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## TECHNICAL PAPER ON MANAGEMENT COSTS OF THE ONGOING JOINT SMALL GRANTS PROGRAMME EVALUATION

**(Prepared by the GEF Evaluation Office)**

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## 1. SUMMARY OF KEY FINDINGS

1. This assessment is provisional in nature. It focuses on assessing the management costs of the GEF Small Grants Programme (SGP) and other comparable programs. This paper does not address issues related to program relevance or effectiveness. Several dimensions of management cost discussed in this report need to be assessed in more detail before final evaluation conclusions can be drawn. Preliminary analysis shows that the management costs of the SGP have been about 28 percent of the total program expenditure. This includes grants made for projects that primarily address program management issues in recipient countries, but excludes the project fee paid to UNDP by the GEF. Including the project fee, the total management cost is about 31 percent of the total SGP commitment (see annex 2). It was found that:

- There is significant variation in management costs in recipient countries. Three factors seem to be driving the variation: higher cost of living drives up the management costs while greater total amount of grants made and greater maturity level of the program seem to lower the management costs.
- Historically about 5 percent of the total project grants (about 4 percent for Operational Phase 3) are for projects that are primarily geared towards addressing management issues in recipient countries<sup>1</sup>.

2. Among the programs reviewed the SGP is the largest both in terms of overall number of grants made and overall level of grant funding at the global level (see table 1). At national levels some of the other programs such as the Eurasia Foundation, the Poor Area Civil Society Program (PACS), Critical Ecosystem Partnership Fund (CEPF), the Indo-Canadian Environment Fund (ICEF) and the Protected Area Conservation Trust (PACT) have grant commitments that are similar to that of the SGP.

3. Preliminary assessment of the reported management costs of the programs reviewed shows that such costs are generally in a band of 20 to 35 percent, but with two outliers, one at 10-12 percent and the other at 41 percent. More research is needed to ensure that fully comparable ranges of management costs are being considered. Preliminary data suggests that the SGP is in the upper middle range of programs for which data could be reliably gathered. However, compared to other programs the SGP provides more services for these costs. It gives more attention to building the capacities of the grantee institutions and to conducting program level M&E (see Annex 1). Compared to most programs that are global in scope the SGP has a more substantial presence in its program countries. Furthermore, it generates substantial amounts of co-funding for the initiatives that are geared towards meeting the global environmental objectives. Thus, the management costs incurred by the SGP seem to match well with the services that it provides.

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<sup>1</sup> These figures were calculated after a summary review of all the project grants that have been made by the GEF SGP. Of about 7500 grants 423 grants – excluding COMPACT grants funded by United Nations Fund (UNF) – were found to be for addressing program management issues of the recipient countries. Further verification of program costs is taking place in some of the current program studies.

4. This assessment remains provisional in nature. Several dimensions of cost discussed in the report will be assessed in greater detail before the final evaluation report is prepared. More in-depth analysis will become available in the final stage of the evaluation. This will include an assessment of the extent to which the “one-size fits all” approach to management of country programs affects the effectiveness and efficiency of the SGP. The evaluation will also look at whether there are opportunities for efficiency gains by changing management cost allocations for different types of country programs. For example, it may be that some country programs can be substantially reduced in management funding without affecting the overall effectiveness of these programs, whereas other programs could benefit from higher management funding, given their particular circumstances or start-up phase of operations.

## **2. BACKGROUND AND METHODOLOGY OF ASSESSMENT**

### **2.1 Background**

5. The GEF Evaluation Office and the UNDP Evaluation Office are jointly carrying out an evaluation of the GEF Small Grants Programme (SGP). The SGP has activities in over 100 countries and is administered by the UNDP. This joint evaluation will focus on assessing the relevance, effectiveness and efficiency of the results of the SGP as well as processes used to further its objectives. The evaluation framework includes: a portfolio review to provide an overview of the SGP activities and results; country studies that will include desk reviews; and country field visits to provide in-depth assessment of results and processes<sup>2</sup>. The evaluation will also include thematic studies to highlight specific issues such as comparable experiences of other small grant programs.

6. This technical paper presents a progress report on the study of management costs of SGP and comparable programs. The objective of this paper is to present an overview of the costs of managing the SGP and to compare these with other small grant programs that have similar characteristics. The information presented here is preliminary and may change as more precise information from case studies becomes available. The assessment of other small grant programs draws largely from information provided in published and unpublished documents, websites and interviews with staff of such programs. This assessment does not attempt to evaluate the other small grant programs. However, based on the information available to the evaluation team, it does broadly categorize these programs on the basis of specific program characteristics so as to facilitate comparisons with the SGP.

### **2.2 Methodology<sup>3</sup>**

7. The universe of this review comprises small grant programs that are focused on development and/or environment issues. The grants programs that focus on development issues were also included in the review because the grants made by such programs generally involve

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<sup>2</sup> Further information on the evaluation background and SGP can be found in the Approach Paper for the Joint SGP evaluation, which can be found at [www.thegef.org](http://www.thegef.org).

<sup>3</sup> The evaluation team acknowledges the assistance provided to it by the staff members of various small grant programs in accessing information related to management and administration of these programs.

working with the local communities and, therefore, these programs are operationally comparable to the SGP in some of their characteristics. For this review, programs with an upper size limit of US \$ 300,000 were considered as a small grants program.

8. The working hypothesis for this assessment is that small grant programs that provide more services will have higher management costs. These services may include M&E, capacity building of the grantee organizations, and generation of co-funding. The reviewed programs have been compared on these and similar issues, as far as possible with the data gathered so far. Table 1 lists the twelve small grants programs, including the SGP, reviewed for this assessment. The programs reviewed were selected opportunistically. Although none of the reviewed programs is comparable with the SGP on all issues and in all aspects, each of them is individually comparable to the SGP on a few or more of the dimensions that have been selected for this analysis. To gather information staff members of the selected programs were interviewed, a web search was undertaken, and a review of published and unpublished literature was conducted.

