



Global Environment Facility

GEF/ME/C.32/3/Rev.1
October 20, 2007

GEF Council
November 14-16, 2007

Agenda Item 9

MANAGEMENT RESPONSE TO THE JOINT EVALUATION OF THE SMALL GRANTS PROGRAM

(Prepared by the GEF Secretariat)

Recommended Council Decision

Please see the recommended decision in document GEF/ME/C.32/2, *Joint Evaluation of the Small Grants Programme*.

INTRODUCTION

1. This is the management response to document GEF/ME/C.32/2, *Joint Evaluation of the Small Grants Programme*, prepared by the GEF Evaluation Office. The Small Grants Programme (SGP) being a corporate program of the GEF, the management response has been prepared by the GEF Secretariat.
2. The primary objectives of the Evaluation were to assess the following:
 - a) Effectiveness of the SGP in generating global environmental benefits
 - b) Efficiency of SGP in engaging the community based groups and NGOs to address the global environmental concerns
 - c) Key factors affecting results of the SGP
 - d) M&E systems of the SGP
3. We agree with most of the recommendations provided by the GEF Evaluation Office and are pleased with quite a few conclusions provided in the report. However, we have reservations on few of the recommendations as elucidated in our response below.

Evaluation Conclusions

4. The evaluation was conducted at the recommendation of the GEF Secretariat. It is the first time that the SGP, which has been receiving GEF funding for the past 15 years, has been evaluated by the GEF Evaluation Office. We welcome the work carried out by the evaluation team to look at the portfolio of over 8,000 small grants with an estimated GEF investment of over \$280 million.
5. We are encouraged by the conclusions reached on the relevance and results of GEF support to the SGP; although we are concerned with the dependence of SGP on long-standing countries to maintain cost-effectiveness and co-finance ratios.

Conclusion 1: The SGP has a slightly higher success rate in achieving global environmental benefits and significantly higher rate in sustaining them than Medium and Full Size Projects.
6. We are pleased that small grants are rated as “satisfactory” and considered slightly better performing than the full sized and medium sized projects funded by the GEF in the same period.

Conclusion 2: SGP has contributed to numerous institutional reforms and policy changes in the recipient countries to address global environmental issues.
7. We appreciate the positive impact of SGP on local and national policy, and occasionally also on the markets. This is indeed a good indicator of the program’s capacity to scale-up its modest activities.

Conclusion 3: The SGP has contributed to direct global environmental benefits while also addressing the livelihood needs of local populations.

8. This is an important conclusion pointing to SGP activities resulting in global environmental benefits. Even allowing for uncertainties in verifying such benefits arising from small activities, the evaluation at the minimum establishes that global environmental objectives remain central to the SGP.

Conclusion 4: The SGP has made significant progress in targeting its efforts to help the poor.

9. This conclusion indicates that majority of the SGP small grants are aiming to mainstream global environmental objectives with poverty eradication, which is a very good outcome for the GEF. The management will identify such SGP projects to offer as examples to help mainstream larger MSPs and FSPs.

Conclusions 5: The SGP country programs, especially the older ones, are effective in promoting the GEF agenda.

10. We are pleased to know that the SGP is having a positive impact on national policy in the more mature countries. Fully cognizant that newer programs take time to build capacity and establish a track record that can help influence policy makers, the SGP Steering Committee will review how to replicate these impacts in a shorter time frame for newer countries which include mainly LDCs and SIDS.

Conclusion 6: All country programs reviewed had interaction with other GEF projects.

11. The evaluation removes one of the misgivings regarding the link between the SGP and the rest of the GEF portfolio in the country. Therefore, we are delighted to learn that all country programs established a relationship with other GEF funded projects in the country, as this has always been our intention.

Conclusion 7: The SGP's overall knowledge sharing practices have been satisfactory.

12. The evaluation confers another satisfactory rating for the SGP, and we expect this rating to further improve with the recent strengthening of its knowledge management capacity.

Conclusion 8: Although M&E has improved significantly, there is scope for further improvements.

13. We value the progress made in strengthening the monitoring and evaluation procedures of the SGP with the recognition that further scope for improvements in this critical aspect of SGP management still remains.

Conclusion 9: The SGP is a cost-effective instrument for the GEF to generate global environmental benefits through NGOs and community based organizations.

14. We are pleased to note the generally positive conclusion of the evaluation team regarding increasing cost-effectiveness of the SGP. The SGP Steering Committee will try to identify ways to reduce management costs, fully recognizing that the newer countries entering the SGP will be primarily LDCs and SIDS, which will require more support than existing SGP countries.

