GEF Evaluation Office UNDP Evaluation Office

Joint Evaluation of the GEF Small Grants Programme

Technical Paper on Management Costs of the Small Grants Programme

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Foreword

In accordance with the 2006 Monitoring and Evaluation Policy of the Global Environment Facility (GEF), one of the overarching objectives of the GEF with respect to monitoring and evaluation is to promote learning, feedback, and knowledge sharing on results and lessons learned among the GEF and its partners as a basis for decision making on policies, strategies, program management, and projects; and to improve knowledge and performance. In this context, the GEF Evaluation Office is pleased to present this technical paper that analyzes data collected for the Joint Evaluation of the Small Grants Programme (SGP).

In June 2006, the GEF Council requested the GEF Evaluation Office to undertake an independent evaluation of the SGP. The GEF Evaluation Office invited the United Nations Development Programme (UNDP) Evaluation Office to participate in this initiative. The purpose of the joint evaluation was to assess the relevance, effectiveness, efficiency, sustainability, and cost effectiveness of SGP objectives in relation to the overall GEF mandate. In addition the evaluation assessed the results of the SGP, the factors affecting these results, and the monitoring and evaluation systems of the program as implemented. It also traced the evolution of the SGP, the changes that have taken place in the program, and the drivers of these changes. Country case studies were prepared as part of the evaluation. Although the studies are unique and particular to each country, the analytical framework used was that provided by the evaluation's approach paper.

This technical paper was drafted by Neeraj Kumar Negi of the GEF Evaluation Office, with valuable inputs from Lee Risby, also of the GEF Evaluation Office, and Jyotsna Puri, a consultant to the UNDP Evaluation Office. Support was also provided by staff of the Small Grants Programme, the Eurasia Foundation, the Ramsar Convention on Wetlands Small Grants Fund, the India-Canada Environment Facility, the Overseas Territories Environment Programme, the International Union for Conservation of Nature National Committee of the Netherlands, the Global Greengrants Fund, the World Bank's Small Grants Program, Wetlands for the Future, the Critical Ecosystems Partnership Fund, the Development Alternatives Poorest Area Civil Society (PACS) Programme, and the Protected Areas Conservation Trust, who shared information and provided comments on the draft of the paper.

Abbreviations

CEPF	Critical Ecosystems Partnership Fund
COMPACT	Community Management of Protected Areas for Conservation
CPMT	Central Programme Management Team
FY	fiscal year
GEF	Global Environment Facility
GGF	Global Greengrants Fund
ICEF	Indo-Canadian Environment Facility
IUCN NL	World Conservation Union National Committee of the Netherlands
M&E	monitoring and evaluation
OP	operational phase
OTEP	Overseas Territories Environment Programme
PACS	Poorest Area Civil Society
PACT	Protected Areas Conservation Trust
SGF	Small Grants Fund (Ramsar Convention on Wetlands)
SGP	Small Grants Programme
SmGP	Small Grants Program (World Bank)
UNDP	United Nations Development Programme

1 Summary of Key Findings

This technical paper focuses on assessing the management costs of the Small Grants Programme (SGP) of the Global Environment Facility (GEF) and comparing these costs with those of similar programs. It aims to provide an input to the Joint Evaluation of the GEF SGP on issues pertaining to cost efficiency. It does not address issues related to program relevance or effectiveness. For an overall assessment of SGP efficiency, several dimensions of management costs discussed in this paper need to be appraised in light of findings on other issues covered by the Joint Evaluation.

The reported management costs of the SGP, including the project fees paid by the GEF to the United Nations Development Programme (UNDP) for hosting the SGP, are about 28 percent of the total program budget. When project grants made by the SGP to address program management issues in the recipient countries are included, SGP management costs increase to 31 percent (see annex B). This analysis of management costs shows that there are significant variations in such costs across recipient countries. The key determinants of variation include total investment in grants, cost of living, and whether the program is in the start-up phase.

Given the differences in the management cost–related reporting practices, scale of operations, and geographical focus of the reviewed programs, any attempt at comparison of the management costs of these programs will be imprecise in nature. Acknowledging this limitation, the assessment of the reported management costs of the programs reviewed shows that such costs are generally in the range of 20 to 35 percent but with two outliers at 11 to 13 percent and at 16 percent. The management costs of the SGP appear to be in the upper middle range of programs for which data were reliably gathered. However, compared to other programs, the SGP provides more services for these costs. Specifically, it gives more attention to building the capacities of grantee institutions and to conducting program-level monitoring and evaluation (M&E) (see annex A). Furthermore, it reportedly generates substantial amounts of cofinancing for initiatives geared toward meeting global environmental objectives. Thus, the management costs incurred by the SGP seem well matched to the services the program provides.

