGP Implementing Agencies to partner with local organizations as executing agencies to build ownership and local capacity. This process will start in 2023 through a call for Expressions of Interest (EOI). The terms of references and selection criteria will be defined in the EOI. It is expected that UNDP will submit a PIF for Council approval and first tranche in June 2023. The other portion and SGP tranche are expected to be opened to UNDP and selected Implementing Agencies later during the GEF-8 period.

25. Prior to issuing the EOI, the GEF Secretariat will organize briefings for all Agencies to present and discuss the selection criteria and guidelines for selection.

26. These Additional Core SGP Implementing Agencies would be selected based on the following general criteria:

- (a) **Recognized leadership:** The Agency should demonstrate its capability as a recognized leader and expert in one or several of the five priorities and strategic approaches of SGP and cross cutting priorities.
- (b) **Technical expertise and facility to manage community-based grant-making:** The Agency will have demonstrated leadership and experience supporting CSOs, in particular those representing youth, women and IPLCs, through community-based grantmaking and or capacity-building initiatives. and grant-making to civil society organizations and community groups.
- (c) **Capability of leveraging own resources and ability to operate in multiple countries:** The agency will be required to mobilize co-financing and foster other active (non-financial) engagement from public and private sources.
- (d) **Recognition for knowledge products and Innovations:** The Agency must have an established track record in creating knowledge products and innovations that help engage local stakeholders and countries make informed decisions.

## **SGP 2.0 CSO Initiatives**

27. The two new CSO Initiatives build on the need to further support civil society actors and local environmental solutions to generate global environmental benefits. The two CSO Initiatives are: (i) a CSO Challenge Program, and (ii) a Microfinance Initiative, with US\$ 10 million allocated to each for GEF-8.

28. The CSO Initiatives provide complementary financing windows for the GEF to support and catalyze additional engagement, actions, and sustainable innovations of civil society actors, with the view to enhance their contribution to delivering MEA decisions and the GEF-8 strategy.

### **CSO Challenge Program**

29. The CSO Challenge program will identify, support and catalyze innovations and environmental solutions by civil society actors. It will provide a competitive mechanism for local civil society actors to access financial and technical resources to support scale up of their innovative environmental solutions. It will also create additional opportunities for the GEF to strategically leverage GEF Agencies' expertise and approaches supporting local innovation and action.

30. The program prioritizes youth and youth-led civil society organizations, women and women groups as well as Indigenous Peoples and local communities (IPLCs) to support their important role contributing to climate and conservation outcomes.

31. Eligible activities for the CSO Challenge Program may include, but are not limited to direct financing, capacity building and or technical assistance to civil society groups or individuals. Final beneficiaries of the program must be located in GEF eligible countries.



## **Microfinance Initiative**

32. The Microfinance Initiative will promote financing of micro-enterprises, with a particular focus on incorporating sustainable and environmental practices.<sup>21</sup> It will help address the lack of accessible financing for most vulnerable populations to be resilient to climate change and generate environmental benefits. Access to credit is a constraint for many small firms and smallholder farmers in their daily operations. However, specific financial products at accessible terms need to be designed to help them address climate impacts and environmental challenges. Emerging projects in microfinance are proving that microfinance institutions (MFIs) (i.e., credit cooperatives, NGOs and others) can be strong and effective partners to reach these populations and act as agents of change towards a more sustainable and resilient development path. This requires a transformation in the way such entities conduct their business activities to manage climate risks with the design and delivery of microfinance products and services that target and monitor positive climate and environmental impacts. The Microfinance Initiative under the SGP CSO initiative seeks to support MFIs that will facilitate the use and impact monitoring of inclusive finance to increase microenterprises and low-income households' access to finance for climate and environmental solutions. These can include clean energy and energy efficient products, nature-based solutions, conservation and restoration or adaptation to climate change, particularly with smallholder farmers and MSMEs.

33. Eligible activities may include, but are not limited to the following:

- (i) Capacity building of microfinance institutions in developing internal processes and products to be offered to their clients that target and monitor climate and environmental benefits over time.
- (ii) Technical assistance to be packaged with financial products offered by the MFI for the final beneficiaries.
- (iii) Technical assistance to build alliances and or technology solutions.
- (iv) Design and creation of dedicated financial solutions at accessible terms for climate resilience and positive environmental impacts.

34. All 18 GEF Agencies are eligible to submit proposals to implement these two initiatives. Further technical details will be encapsulated in the subsequent calls for proposals that will be developed and issued by the GEF Secretariat during 2023.

## **IX. RESULTS AND KNOWLEDGE**

35. The SGP 2.0 Operational Guidelines to be developed by the GEF Secretariat will include the core of a common results framework and SGP knowledge management plan.