9. For most of the reviewed programs, the organization managing the small grants program was also managing larger grant programs and in some cases such grant programs accounted for a major proportion of the overall portfolio. In such instances, the larger grant programs of these organizations were excluded from the analysis. For few organizations, however, it was not possible to exclude the larger grants from analysis on some of the parameters. For example, for the CEPF the available data on program management costs pertains to the shared costs for both large and small grant programs. The usage of the pooled program management cost data may introduce a downward bias in estimate for the program management costs for a small grants program. Such an estimate has, however, been used in this review after acknowledging that the estimate may have a downward bias.

10. To calculate the average grant size, whenever available, the data for disbursements and number of grants made for the last two years was used. In other instances, a ball park figure given by the program staff has been used.

11. For assessment of the cost of the SGP program the expenditure information provided by the Central Program Management Team (CPMT) has been used. To assess whether a part of the recipient country program expenses are being met through dedicated project grants the SGP database was analyzed. This analysis is preliminary and, therefore, there is scope for further refinement.

12. The program management costs for some of the individual programs are approximations based on the data provided in publicly available documents. For the Ramsar Wetlands Convention program, the World Bank's Small Grants Program on Civic Engagement and the program of the International Union for Conservation of Nature (IUCN) Netherlands the management costs quoted in this paper are approximations provided by the program staff. Due to the inexact nature of the data on management costs, it is difficult to make precise comparisons across programs. Similarly, the assessment of the emphasis that the different programs place on capacity building and on monitoring and evaluation (M&E) is based on general impressions gained through interviewing program staff and through the literature review.

### 3. KEY FEATURES OF THE SELECTED SMALL GRANT PROGRAMS

13. Table 1 presents the programs selected for this assessment and their key characteristics. Of the programs reviewed, the World Bank Small Grants Program for Inclusion and Participation (1983) and the Ramsar Small Grants Fund (1991) were initiated before the start of the SGP, whereas other programs were initiated later. In terms of total number of small grants made, the Eurasia Foundation with 8400 grants, the World Bank's Small Grant Program with about 7000 grants and Green Grants Fund (GGF) with about 3000 grants are comparable to the SGP that has so far approved about 7500 grants. The remaining programs have made fewer grants ranging from 18 grants by the Indo-Canadian Environment Fund (ICEF) to about 1100 made by the International Union for Conservation of Nature (IUCN) Netherlands.

14. In terms of the overall size of the small grants portfolio, the SGP (USD \$ 180 million) and the Eurasia Foundation (USD \$ 170 million) program are relatively large. The size of other programs ranges from USD \$ 1.1 million for PACT (Belize) to about USD \$ 73 million for CEPF<sup>4</sup>.

15. In terms of geographical coverage the Green Grants Fund (120 countries), the Ramsar Wetlands Convention Small Grants Fund (69 countries), the World Bank's Small Grants Program (65 countries) and the CEPF (34 countries) are operational in all the regions where SGP (100 countries) is operational<sup>5</sup>. While Wetlands for the Future is operational in 22 countries, it is restricted to the Latin America and Caribbean region. Other programs are much smaller in terms of geographical coverage. Among these programs the Overseas Territories Environment Programme (OETP) is an outlier. This program, despite covering geographical areas in the Latin America and Caribbean and in Africa, is restricted only to United Kingdom's 14 overseas territories – where environmental concerns are grave but where the GEF may not work because the countries covered are not eligible for GEF support.

16. In terms of thematic focus nine programs focus primarily on environmental issues and the remaining four focus on broad development themes that may also include environmental issues.

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<sup>4</sup> As per the data for CEPF, updated till February 2007, \$ 89 million of its portfolio was in form of ecosystem grants. Of the Ecosystem Grants, about \$14 m was in form of coordination grants, and about 2% of the grants were for projects that aimed at addressing program management issues. Thus, project grants are estimated to be about \$ 73 million.

<sup>5</sup> The regions referred to here are Asia, Africa, Europe and Central Asia, and Latin America and the Caribbean.

**Table 1: List of Reviewed Small Grants Programs**

No	Organization	Focus	Geographic Scope*	Year of inception	Total number of grants made so far (no. of projects)	Total size of the portfolio (in m US \$)*
1.	The GEF (Small Grants Program)	Environment	Regions: Asia, Africa, ECA, LAC (4) Countries: 100	1992	7500	180
2.	Poorest Area Civil Society Program (PACS), Development Alternatives, India	Development	Regions: Asia (1) Countries: India (1)	2002	160 <sup>6</sup>	18 <sup>7</sup>
3.	International Union for Conservation of Nature (IUCN) – Netherlands	Environment	Regions: Asia, Africa, LAC, ECA (4) Countries: 50	1994	1100 <sup>8</sup>	40 (approx)
4.	Eurasia Foundation	Development	Region: ECA, Asia (1) Countries: (11)	1993 <sup>9</sup>	8400 <sup>10</sup>	170
5.	Overseas Territories Environment Programme (OTEP)	Environment	Regions: LAC & Africa (2) Countries: UK (14 over seas territories)	2002	81	6.8 (approx)
6.	Small Grants Program for Inclusion and Participation (civic engagement), World Bank	Development	Regions: Asia, ECA, LAC, Africa (4) Countries: (65)	1983	7000 (approx) <sup>11</sup>	35 (approx) <sup>12</sup>
7.	Greengrants Fund (GGF), Colorado USA	Environment	Regions: ECA, Asia, Africa, LAC (4) Countries: 120	1993	3000 <sup>13</sup>	12 (approx) <sup>14</sup>
8.	Ramsar Small Grants Fund	Environment	Regions: ECA, Asia, Africa, LAC (4) Countries: 69	1991	200	7.0
9.	Wetlands for the Future	Environment	Regions: LAC (1) Countries: 22 countries	1995	225	2.5
10.	Indo-Canadian Environment Fund (ICEF)	Environment	Regions: Asia (1) Countries: India (1)	2002	18	1.8
11.	Critical Ecosystems Partnership Fund (CEPF)	Environment	Regions: Asia, Africa, ECA, LAC (4) Countries: 34 countries	2001	900	73 <sup>15</sup>
12.	The Protected Areas Conservation Trust (PACT)	Environment	Regions: LAC (1) Countries: Belize (1)	1996	75	1.1

<sup>6</sup> Based on the figures quoted at: <http://www.empowerpoor.com/>

<sup>7</sup> Based on the figures quoted at: <http://www.empowerpoor.com/>

<sup>8</sup> Based on the data provided at: <http://www.iucn.nl/nederlands/publicaties/publicaties/Small%20Grants/BROCHURE.pdf>

<sup>9</sup> <http://www.eurasia.org/about/timeline.aspx>

<sup>10</sup> <http://www.eurasia.org/about/>

<sup>11</sup> Estimated at 300 projects/yr for 23 yrs. For last six years the grants were 400 or more annually.