2 Background and Methodology

2.1 Background

The GEF Evaluation Office and the UNDP Evaluation Office jointly carried out an evaluation of the GEF Small Grants Programme. The SGP has activities in 101 countries and is administered by UNDP. This joint evaluation focused on assessing the relevance, effectiveness, and efficiency of SGP results as well as the processes used to further its objectives. The evaluation included a portfolio review, to provide an overview of SGP activities and results; country studies, including desk reviews; online surveys; and country field visits to provide in-depth assessment of results and processes.[1] The evaluation also included thematic studies highlighting specific issues such as comparable experiences of other small grants programs.

The assessment of other small grants programs draws largely from information provided in published and unpublished documents, Web sites, and interviews with staff of such programs. This assessment does not attempt to evaluate these programs. However, it does broadly categorize these programs on the basis of specific program characteristics as made available to the evaluation team so as to facilitate comparisons with the SGP.

2.2 Methodology

The universe of this review comprises small grants programs that are focused on development and/or environment issues. In particular, the grants programs that focus on development issues were included because their grants generally involve working with local communities and they are thus operationally similar to the SGP in some of their characteristics. For this review, programs with an upper size limit of $300,000 for individual grants were considered as a small grants program.[2]

The working hypothesis of this assessment was that, other factors remaining equal, those small grants programs that provide more services will have higher management costs. These services may include M&E, capacity building of grantee organizations, knowledge sharing, and generation of cofinancing. The reviewed programs have been compared on some of these issues based on the data the evaluation team was able to gather. In all, 12 small grants programs, including the SGP, were reviewed for this assessment:

- Development Alternatives Poorest Area Civil Society (PACS) Programme (India)
- World Conservation Union National Committee of the Netherlands (IUCN NL)
- Eurasia Foundation
- Overseas Territories Environment Programme (OTEP)
- World Bank Small Grants Program (SmGP)
- Global Greengrants Fund (GGF)
- Ramsar Convention on Wetlands Small Grants Fund (SGF)

[1] Further information on the SGP joint evaluation can be found in the evaluation's main report.

[2] All dollar amounts are U.S. dollars unless otherwise indicated.

- Wetlands for the Future
- Indo-Canadian Environment Facility (ICEF)
- Critical Ecosystems Partnership Fund (CEPF)
- Protected Areas Conservation Trust (PACT) (Belize)

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 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, Web research was undertaken, and a review of published and unpublished literature was conducted.

For most of the reviewed programs, the organization managing the small grants program was also managing larger grants programs as well, which, in some cases, accounted for a major proportion of the entity's overall portfolio. In such instances, the larger grants programs of these organizations were excluded from the analysis. For a few organizations, 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 pertain to the shared costs for both large and small grants programs. The use of the pooled program management cost data may introduce a downward bias in estimating the program management costs of the small grants program. Such estimates have, however, been used in this review after acknowledging the bias.

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

For assessment of SGP management costs, expenditure information provided by the SGP's Central Programme Management Team (CPMT) has been used. To determine whether part of recipient country program expenses are being met through dedicated project grants, the SGP database was analyzed through a desk review. This review resulted in a list of project grants focused on addressing country program management issues. Some of these grants were field verified during country site visits. For other reviewed programs, the respective project grant database was analyzed where possible to identify those grants that were focused on addressing program management issues. For the non-SGP programs, projects identified as focused on program management issues were not field verified.

The program management costs for some programs are approximations based on data in publicly available documents. For the Ramsar SGF, the World Bank's SmGP, the OETP, and the IUCN NL, the management costs cited in this paper are approximations provided by the respective program staff. For the Eurasia Foundation and the PACT, management cost calculations were provided by program staff.

Given the inexact nature of management cost data, differences in geographical focus and scale of operations, and variations in individual grant size, it is difficult to make precise comparisons across programs. Similarly, assessment of the emphasis placed by different programs on capacity building and M&E is based on general impressions gained through program staff interviews and literature review.

3 Key Features of the Selected Small Grants Programs

Table 3.1 presents the programs selected for this assessment and their key characteristics. Of the programs reviewed, the World Bank's SmGP and the Ramsar Small Grants Fund were initiated before the start of the SGP (in 1983 and 1991, respectively); the other programs were initiated later. In terms of total number of small grants made to date, the Eurasia Foundation (8,400 grants), World Bank SmGP (about 7,000 grants), and GGF (about 3,000 grants) are comparable in size to the SGP (7,800 grants). The remaining programs have made considerably fewer grants than the SGP, ranging from a low of 18 grants by the ICEF to about 1,100 by the IUCN NL.