15. The finding on co-financing trends is not very encouraging and the SGP Steering Committee will take this matter at its next meeting, fully noting that the decrease in the 1:1 co-financing trend started with the introduction of more LDCs and SIDS.

16. The evaluation finding that the SGP performs better in disbursement of funds compared to the small grant component of the MSPs and FSPs is well appreciated. Though, this finding comes with a qualifier that the comparison is based solely on World Bank's analysis of its biodiversity projects that included small grants. The World Bank criteria for rating small grants by FSPs and MSPs may also have differed from the norm used for evaluating the SGP.

Conclusion 10: Automatic graduation of country programs older than 8 years from SGP risks reducing the cost effectiveness of the overall GEF portfolio.

17. We observe the concern expressed by the Evaluation Office regarding the likely impact of graduation from the SGP anticipated at the end of GEF-4. It should be noted that no graduation has taken place until now, and countries have still to submit their strategy for graduating from the SGP. These graduation strategies are to be discussed at a global workshop to work out the way forward. It is envisaged that countries which graduate in 2010 would have completed at least 14 to 18 years in the SGP gaining significant capacity within their civil society.

18. As the evaluation points out, countries that are likely to graduate have a good track record in raising co-financing and also are confident of raising funds to continue the SGP. Based on such standard norms to measure the capacity of civil society, it can be determined that these countries are in a reasonable position to graduate from the SGP, thereby allowing the SGP to concentrate more on providing critical services to LDCs and SIDS, where the capacities of civil society on global environmental protection are quite limited.

19. An issue to be worked out is how the GEF could assist graduating countries somehow to maintain the SGP delivery mechanism, which includes the SGP National Committee, the networks organized and the partnerships built. The objective would be to safeguard significant GEF investments in the SGP in the countries concerned.

Conclusion 11: SGP Country Programs operate at maximum cost efficiency at an annual expenditure level of \$1 to 1.1 million.

20. The evaluation concedes that the SGP national allocation is dependent on the absorptive capacity of the civil society as well as the potential of the country to provide global environmental benefits. The GEF Resource Allocation Framework is an indicator of the potential for providing global environmental benefits

21. The SGP Steering Committee Guidelines state that, “The maximum amount of the GEF contribution to the SGP per country should be a cumulative total of \$2.4 million for GEF-4 at an average of \$600,000 per year...” However, as the SGP will disburse grants in the last three years of GEF-4, the cumulative total divided by three would lead to an average of \$800,000 grants per country per year and not \$600,000 as stated earlier.

Conclusion 12: The higher level of GEF investments in SGP during OP3 facilitated SGP in operating at greater cost efficiency levels than OP 1 and OP 2

22. We appreciate the reduction in the share of management costs in the past few years. However, we are not persuaded that the only way to maintain a low share of management costs is to escalate average funding to countries. Other avenues, including the ones identified by the evaluation report need to be explored to keep a check on management costs while enhancing the quality of outcomes.

Conclusion 13: The current management model of SGP has reached its limits and is not suitable for a new phase of growth

23. We agree that the current management model of SGP will need modifications to enable it to meet evolving country demands, and the SGP Steering Committee will look into this matter.

RECOMMENDATIONS

Recommendation 1: The level of management costs should be established on the basis of services rendered and cost-efficiency rather than on the basis of an arbitrary percentage.
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24. We support the recommendation of the evaluation report and recognize that an identical management structure irrespective of the size of national allocation is not cost-efficient.

25. While recognizing that in many cases the presence of a national coordinator to support a national steering committee is essential to demonstrate national and civil society ownership within the country, the SGP Steering Committee will review the management structure for countries having smaller allocations and explore extending multi-country management support systems that serve the purpose of assisting countries without losing cost-efficiency of its operations.

26. The management notes with concern the practice of providing small grants solely to pay SGP's management costs over and above the funds provided by the GEF. Such action would appear to be a violation of the GEF funding agreement. SGP management has considered these to be legitimate expenses (knowledge management products and capacity building) for helping deliver global environmental benefits. In order to resolve this point, the issue will be taken up at the next meeting of the SGP Steering Committee.

Recommendation 2: A process needs to start to change SGP's central management system suitable for the new phase of growth and to address the risks of growing complexity.

27. We agree on the recommendation to review the central management system of the SGP and will take it up and provide a report to the Council at its next meeting.

Recommendation 3: Country program oversight needs to be strengthened.