<sup>12</sup> Estimated @ \$ 5000 per project. For 2005 and 2006 the average grant per project was about \$ 5800.

<sup>13</sup> Global Green Grants: <http://www.greengrants.org>

<sup>14</sup> Estimated based on the data provided in: [http://www.greengrants.org/pdf/annualreport\\_2006\\_guided.pdf](http://www.greengrants.org/pdf/annualreport_2006_guided.pdf)

<sup>15</sup> As per data updated till February 2007, \$ 89 million of the CEPF portfolio was in form of ecosystem grants. Of the Ecosystem Grants, about \$14 m was in form of coordination grants, and about 2% of the grants were for projects that aimed at addressing program management issues. Thus, project grants are estimated to be about \$ 73 million.

17. Information on the upper limit for the grants considered was available for nine programs. The upper limit varied from US\$ 5,000 (the Green Grants Foundation) to about US \$ 300,000 (the Poorest Area Civil Society Program – PACS). The SGP has an upper limit of US \$ 50,000 and it lies in the middle of the spectrum. Although almost all of the grants made by the Eurasia Foundation are below US \$ 50,000 it does not specify an upper limit for its grants. Similarly, although about 70 percent of the grants made by CEPF (during FY 2005 and FY 2006) were below US \$ 100,000, it also does not specify an upper limit.

#### **4. COMPARATIVE ANALYSIS**

##### **4.1 Program structure**

18. Program structure is an important determinant of the efficiency of program management. While a decentralized structure is likely to facilitate faster decisions on grants and higher intensity of monitoring of progress in implementation of projects, it entails higher costs to operate recipient country offices. In comparison, a centralized structure could be expected to be slower in taking decisions on grants and may not be able to intensively monitor progress of implementation. The extent to which decisions to approve individual grants are made at the country level and at headquarters was assessed. Three programs were limited to only one country in terms of their geographical scope. Therefore, in terms of program structure these cannot be compared to the SGP. Although SGP<sup>16</sup> and the World Bank Small Grants Program are headquartered in New York and Washington DC they operate in a decentralized manner through country offices; i.e. each individual country office makes decision on whether a grant should be made and is responsible for monitoring the progress of the grants made. The time taken to decide on grant applications by these decentralized programs varies generally between three to six months.

19. Programs such as the Overseas Territories Environment Program, the Green Grants Fund, the Ramsar Small Grants Fund, the Wetlands for the Future, and the CEPF operate in a centralized manner. The prospective grantees are required to submit applications to the central office. The time taken to decide on grant applications varies from one month to about a year.

20. The Eurasia Foundation falls somewhere in the middle of this spectrum: it is headquartered in Washington but the decisions on grants are made at the regional offices – each of which covers a cluster of countries. It was reported that the Eurasia Foundation takes three to four months on taking decisions on grant applications, however for repeat grantees the process was reported to be quick at around one to two months.

##### **4.2 Average size of grants**

21. Programs that award larger grants are likely to have lower management costs due to lower transaction costs per dollar of grant made. The average grant size for SGP grants is about US \$ 27,000. Overall, the average size of grants ranged from about US \$ 120,000 (ICEF and the Poorest

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<sup>16</sup> There are four subregional programmes of the GEF SGP where a Subregional Coordinator supports clusters of countries. However, in each country, there is a National Focal Person and a National Focal Group..

Area Civil Society Program) to about US \$ 4,000 (Green Grants Fund). The average size of the Ramsar Small Grants Fund grants (US \$ 28,000) and Eurasia Foundation (US \$ 20,000) are the ones that are comparable to the SGP.

### **4.3 Emphasis on capacity building**

22. All programs that were reviewed emphasize capacity building of the grantee and local institutions and of project beneficiaries to varying extent. For some programs for technical assistance related expenses are a major part of the program expenses<sup>17</sup>. The small grants program of the World Bank, the SGP, the Eurasia Foundation and Development Alternatives (India) seem to accord medium to strong emphasis to capacity building. Other programs accord medium level of emphasis to capacity building. The final evaluation will provide more information on this dimension.

### **4.4 Program Monitoring and Evaluation**

23. The reviewed programs monitor the implementation of the project grants at different levels of intensity. Generally speaking centralized programs do not monitor and supervise their grants as intensively as the decentralized grants or the ones that are restricted to one country. However, the CEPF program is an exception. Although its decision making process for grant approvals is centralized, its monitoring and supervision functions are decentralized with the program coordination units operational at the regional/national level playing a key role in the process<sup>18</sup>. As a result, intensity of monitoring of implementation is higher than other programs that have a centralized process for decision making on grant approvals. Among decentralized programs the SGP and the Eurasia Foundation program (which works through regional offices) engage in high intensity of monitoring for their project grants. In these programs, for most projects, implementation progress is likely to have been verified multiple times through field visits. The World Bank's Civic Engagement small grants program, even though decentralized, emphasizes a "light" approach to monitoring by Bank staff who visit projects on an opportunistic basis, and places more control in the hands of grantees through participatory monitoring systems. A similar approach is used by PACS of Development Alternatives (India).

24. Most of the programs track progress only of project outputs. Only the IUCN-Netherlands small grants has developed a program level monitoring system to track progress of its 'Ecosystem and Human Well-being Program' in achieving expected results.