In terms of overall size, the small grants portfolios of the Eurasia Foundation ($360 million) and the SGP ($180 million) are relatively large. The other programs range in size from a total portfolio of $1.1 million for PACT to about $73 million for the CEPF.[3]

Table 3.1: Small Grants Programs Reviewed

Program/ organization	Focus	Geographic scope[a]	Year of inception	Total grants made to date (no. of projects)	Total portfolio (million $)
GEF SGP	Environment	Regions: Africa, Asia,ECA, LAC Countries: 101	1992	7,800	180
PACS Programme	Development	Regions: Asia Countries: India	2002	160	18
IUCN NL	Environment	Regions: Africa, Asia, LAC, ECA Countries: 80	1994	1,100	≈40
Eurasia Foundation	Development	Region: Asia, ECA Countries: 13	1993	8,400	360
OTEP	Environment	Regions: Africa, LAC Countries: UK (14 overseas territories)	2002	81	≈6.8

[3] As of February 2007, $89 million of the CEPF portfolio was in form of ecosystem grants. Of these, coordination grants accounted for about $14 million, with another $ 1.6 million of grants for projects aimed at addressing program management issues. CEPF project grants are thus estimated to be about $73 million.

Program/ organization	Focus	Geographic scope[a]	Year of inception	Total grants made to date (no. of projects)	Total portfolio (million $)
World Bank SmGP	Development	Regions: Africa, Asia, ECA, LAC Countries: 66+	1983	≈7,000[b]	≈35[c]
GGF	Environment	Regions: Africa, Asia, ECA, LAC Countries: 120	1993	3,000	≈12
Ramsar SGF	Environment	Regions: Africa, Asia, ECA, LAC Countries: 69	1991	200	7.0
Wetlands for the Future	Environment	Regions: LAC Countries: 22	1995	225	2.5
ICEF	Environment	Regions: Asia Countries: India	2002	18	1.8
CEPF	Environment	Regions: Africa, Asia, ECA, LAC Countries: 34	2001	≈1,000	73
PACT	Environment	Regions: LAC Countries: Belize	1996	75	1.1

a. Geographic scope is based on the GEF regional classifications: Africa, Asia, Europe and Central Asia (ECA), and Latin America and the Caribbean (LAC). Pacific islands are included in either Asia or the LAC.

b. Estimated at 300 projects per year for 23 years. For the last six years, 400 or more grants were awarded annually.

c. Estimated at $5,000 per project. For 2005 and 2006, the average grant per project was about $5,800.

Sources: PACS Programme—www.empowerpoor.com/; IUCN NL—www.iucn.nl/nederlands/publicaties/publicaties/Small%20Grants/BROCHURE.pdf; Eurasia Foundation—www.eurasia.org; OTEP—program staff; GGF—www.Greengrants Fund.org, with data estimates from www.Greengrants Fund.org/pdf/annualreport_2006_guided.pdf; Ramsar SGF—www.ramsar.org/sgf/key_sgf_index.htm; Wetlands for the Future—www.ramsar.org/wff/key_wff_index.htm; ICEF—www.icefindia.org/; CEPF—annual reports for fiscal years 2005 and 2006 available at www.cepf.net; PACT—program staff.

In terms of geographical coverage, the GGF (with 120 countries), the IUCN NL (80 countries), the Ramsar SGF (69 countries), the World Bank's SmGP (more than 66 countries), and the CEPF (34 countries) are extensively operational in the same regions as the SGP (101 countries).[4] Wetlands for the Future is operational in 22 countries, but is restricted to the Latin America and the Caribbean region. The remaining programs are much smaller in terms of their geographic coverage. Among these, the OTEP is an outlier. Even though it operates in Africa and in Latin America and the Caribbean, it is restricted to the United Kingdom's 14 overseas territories; the OTEP has no overlap with SGP coverage, as these territories are not eligible for GEF support.

[4] The regions referred to here are Africa, Asia, Europe and Central Asia, and Latin America and the Caribbean.

In terms of thematic focus, nine programs focus primarily on environmental issues; the remainder focus on broad development themes which may also include environmental issues.