36. A robust results framework for the SGP 2.0 will be critically important to help measure results and to inform further GEF replenishment periods. GEF-8 Core Indicators will guide

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<sup>21</sup> The focus on microenterprises across GEF projects has been highlighted in a recent evaluation. GEF/E/C.60/05, GEF Engagement with MSMEs.

results frameworks of all SGP projects and continue to guide the focus on delivering tangible Global Environmental Benefits. It will also build on lessons learned to strengthen SGP socioeconomic measurements and indicators in GEF-7 to better account for the scope of SGP results and impacts.

37. For the core Small Grants program the GEF Secretariat will incorporate guidance on the SGP 2.0 results framework in the operational guidelines, building on the SGP GEF-7 results framework. The SGP results framework will capture global environmental benefits across the GEF-8 core indicators and include SGP relevant socio-economic measurements and indicators. These will capture socioeconomic co-benefits and gender-responsive results across SGP beneficiaries including (but not limited to) improved livelihoods, wellbeing and access to finance. Qualitative narrative will further highlight how GEF-financed SGP grants to CSOs and CBOs contribute to outcomes aligned to SGP 2.0 objectives and GEF-8 Programming Directions.

38. Reporting will highlight the specific contribution of civil society and community-based organizations in countries. Every year the SGP Implementing Agency will provide in the Project Implementation Reports (PIRs) the list of organizations to which grants were awarded, as well as the geographic locations of grant activities. This will allow geo-mapping of SGP impacts amounts, when resources reach grantees by country, and through which type of organization. As with regular GEF projects, the PIR will highlight implementation progress and challenges and capture disbursement progress, among other data points. From the onset of GEF-8, this reporting requirement will apply to SGP financing tranche (or projects) funded under resources from GEF cycles earlier than GEF-8, disaggregated by Core and STAR financing. In addition, MTRs and TEs will be submitted for each SGP project at mid-term and towards project closure.

39. Knowledge, learning and communication have been critical ingredients of the success of SGP. Investments in these areas have played an important role in project and grantee sustainability, as well as for the broader adoption of efforts through scaling up and replication. SGP 2.0 will place continued emphasis on learning and require all SGP Implementing Agencies actively contribute to knowledge and learning activities, including aggregating lessons learned in reporting. In collaboration with the GEF Secretariat, the SGP Implementing Agencies will identify areas for further scaling-up of funded activities and engage in GEF corporate activities including, among others, the *Art of Knowledge Exchange* for CSOs.

40. Throughout GEF-8, the Secretariat will facilitate processes to engage countries and other stakeholders in stocktaking of lessons learned to support the implementation of SGP 2.0. These efforts will contribute to building consensus around a longer-term vision of SGP 2.0 and a broader strategy to enhance GEF's engagement with civil society to inform GEF-9.

## ANNEX 1: SGP 2.0 RESPONSES TO THE JOINT IEO EVALUATION OF THE SMALL GRANTS PROGRAMME

Recommendations	GEF Management Responses	SGP 2.0
<p><b>Recommendation 1: to the GEF and UNDP</b> Conduct a consultative process towards the formulation of an updated long-term vision</p>	<p><b>Management Response:</b> Note that a lot of several actions have already taken place to renew the strategic directions and vision for SGP. Work with UNDP and the SGP Steering Committee to conduct a consultative process towards the formulation of a long-term vision for future replenishment periods</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 outlines a new vision for the SGP</li> <li>• Building on early stock taking during development of the SGP 2.0, the Secretariat will facilitate a broader stocktaking of lessons learned of SGP and engage countries and other stakeholders to build consensus around this new vision in GEF-8 that will also serve as a guiding framework for SGP in GEF-9</li> </ul>
<p><b>Recommendations 2. to the GEF</b> Provide the GEF Council and replenishment with an 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.</p>	<p><b>Management Response:</b> Acknowledge that the need to further analysis and adapt the strategic framework of the SGP to improve the relation between its obligation, operational modalities and resources</p>	<ul style="list-style-type: none"> <li>• GEF-8 replenishment concluded on an expanded SGP financing envelope (an increase from 128M in GEF-7 to 155M in GEF-8)</li> </ul>
<p><b>Recommendation 3. to the GEF and UNDP:</b> 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.</p>	<p><b>Management Response:</b> Work with UNDP to take stock of challenges and risks with current policy to discuss feasibility of adopting different criteria and operational modalities.</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 eliminates the upgrading country policy</li> </ul>
<p><b>Recommendation 4: to CPMT</b> Interventions are packaged, such as strategic initiatives, focal area results, innovation programmes and Grantmakers</p>	<p><b>Management Response:</b> Takes note and provide support and collaboration as needed. Work with UNDP to align SGP strategy with GEF-8</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 builds on the landscape/seascape approach and directions as outlined in GEF-7 SGP Core Project.</li> </ul>