25. The reviewed programs conduct case study cluster evaluations that are either thematic or geographic to know about the program performance. Such evaluations generally focused on identifying best practices and lessons learnt across projects via qualitative and anecdotal evidence. Most respondents stated that periodic cluster evaluations were necessary because they represented a more efficient use of evaluative resources and enabled respondents to focus on specific issues in more detail.

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<sup>17</sup> The Technical Assistance and Program Operations expenses for Eurasia Foundation were about 30% of the total expenditure for financial year 2004 and 2005. Source: <http://www.eurasia.org/publications/ar.aspx>

<sup>18</sup> Based on the "Report of the Independent Evaluation of the Critical Ecosystem Partnership Fund (2006)."

26. Based on preliminary assessment of the reviewed small grant programs, it seems that compared to other programs the SGP accords either higher or comparable attention to monitoring and evaluation.

#### **4.5 Co-financing**

27. The SGP encourages grantees to generate about a dollar of co-finance from other sources for every dollar of SGP funding. Grantees reportedly raised about \$ 1.3 in co-finance. Of this about \$ 0.7 was in cash and about \$ 0.6 was in-kind. Similar to SGP, the World Bank Civic Engagement small grants and the Wetlands for the Future's program also encourage the grantees to find an additional dollar of finance from other sources for a dollar of grant funding. Although programs administered by the Eurasia Foundation and PACT (Belize) encourage grantees to generate co-financing from other sources they are more flexible on the extent to which co-financing is required. In contrast, other programs, such as the Global Green Grants, IUCN Netherlands and PACS, discourage or do not require co-financing. One of the reviewed programs discouraged co-financing due to the apprehension that this may lead to the grantee organization providing lesser attention to the program priorities. For example, staff of one of the reviewed programs felt it was 'too risky' to require co-finance from grantees and they also do not permit small grants to be linked to larger projects 'as they do not wish grants to be used to close gaps'<sup>19</sup>.

### **5. PROGRAM MANAGEMENT COSTS**

#### **5.1 Scale of operation**

28. In terms of scale of operation the SGP is much larger than other small grants program. During the Fiscal Years 2005 and 2006 the SGP made about 1900 project grants and invested more than USD \$ 50 million. The only other program that could be considered comparable to the SGP on both these parameters is the Eurasia Foundation program, which made about 1100 grants and invested nearly USD \$ 30 million. While the small grants program of the World Bank made about 850 grants and Green Grants Fund made about 1100 during FY 2005 and 2006, which is comparable to the number of grants made by the SGP, the total amount invested by these programs was only about US \$ 5 million and US \$ 4 million respectively. Similarly, while CEPF made grants of about 38.6 m during this period, only about 330 grants were made.

29. In terms of number of projects undertaken per country during the last two years, the Eurasia Foundation, which operates in only 11 countries, made more grants (100 approximately) per country than any other program. Single country grant programs such as PACS (30) and PACT (20) are being implemented with a similar number of grants as that of the SGP per country (20). When a similar assessment was made in terms of total grants made in the past two years per country it was found that compared to SGP (\$ 0.5 m), PACS (\$ 3.6 m), Eurasia Foundation (\$ 2.5 m), ICEF (\$ 1.4 m) and CEPF (\$ 1.1 m) invested more money per country of operation. PACT (\$ 0.3 m) and IUCN Netherlands (\$0.3 m) invested comparable, albeit lower, amount per country.

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<sup>19</sup> Based on personal communication with the program staff.

30. Thus, although the SGP is larger than other small grants program both in terms of number of grants made and total grant commitments at the global level, at a local level some of the other programs such as the Eurasia Foundation, the PACS, the ICEF and the PACT have grant commitments that are similar to that of the SGP..

## **5.2 Non-reported country program management costs**

31. A country program may commit funding at the portfolio level on activities that may not be directly linked to any individual project but are essential for the overall effectiveness of the program. Such activities may be project development and management, promoting awareness about the program to generate grant applications, developing a strategic plan for the program, and an evaluation of the program. The normal procedure is to assign such costs as program management costs – i.e. cost of doing business. For greater efficiency in accomplishing such activities grant programs may sub-contract these activities to other organizations. While some program may account for such expenditures as program management costs, others may make dedicated grants for this purpose. In the latter model such program management expenditures will show up as “project grants” in the management information system. Although in some instances such specification of expenses could be due to errors in classification, in most instances this is likely to be due to the pressure on the program administrators to keep their program management expenses low. This issue was looked at to assess the extent to which the reported program management costs are lowered due to this reporting practice of some of such expenses.

32. Preliminary analysis based on the SGP project database showed that even though separate resources had been provided in the line items of the program management budget for Operational Phase 3 for activities such as country program related issues awareness workshops, trainings, monitoring and evaluation, the country programs often financed a portion of their program budget activities through project grants. About five percent of the total grant amount was invested in projects that were actually aimed at improving the functioning of the program (such grants account for six percent of the total number of project grants). Of the amount invested in such projects, 37 percent was in organizing meetings, trainings and workshops for the grantees for country program purposes; 23 percent in public information and communications to promote the SGP program; and, 18 percent in portfolio (or project cluster level) level monitoring and evaluation activities. Other investments (22 percent) were in the form of dedicated projects for addressing program management issues pertained to knowledge management and documentation, planning and strategy development, program advocacy, program administration & technical support.

33. A preliminary assessment of the expenditure on “program management projects” during the different Operational Phases of the SGP shows that during the Pilot Phase such projects accounted for about three percent of the total investment in project grants<sup>20</sup>. During the First Operational Phase, which started in January 1997 and ended in February 1999, this investment

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<sup>20</sup> The date of project approval is the basis for determining the Phase in which a project is approved. However, the SGP project data base does not provide information on the approval date of the projects and the information on the assigned project phase is not very reliable. Consequently, for this analysis to assign projects to their appropriate phases start date of the project – which may often involve a time lag or about a month or more – was used as a proxy.

increased to about five percent<sup>21</sup>. During the Second Operational Phase – which began in March 1997 and ended in February 2005 – the investment in “program management projects” was at six percent of the total project grants. However, during the Third Operational Phase, which is still in operation, this came down to about 4 percent. Thus for SGP in all the phases, especially the First and the Second Phase, a small but significant proportion of the investment was made in the projects that pertained to program management.