Information on the upper limit for grants awarded was available for nine programs. This maximum value varied from $5,000 (the GGF) to about $300,000 (the PACS Programme). The SGP has an upper limit of $50,000 and thus lies in the middle of the spectrum. Although almost all of the grants made by the Eurasia Foundation are below $50,000, it does not specify an upper limit for its grants. Similarly, although about 70 percent of the grants made by the CEPF during fiscal years (FYs) 2005 and 2006 were below $100,000, it also does not specify an upper limit.[5]

4 Comparative Analysis

This section looks at some of the management choices and strategies adopted by the reviewed programs that may have management cost implications. This information is summarized in annex A.

4.1 Program Structure

A decentralized structure is likely to facilitate faster decisions on grants and higher intensity of monitoring of progress during project implementation. However, it also 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 monitor implementation progress intensively.

The extent to which decisions to approve individual grants are made at the country level and at headquarters was assessed for each program reviewed. The three programs with only a one-country geographic scope (the PACS Programme, ICEF, and PACT) were not included in this comparison since their program structure is not comparable to that of the SGP.

Although the SGP, the World Bank SmGP, and the Eurasia Foundation are headquartered in the United States, they operate in a decentralized manner through country offices—that is, the country offices decide whether a grant should be made and are responsible for monitoring grant progress.[6] The time taken to decide on grant applications by these decentralized programs generally varies between one and six months.

[5] The CEPF fiscal year, like that of the World Bank and the GEF, runs from July 1 to June 30. The fiscal years of other reviewed programs may differ (for example, that of the GGF runs from January 1 to December 31); this report makes no attempt to account for such differences.

[6] There are two regional and two subregional programs of the GEF SGP where a regional/subregional coordinator supports clusters of countries, rather than a single country. However, each country in the clusters has both a national focal point and a national focal group.

Programs such as the OTEP, the Ramsar SGF, Wetlands for the Future, and the CEPF operate in a centralized manner. 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.

The GGF falls somewhere in the middle of this spectrum. It is headquartered in Boulder, Colorado (United States), but decisions on grants are made through regional advisory boards.

4.2 Average Grant Size

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 the SGP is about $28,000. Overall, the average size of grants for the reviewed programs ranged from a high of about $120,000 (the ICEF and the PACS Programme) to a low of approximately $4,000 (the GGF). The average size of grants made by the Ramsar SGF ($28,000) and the Eurasia Foundation ($20,000) is comparable to that for the SGP.

4.3 Emphasis on Capacity Building of Grantee Organizations

The reviewed programs emphasize capacity building of grantees and local institutions to a varying extent. The SGP, the Eurasia Foundation, and the PACS Programme seem to accord medium to strong emphasis on capacity building. For example, these programs—especially the Eurasia Foundation and the PACS Programme—have a strong technical assistance component. Other programs put a accord medium level of emphasis on capacity building.

4.4 Program Monitoring and Evaluation

The reviewed programs monitor project implementation at different levels of intensity. Generally speaking, centralized programs do not monitor and supervise their grants as intensively as do the decentralized programs or those that operate in a single country. The CEPF is an exception to this general rule. Although its decision-making process for grant approvals is centralized, its monitoring and supervision functions are decentralized, with the program coordination units at the regional/national level playing a key role in the process.[7] As a result, its intensity of monitoring of implementation is higher than for other programs that have a centralized process for decision making on grant approvals.

Among decentralized programs, the SGP and the Eurasia Foundation exhibit high intensity of monitoring for their project grants. For most of their projects, implementation progress is likely to have been verified multiple times through field visits. For example, the field surveys undertaken as part of this evaluation show that, on average, the SGP country program team

[7] "Report of the Independent Evaluation of the Critical Ecosystem Partnership Fund" (2006), www.cepf.net/ImageCache/cepf/content/pdfs/cepfevaluationreport_5fandmanagementresponse_2epdf/v1/cepfevaluationreport_5fandmanagementresponse.pdf.

undertakes three field supervision visits per project grant, and 96 percent of projects had at least one field supervision visit. The World Bank's SmGP, even though decentralized, exemplifies a "light" approach to monitoring: Bank staff visit projects on an opportunistic basis and place more control in the hands of grantees through participatory monitoring systems. A similar approach is used by the OTEP.

Most of the reviewed programs track progress only for project outputs. Although the IUCN NL has developed a program-level monitoring system to track progress of its Ecosystem Grants Program in achieving expected results, this system became operational in 2007 and it is thus too early to draw any conclusions about it.

The reviewed programs conduct case study cluster evaluations that are either thematic or geographic in scope to learn about program performance. Such evaluations generally focus on identifying best practices and lessons learned across projects via qualitative and anecdotal evidence. Most of those interviewed on the matter stated that periodic cluster evaluations are necessary because they represent a more efficient use of evaluative resources and enable respondents to focus on specific issues in more detail.