28. The management takes note of this recommendation and will consider a system to regularly audit the country programs.

29. The GEF ombudsman will also be involved in handling complaints related to the SGP, and this would be appropriately announced on the SGP and GEF websites.

Recommendation 4: Monitoring and Evaluation needs to be strengthened further.

30. The M&E system will be reviewed and strengthened as per the recommendation made by the evaluation office.

Recommendation 5: The current criteria for access to SGP resources should be revised to maintain cost efficiency.

31. Funding for the LDCs and SIDS has been made possible as resources have been freed up after placing a cap on the allocations provided to existing SGP countries. The consequence of removing such a cap will be to push the SGP back to the *status quo* shutting most of the LDCs and several SIDS based on the approved funding by the Council.

32. A modification in the project cycle of the SGP lifted the highest cap on a per year basis from \$600,000 to \$800,000 for countries. (as explained in paragraph 21 of this management response)

33. The SGP Steering Committee agreed to review the graduation status of the affected Least Developed Countries and SIDS and report to the Council at its next meeting.

Recommendation 6: The intended SGP country program graduation policy needs to be revised for GEF 5 to address the risks to GEF achievements and cost-effectiveness, especially in SIDS and LDCs.

34. The concept of graduation was first introduced in 1995. Following the June 1995 evaluation of the GEF/SGP Pilot Phase the SGP developed a strategy and a two year work plan (1996-97) that included among other things, implementation of a strategy for transforming over time the GEF/SGP from a GEF program to a sustainable country-based facility supported by non-GEF contributions. The first phase of this process was to focus on developing a conceptual framework and strategy for program sustainability at the country level.¹

35. The second phase (1996-97) was to focus on initiating activities in targeted country programs that lead to a “graduation process,” whereby mature GEF/SGP national networks could move beyond the GEF to become ongoing-country facilities in the mainstream of sustainable development efforts, and funded by bilateral donors, national endowments, environmental trust funds and other financial resources. Some possible “models” that country programs could evolve toward included: (1) an independent entity along the lines of a foundation or trust fund; (2) becoming attached to a National Environment Fund; or (3) becoming a program of a national NGO or NGO network. The time frame to establish this was 1997.²

36. The graduation issue was followed-up by the second evaluation conducted in June 1998.³ The evaluation recognized that the national GEF/SGP teams have all taken some steps towards program sustainability but stated that the idea of country program sustainability remained unclear to most, if not all, national coordinators and national steering committee members in terms of goals, timeframe, options and procedures. It stated that in 1998 most country programs would require several years or more before they could expect to be financially and/or institutionally independent from the GEF, and they would require significant guidance on how to achieve this. However, it was clear from the evaluation that such guidance was not provided by the SGP at that time.

37. In August 1998 the SGP used a consultant to prepare a resource mobilization and financial strategy but the graduation matter was not considered by the consultant.⁴

38. The SGP Steering Committee revived this matter in 2006 and identified countries that could graduate from the SGP in 2010. These countries will have built significant institutional capacity by that time after having executed the SGP for a minimum of 14 years and in some cases up to 18 years.

39. Graduation should help utilize the institutional capacity that will have been built in civil society in the country through SGP funding for 14 to 18 years prior to graduation from the program. It is expected that due to this enhanced capacity, civil society will be able to submit

¹ “The objectives will be to define more sharply the issue of program sustainability, to identify and examine alternative models, and to outline a process for testing and demonstrating the potential for transforming GEF/SGP country programs into self-sustaining entities.”

² UNDP/GEF Small Grants Programme (1996-97) – INT/95/G52/A/1G/31 (Requested funding \$24 million)

³ Report of the second independent evaluation of the GEF SGP (1996-98) prepared by Michael P. Wells, Delfin J. Ganapin and Francine Trempe.

⁴ Resource Mobilization and Financial Sustainability: Goals and Strategy for GEF/SGP: By Joan Shapiro (August 11, 1998)

medium sized proposals to the GEF while raising financing from Government and other sources inside and outside the country.

40. In this context the GEF Secretariat agrees to work with the GEF focal points in countries graduating from the SGP to help ensure that the SGP delivery mechanism established with GEF funding are not dismantled but rather fully utilized in their new graduated stage. This would further enhance the capacity of civil society in the country while strengthening its interaction with the Government.

41. The evaluation report suggests an alternative of initiating “independent franchise” to continue the SGP outside the SGP management. This is possible and will be investigated by the SGP Steering Committee.