34. The tendency to invest in program management projects is, however, not unique to the SGP. CEPF was the only other program for which the review found evidence of a higher amount of grants dedicated for program management costs. For the period FY 2005 and FY 2006 of the total expenditure incurred on the ecosystem grants, 17 percent was in the form of coordination grants and two percent was in form of other grants aimed at addressing program management issues (see annex 3). However, since no coordination grants are anticipated in the remaining period (FY 2007) of the first funding cycle, the long term average for coordination grants is anticipated to be 14 percent of the total grants. An evaluation of the Civic Engagement small grants program of the World Bank acknowledged that of about 500 project grants assessed for the evaluation three had been given to organizations for management of the program. The working paper based on this evaluation notes that these three grants provided help to both the World Bank Country Offices and to the organizations entrusted with grant management and was seen as a means of increasing the capacity of the NGOs selected for the management process.<sup>22</sup> PACT (Belize) has dedicated programs such as Training Grants and Workshop Grants wherein, along with other activities, activities that aid in better implementation of its Small Grants Program are also taken up<sup>23</sup>. However, for PACT the amount invested in such activities in such activities seems to be relatively small.

### **5.3 Reported program management costs (last two years)**

35. Based on the information provided in the annual reports of the programs and by the program staff during interviews, it could be inferred that SGP has a moderate level of program management costs. The reported program management costs vary from 10 to 12 percent of the total program expenditure for the Civic Engagement small grants program of the World Bank<sup>24</sup> to 41 percent for the Eurasia Foundation’s program. For other programs the estimates are within this range or else are not available.

36. The SGP tries to maintain its overall program management cost at about 25 percent of the total program expenditure. The data provided by the CPMT shows that that during Operational Phase 3 the reported program management costs for SGP have been about 25 in FY 2005 and FY

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<sup>21</sup> The period for First Operational Phase includes the bridge period of January to February 1999.

<sup>22</sup> Social Development Working Paper Series (No. 47 /September 2003); the World Bank.

<http://siteresources.worldbank.org/INTSMALLGRANTS/64168360-1113891163797/20507376/SmGP+Evaluation+Final+Report2.pdf>

<sup>23</sup> This assessment is based on the list of project grant summary provided in pages 16 to 22 of PACT Annual Report 2005-06. The number of training grants that are used for program management purposes is very small. Most of these grants are made to the grantees to address issues that are not linked to its small grant program. Therefore, most of such grants cannot be considered as management cost related expenses.

<sup>24</sup> This does not include the country office staff time and resources which are provided voluntarily.

2006. After factoring in the project grants made to address program management issues, this figure increases to 28 percent.

37. It seems that as far as program management costs are concerned the figures for the SGP are comparable to that of other programs. The common middle ground seems to be to have program management costs about 20 to 30 percent of the total program expenditure. For example, CEPF (30 to 34 percent)<sup>25</sup>, Wetlands for the Future (24 percent)<sup>26</sup>, Green Grants Fund (26 percent)<sup>27</sup>, and PACT (27 percent)<sup>28</sup> have program management costs in this band.

38. Although the World Bank small grants program's reported program management costs are about 10 to 12 percent, these costs do not include the country office staff time and resources that are provided voluntarily. Further, the World Bank's program gives lower attention to monitoring and evaluation of the program. These factors together lower the accounted program management costs – the real program management costs could be expected to be substantially higher. The same is true for the Ramsar Convention and Wetlands for the Future small grants programs. The CEPF has a reported program management cost of about 16 to 18 percent but its program management cost figures do not include coordination and management cost grants which are estimated to be about 12 to 18 percent of its expenditure. After correcting for the coordination grants, the management cost for CEPF increases to 30 to 34 percent (see annex 3 for details on estimation). However, due to inclusion of large grants, since such grants tend to have relatively lower cost of management, this estimate continues to have a downward bias<sup>29</sup>. The reported program management cost figures for Eurasia, on the other hand, were on the higher side (41%). However, the Eurasia Foundation has a substantial technical assistance component which is administered at the program level and which, therefore, has the effect of increasing the overall costs for administering the grants portfolio.

#### **5.4 Adjusted program management costs**

39. The actual cost of administering the program should take into account the total grants made excluding grants aimed at addressing program management related issues and should add such grants to the reported management costs. As indicated earlier, in this issue information is available for SGP, CEPF, Civic Engagement small grants program of the World Bank and PACT. For SGP, 5 percent of the total investment in project grants (about 4 percent for Operational

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<sup>25</sup> See annex 3 for working notes for estimates. The World Bank did not charge an agency fee for the CEPF.

<sup>26</sup> This has been calculated from following information: total contribution by US government was about 2.75 million \$, the program management fee was 10% of this amount, and the staff time contributed by the Ramsar Convention Secretariat was valued at 0.5 m. The information is available at: The Wetlands for the Future Fund: A Performance Review of the First Ten Years; page 7. Ramsar Convention for Wetlands.  
[http://www.ramsar.org/wff/wff\\_review\\_2006.pdf](http://www.ramsar.org/wff/wff_review_2006.pdf)

<sup>27</sup> This has been calculated from figures given in the 2006 annual report of the Global Green Grants Funds (page 14-15). The program management costs have been calculated after considering program management expenses, program support expenses and grants committed, but excluding expenses made for fund raising.  
[http://www.greengrants.org/pdf/annualreport\\_2006\\_guided.pdf](http://www.greengrants.org/pdf/annualreport_2006_guided.pdf)

<sup>28</sup> This figure is based on the information provided by the Executive Director, PACT. The figures pertain to all grants program administered by PACT. This said since small grants comprise a major part of the PACT portfolio this figure is fairly reflective of the overall program management costs of PACT's Small Grants Program.

<sup>29</sup> The evaluation team has so far been unable to confirm whether agency fees are paid to the World Bank.