Recommendations	GEF Management Responses	SGP 2.0
Plus initiatives, should be simplified.	programming directions and policy agenda	<ul style="list-style-type: none"> <li>• Further details to be elaborated in SGP 2.0 Operational guidelines to be developed by the GEF Secretariat</li> </ul>
<p><b>Recommendation 5: to the SGP Steering Committee and CPMT</b></p> <p>SGP should review and re-energize its governance at the global and national levels</p>	<p><b>Management response:</b></p> <p>Support efforts to review and reenergize governance at the national and global levels, including the SGP global Steering committee.</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 incorporates strengthened role of the Secretariat to provide oversight, ensure coordination and program consistency and provide continuous monitoring and reporting under a new model with more than one SGP Implementing Agency</li> <li>• SGP 2.0 places greater importance of the global SGP Steering Committee for program consistency, monitoring, guidance and decision making</li> <li>• In line with this re-energized governance, the GEF Secretariat will lead the process to update the Terms of Reference of both the national steering committees and the global SGP Steering Committee as part of the operational guidelines to be developed.</li> </ul>
<p><b>Recommendation 6: to CPMT</b></p> <p>Test new ways to track and aggregate the intangible results generated by countries from SGP inputs such as the benefits received from its capacity-building activities, monitoring and evaluation, communications and knowledge management.</p>	<p><b>Management response:</b></p> <p>Notes recommendation work to ensure that the SGP strategy for GEF 8 is aligned with the GEF policies and guidelines and forthcoming GEF-8 policy agenda, including that SGP adopts a results framework that is compatible with the GEF-8 results architecture</p>	<ul style="list-style-type: none"> <li>• Consideration for intangible results of SGP will be considered as part of Rresults framework for SGP 2.0 to be led by the GEF Secretariat.</li> <li>• SGP 2.0 Results framework will build on lessons learned of the GEF-7 SGP results framework and alignment with GEF-8 core indicators</li> <li>• The SGP 2.0 Operational Guidelines to be developed by the GEF Secretariat will include the development of a common results framework</li> </ul>

Recommendations	GEF Management Responses	SGP 2.0
		and SGP knowledge management plan
<p><b>Recommendation 7: to CMPT, UNDP and the GEF</b> The approach to and measurement of sustainability in the SGP should be improved to capture the tangible and intangible benefits of the programme.</p>	<p><b>Management Response:</b> Notes that many studies have already taken place on sustainability of GEF investments towards ensuring sustainability.</p>	<ul style="list-style-type: none"> <li>• Issues of sustainability will be considered as part of the development of the SGP 2.0 operational guidelines and results framework</li> </ul>
<p><b>Recommendation 8: to CPMT</b> CPMT should create operational mechanisms to improve and incentivize innovation and business-oriented approaches in country programmes.</p>	<p><b>Management response:</b> Seek to collaborate with UNDP and CPMT to leverage linkages with the GEF private sector Strategy and lessons learned from NGI. Explore options to expand SGP Dialogue platforms towards greater engagement with private sectors</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 incorporates emphasis on the importance of <i>leveraging private sector and business-oriented approaches in</i> alignment with the GEF's Private Sector Engagement Strategy <sup>22</sup> and building on the UNDP SGP guidance note on Private Sector Engagement.</li> <li>• SGP 2.0 include a Microfinancing Initiative to address the lack of adequate financial solutions for most vulnerable populations to climate change and environmental threats</li> </ul>
<p><b>Recommendation 9: to the GEF</b> 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.</p>	<p><b>Management Response</b> Seek to align with the recommendation that the next replenishment considers setting programmatic costs. Propose replenishment to consider setting a proportion of the total SGP financing to flow to CSOs in the context of the overall resource envelop and strategy of the SGP with the that the next replenishment considers setting benchmarks for programmatic costs</p>	<ul style="list-style-type: none"> <li>• SGP 2.0 incorporates renewed cost efficiency and reporting protocol that will align SGP fee structure and reporting measures with standards applied to other GEF Projects and programs.</li> <li>• SGP 2.0 includes a cap for non-grant budget items to achieve an overall grant ratio of 72%.</li> </ul>

<sup>22</sup> [https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF\\_C.58\\_05\\_GEFs%20Private%20Sector%20Engagement%20Strategy\\_0.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.58_05_GEFs%20Private%20Sector%20Engagement%20Strategy_0.pdf)