Phase 3) has been on projects that aimed at addressing program management related issues. This reporting practice has the effect of lowering the total reported program management costs by about 17 percent (by 14 percent for Operational Phase 3). Thus, when this is corrected for, the adjusted program management costs for the SGP instead of the reported 25 percent is about 28 percent. If the issue is looked at strictly from the GEF's perspective, a four percent agency fee also needs to be added to the total. Thus, about 31 percent of the total program expenditure is incurred on program management costs (see annex 3 for information on calculation of adjusted program management costs for all programs reviewed).

40. The SGP's program management cost varies considerably among the countries where the program is functional. For example for FY 2005 and 2006 the reported recipient country management costs – including global program level program management costs, UNOPs fees<sup>30</sup> and program management grants – seem to be 20 percent or less in Pakistan (14 percent), Vietnam (20 percent) and Philippines (18 percent) whereas they are 40 percent or higher in Dominica (43 percent), Turkey (47 percent), Barbados (43 percent), Romania (40 percent) and Guatemala (42 percent). Three main factors that seem to be driving this variation: cost of living; total grants made during the period considered and maturity of the country program. For example in Pakistan, Vietnam and Philippines the program management costs seem to be lower due to lower cost of living and more mature programs. Due to higher total amount of investment in grants – despite higher cost of living – program management costs seem to be moderate in Mexico (24 percent) and Poland (26 percent): both country programs annually made grants which totaled a million US dollars - almost twice the average figure for SGP country programs. In Barbados, although the SGP has been in operation since 1994, due to absence of a sub-regional coordinator during the first years of the 21<sup>st</sup> century the program was inactive for a considerable period of time. With the appointment of a new sub-regional coordinator the program is trying to reestablish itself. This coupled with high cost of living in the country program area has led to higher country program management costs.

**Table 2: Management costs per program reviewed – ranges in percentages**

<i>Management costs</i>	%
Small Grants Program for Inclusion and Participation (civic engagement), World Bank	10-12
Wetlands for the future	24
Global Green Grants	26
PACT	27
SGP	28-31
CEPF	30-34
Eurasia Foundation	41

<sup>30</sup> The global level program management expenses and UNOPs fees have been allocated to the country programs based on the ratio global office costs and country program management costs. An analysis of the annual expenditure summary provided by the CPMT shows that for FY 2005 and 2006 for ever dollar of program management cost incurred at the country program level 0.82 cents of program management expenditure was incurred at the global level (including UNOPS fees).

## **6. COST EFFICIENCY OF MANAGEMENT OF SGP**

41. Since it is difficult to determine the management costs of the small grant programs accurately and also due to differences in scale and scope, it is not easy to compare the programs on cost efficiency. Nonetheless, it appears that overall the SGP is comparable to other programs in terms of cost efficiency of management. For example, while the Green Grant Fund and PACT have reported management costs that are similar to SGP, the SGP puts more emphasis on program level M&E and on capacity building of the grantee institutions. Conversely, even though the Eurasia Foundation accords similar importance to capacity building and higher attention program level M&E, its management costs are higher than SGP. This said there could be areas where the SGP program could make further efficiency gains, which need to be explored further.

42. One of the issues that need to be considered is that overall efficiency of delivery would be affected if overall level of funding to the program is changed. For example a reduction in funding would lead to an increase in proportion of management costs if the program was to continue to operate in all recipient countries. Alternatively, if the funding levels were increased significantly then the efficiency expectations will need to increase – the project grant and program management cost ratio will need to be adjusted accordingly.

## **7. ISSUES FOR THE FUTURE**

43. This assessment is provisional in nature and many aspects of cost discussed in this report – such as the function and costs of SGP’s National Steering Committees, the extent to which other small grant mechanisms also use grants for programme management functions and put emphasis on capacity building, the extent to which SGP focuses on marginal groups and possible effects on its cost efficiency – will be assessed at greater detail in the field studies currently being conducted as part of this evaluation. The evaluation will also rely on findings of the upcoming evaluation on CEPF being conducted by the Independent Evaluation Group of the World Bank.

44. The evaluation will also assess the efficiency of the global management structure of the SGP and will shed more light on potential areas where efficiency gains could be made. For example, it could be the case that some country programs can be reduced in management funding without affecting the overall effectiveness of these programs, whereas other programs could benefit from higher management funding, given the particular circumstances or start-up phase of operations. Similarly, there could be a case for investing more in certain management activities while others might need to be curtailed. The evaluation would also assess the implications of time lapses in disbursements, resulting into spill over of active portfolio of one operational phase to another operation phase, for management costs of the SGP.

45. The issue of how mature SGP country programs should be dealt with is a complicated one. The evaluation will look at various aspects that are relevant to the question of graduation. This involves looking at the cost-effectiveness of mature versus start-up country programs, but also at issues like the possibility to continue support with larger amounts of co-funding and without management support from headquarters.

## ANNEX 1: PROGRAM STRATEGIES

No	Organization	Program Structure	Maximum Individual Grant Amount \$	Average size of grants \$	Emphasis on capacity building*	Intensity of program M&E**	Co-financing
1.	The GEF (Small Grants Program)	Centralized HQ (in New York) and Decentralized country Offices	\$ 50,000	27,000	Medium to High	High	50:50
2.	Development Alternatives India	NA	NA <sup>31</sup>	120,000	Medium to High	High	Not required
3.	International Union for Conservation of Nature (IUCN) – Netherlands	Centralized	100,000	35000	Medium to High	Medium	Not required
4.	Eurasia Foundation	Centralized HQ (in Washington DC) and Decentralized Regional Offices	No limit	20,000 <sup>32</sup>	Medium – High	High	Varies
5.	Overseas Territories Environment Programme (OTEP)	Centralized	NA	97,500 <sup>33</sup>	Medium	Medium	Required
6.	Small Grants Program for Inclusion and Participation (civic engagement), World Bank	Centralized HQ (in Washington DC) and Decentralized Regional Offices	15000	6000	Medium to High	Low	50:50(in cash or kind)
7.	Green Grants Fund (GGF), Colorado USA	Centralized	5000	4000	Medium	Low	Not required
8.	Ramsar Small Grants Fund	Centralized	32000	28000	Medium	Low	Not required
9.	Wetlands for the Future	Centralized	NA	11000	Medium	Medium	50:50 (in cash or kind)
10.	Indo-Canadian Environment Fund (ICEF)	NA	250000	120000	Medium	Medium	Not required
11.	Critical Ecosystems Partnership Fund (CEPF)	Centralized HQ and Decentralized program administration at the “hotspot level.”	NA	90,000	Medium	Medium to High	Not required
12.	The Protected Areas Conservation Trust	NA	\$ 30000	US \$ 15000	Medium	Medium	Varies

\*This is an evaluative question. The aim is to know the extent to which the grant making agency emphasizes capacity building in the investments it makes. The coding could be: high emphasis; medium emphasis; and, low emphasis.

\*\* Intensity of program M&E denotes the level of attention being given to monitoring and evaluation at the programmatic level. Some of the programs may have consciously chosen to have a higher intensity of program monitoring and may pay lot of attention to evaluations at both project cluster and program levels. The intensity of program M&E should be distinguished from M&E at the project level. The coding used could be: high intensity; medium intensity; and, low intensity.

<sup>31</sup> The organization also administers four types of grants under its program. The largest grant type includes projects that are more than US \$ 350,000 in size. This grant type was excluded from analysis, the remaining three grants that were smaller in size than US \$ 350,000 were considered.

<sup>32</sup> From: <http://www.eurasia.org/about/>

<sup>33</sup> Based on figures quoted at: <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/1014/1014we06.htm>

## ANNEX 2: PROGRAM MANAGEMENT COST RELATED INFORMATION

No	Organization	Number of grants in past two years (no. of projects)	Total grant commitments in past two years (in m \$)	Reported program management costs in past two years as percent of program budget**
1.	The GEF (Small Grants Program)	1900	51	31% <sup>34</sup>
2.	Development Alternatives India	30	NA	Not available
3.	International Union for Conservation of Nature (IUCN) – Netherlands	210	8.78	25 – 26% (for new program)
4.	Eurasia Foundation	1100	28.5 <sup>35</sup>	41% <sup>36</sup>
5.	Overseas Territories Environment Programme (OTEP)	36	3.05	
6.	Small Grants Program for Inclusion and Participation (civic engagement), World Bank	850 <sup>37</sup>	4.9	10 – 12%
7.	Green Grants Fund (GGF), Colorado USA	1200	5.6	26% <sup>38</sup>
8.	Ramsar Small Grants Fund	12	0.55	20 – 25% <sup>39</sup> (10%)
9.	Wetlands for the Future	23	0.5 (approx)	24% <sup>40</sup> (10%)
10.	Indo-Canadian Environment Fund (ICEF)	12	1.4	NA
11.	Critical Ecosystems Partnership Fund (CEPF)	330	38.6 m	30 to 34% <sup>41</sup>
12.	The Protected Areas Conservation Trust	20 approx	0.3 (approx)	27 % <sup>42</sup>

\*In some programs, some of the projects may entail activities that address program level program management issues such as building capacities of the program grantees, awareness campaigns about program and program themes, etc. For example the program may provide dedicated grants to undertake workshops for grantees or to provide the wider audience information about its programs or may give a grant for building a website on the program, etc. An attempt should be made to know the extent to which this is happening. Following coding could be used: **high** (more than 5 % of total grant disbursements for past two years); **medium** (more than 1% to 5% of total grant disbursements for past two years); **low** (1% or less of total grant disbursements for past two years).

\*\*In this column the reported program management expenses for last two years should be specified. Figures should be as percentage of total program budget for past two years.

<sup>34</sup> This includes reported program management costs; project grants addressing management issues; and UNDP fees.

<sup>35</sup> Figures for FY 2004 and FY 2005. <http://www.eurasia.org/publications/ar.aspx>

<sup>36</sup> <http://www.eurasia.org/publications/ar.aspx>

<sup>37</sup> World Bank-Civil Society Engagement: Review of Fiscal Years 2005 and 2006. Page 28. World Bank doc.

<http://siteresources.worldbank.org/CSO/Materials/21063337/CSEngagement06Final.pdf>

<sup>38</sup> This has been calculated from figures given in the 2006 annual report of the Global Green Grants Funds (page 14-15). The program management costs have been calculated after considering program management expenses, program support expenses and grants committed, but excluding expenses made for fund raising. [http://www.greengrants.org/pdf/annualreport\\_2006\\_guided.pdf](http://www.greengrants.org/pdf/annualreport_2006_guided.pdf)

<sup>39</sup> Based on 10% flat management fee and voluntary time of Ramsar Convention Secretariat technical staff; IUCN and other specialists needed to appraise and supervise grants (valued at around USD \$ 0.250 – 0.4 million)

<sup>40</sup> This has been calculated from following information: total contribution by US government were about US \$ 2.75 million, the program management fee was 10% of this amount, and the staff time contributed by the Ramsar Convention Secretariat was valued at USD \$ 0.5 million. The information is available at: The Wetlands for the Future Fund: A Performance Review of the First Ten Years; page 7. Ramsar Convention for Wetlands.

[http://www.ramsar.org/wff/wff\\_review\\_2006.pdf](http://www.ramsar.org/wff/wff_review_2006.pdf)

<sup>41</sup> See annex 3 on calculation of these estimates.

<sup>42</sup> This figure is based on the information provided by the Executive Director, PACT. The figures pertain to all grants program administered by PACT. This said since small grants comprise a major part of the PACT portfolio this figure is fairly reflective of the overall program management costs of PACT's Small Grants Program.

## ANNEX 3

### 3.1 Calculation of the management costs for GEF SGP:

- a. Reported management costs = 25.2 percent of the program budget (based on the expenditure statement provided by CPMT) for Financial Year 2005 and 2006.
- b. Percentage of project grant amount invested in projects – excluding COMPACT projects – aimed at addressing the program management issues of recipient countries in Financial Year 2005 and 2006 (the start date, which is a good approximation of the date of approval, was taken as a basis because the central database does not provide information on project's date of approval): 3.7 percent
- c. Adjusted management cost (including projects aimed at addressing management issues) calculation:
  - $25.2 \text{ percent} + (3.7 * 0.75) \text{ percent} = (25.2 + 2.8) = 28.0 \text{ percent}$
 3.7 percent needs to be multiplied by 0.75 because project grants comprise 75% percent of the total program expenditure.
- d. Adjusted total management cost including UNDP fees:
  - $(28.0 + 4)/104 = 0.31$  or 31 percent

### 3.2 Calculation of the management costs for CEPF:

**Table 3.2a Based on Actual Reported Spending**

	FY 2005 (\$ m)	FY 2006 (\$ m)	Both Years (\$ m)
1. Project Grants (total grants – management cost related grants) <sup>43</sup>	18.2 (67%)	12.0 (64%)	30.2 (66%)
2. Management Cost related Grants made during FY 2005 and FY 2006:	5.1 (19%)	3.2 (17%)	8.3 (18%)
• Gross management costs through project grants: 6.30 m (2005); 3.20 m (2006); 9.50 (Total)			
• Less fund to be disbursed as small grants: 1.17 m (2005); 0.00 m (2006)			
• Net management costs through project grants: 5.13 m (2005); 3.20 m (2006); 8.65 m (Total)			
3. Ecosystem profile Preparation	0.8 (3%)	0.2 (1%)	0.9 (2%)
4. Business Development, grant making, monitoring and evaluation, knowledge management, external evaluation.	3.0 (11%)	3.4 (18%)	6.4 (14%)
<b>5. Total management expenditure (2+3+4)</b>	<b>8.9 (33%)</b>	<b>6.8 (35%)</b>	<b>15.7 (34%)</b>
6. Total Expenditure	27.1(100.0%)	18.8 (100.0%)	45.9 (100%)

<sup>43</sup> The Project, "Building Capacity to Strengthen Conservation Alliances through CEPF Coordination and Grant Making in the Caucasus," was approved in FY 2005 with a grant amount of US \$ 2.47 m. Of this, US \$ 1.17 m was for grant making. While the amount for grant making has been included in Project Grants (row 1), the remainder has been included as Management Cost related grants.

While the figures given in table 3.2a provide estimates based on actuals for FY 2005 and FY 2006, these need to be corrected. Long term averages need to be used for CEPF to account for the fact that coordination grants and Ecosystem Profiling are front loaded. Due to this, even though these initiatives are expected to last for the whole duration of the first funding phase, annual expenditure statements for the initial years of program implementation over represent the management costs. While this adjustment needs to be done for CEPF, this is not required for SGP since its country program expenses are disbursed annually and not in consolidated grants that run for multiple years.

For these estimates the overall granting authority of 125 m for the first phase, the actual CEPF expenses as of February 2007, the prevalence of and allocations to management cost related grants during FY 2005 and FY 2006, and the anticipated expenses for the remaining period of the first phase till June 2007 – as discussed in page 27 of the CEPF Evaluation Report (2006) – have been taken into account (table 3.2b).

**Table 3.2b Adjusted Estimates for CEPF based on both Actual and Expected Expenditures**

	Estimated based on long run averages and anticipated expenditure
1. Ecosystem Grants (total ecosystem grants – management cost related grants) <sup>44</sup>	70%
2. <ul style="list-style-type: none"> <li>• Coordination grants @ 11% of total expenditure (14/125=.11)</li> <li>• Other management cost grants @ 1 % of total (1.63/125=0.013)</li> </ul>	12%
3. Ecosystem profile Preparation	5%
4. Business Development, grant making, monitoring and evaluation, knowledge management, external evaluation.	13%
<b>5. Total management expenditure (2+3+4)</b>	<b>30%</b>
6. Total Expenditure	100.0

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<sup>44</sup> The Project, “Building Capacity to Strengthen Conservation Alliances through CEPF Coordination and Grant Making in the Caucasus,” was approved in FY 2005 with a grant amount of US \$ 2.47 m. Of this, US \$ 1.17 m was for grant making. While the amount for grant making has been included in Project Grants (row 1), the remainder has been included as Management Cost related grants..

### 3.3 Calculation of Management Costs for the Global Green Grants Fund

The Global Green Grants Fund annual report for FY 2006 provides following breakup of its spending:

**Table 3.3a Reported Spending Pattern**

Spending Particulars	FY 2005	FY 2006	Both Years
Program Support	18 %	19%	19 %
Administrative costs	4 %	6%	5 %
Fund Raising costs	11 %	7%	9 %
<b>Unadjusted management costs</b>	<b>33%</b>	<b>32%</b>	<b>32%</b>
Grants	67 %	68%	68 %

Since it is very difficult to determine true cost of fund raising for other small grants programs, the fund raising costs for the Global Greengrants have been excluded from consideration. For example, to illustrate this point, almost all the fund raising costs for the Global Greengrants are contingent on it and it is reflected in its program expenses. However, the true costs of raising such funds are not known for multilateral institutions because money – which generally starts from tax payers – passes to the program management structures through the governments and/or through the multilateral institutions. Even if the fund raising costs from taxpayers to government to multilateral institutions is ignored, for the GEF SGP a major part of the cost of raising funds is contingent on the GEF and this has not been included in the calculation. Non inclusion of such costs for GEF SGP warrants that the input side of the fund raising costs to be excluded from the analysis. The amount of resources that SGP spends in getting co-funding/cofinancing for the program is an additional service that SGP provides for the GEF investments. This has been separately appreciated as an additional output for the GEF investments. Therefore, the figures for the Global Green Grants need to be adjusted. The adjusted costs for Global Green Grants will be:

**Table 3.3b Adjusted Spending Patterns**

Spending Particulars	FY 2005	FY 2006	Both Years
Program Support	20 %	20%	20 %
Administrative costs	5 %	7%	6 %
<b>Adjusted management costs</b>	<b>25%</b>	<b>27%</b>	<b>26%</b>
Grants	75 %	73%	74 %