Overall, the SGP appears to accord a high level of attention to M&E as compared to the other reviewed programs.

4.5 Mobilization of Cofinancing

Mobilization of cofinancing from grantees allows a program to increase the financial resources that are focused toward achieving programmatic goals. However, grantees that are able to provide cofinancing may be difficult to reach, or the program staff may have to expend greater effort and resources in assisting grantees to mobilize cofinancing: this may lead to an increase in management costs.

The SGP encourages grantees to generate about a dollar of cofinancing from other sources for every dollar they receive in SGP funding. To date, SGP grantees are reported to have mobilized about $1.20 in cofinancing per every $1.00 of SGP grants. Of this, about $0.70 was in cash and about $0.60 was in kind. At the programmatic level, SGP is reported to have mobilized about $0.80 per $1.00 of GEF grant ($0.90 during the third operational phase).

Like the SGP, the World Bank's SmGP and Wetlands for the Future also encourage grantees to mobilize an additional dollar of finance from other sources for each dollar they receive in grant funding. Although programs administered by the Eurasia Foundation and PACT encourage grantees to generate cofinancing from other sources, they are more flexible with regard to the extent to which cofinancing is required. For $89 million of committed grants, the CEPF claims to have leveraged $128 million from other sources (a ratio of $1.40 per $1.00 of CEPF investment).[8]

In contrast, other programs, such as the GGF, IUCN NL, and the PACS Programme, discourage or do not require cofinancing. One of the reviewed programs discouraged cofinancing because it believed that it might distract the grantee organization from providing full attention to program priorities. This organization held that it was "too risky" to require cofinancing from grantees and was opposed to small grants being linked to larger projects as they do not "wish grants to be used to close gaps."

5 Program Management Costs

5.1 Scale of Operation

Operating a global small grants program from a headquarters facility involves such costs as staff salaries, rent, utilities, and so on. A major proportion of these costs are fixed, making the total scale of global operations an important consideration: the greater the scale of operations, the greater the corresponding reduction in the proportion of management costs. In this regard, the SGP is in a comparatively advantageous position, as its scale of operations is substantially larger than that of other global programs. For example, during FYs 2005 and 2006, the SGP approved about 2,200 project grants and committed about $76 million to these grants. The other programs that could be considered comparable to the SGP on this parameter during this period are the Eurasia Foundation, which invested about $30 million (1,100 grants), and the CEPF, which invested $38.6 million (330 grants). Although the World Bank SmGP made about 850 grants and the GGF about 1,100 grants during FYs 2005 and 2006, the total amount invested by these programs was only about $5 million and $4 million, respectively. Thus, other things remaining the same, the management costs of the SGP's global office (CPMT) as a ratio of the SGP's total program expenditure is expected to be lower than the ratios for other small grants programs.

An analysis of the SGP country programs shows that the scale of operations in the recipient countries indeed affects the proportion of management costs—generally speaking, the greater the annual investments in the recipient country, the lower the proportion of management costs. The SGP operates most of its country programs through a two-member team, which is housed in either a national institution or within the local UNDP country office. On average, the SGP invests about $0.4 million in grants per recipient country and about $0.5 million in total expenditures including grants. Controlling for region, age of program in a country, cost of living, and country status (that is, whether the country under consideration is a small island developing state[SIDS] or among the least developed countries), the proportion of management costs, on

[8] www.cepf.net/ImageCache/cepf/content/pdfs/cepf_2eoverview_2efactsheet_2epdf/v4/cepf.overview.factsheet.pdf.

average, is lowest for country programs when they annually invest about $1.0 to $1.1 million.[9] . This range is relevant only to the country program structure adopted by the SGP and may not be generalized for other programs. However, it does show that there may be economies of scale involved regarding average investment in recipient countries.

In terms of total grants made annually per recipient country (based on FYs 2005 and 2006 data), the PACS Programme, Eurasia Foundation , ICEF, and CEPF all invested more than did the SGP: $1.8 million, $1.2 million, $0.7 million, and $0.6 million, respectively, compared with the SGP's $0.4 million. PACT ($0.15 million) and the IUCN NL ($0.15 million) invested comparable, albeit lower, amounts per country. Since the programs that invest more per country of operation are likely to enjoy economies of scale, the proportion of management costs for such programs is likely to be lower. Therefore, compared to the SGP, the PACS Programme, Eurasia Foundation, ICEF, and CEPF have an advantage in operating at investment levels that facilitate a greater economy of scale.

5.2 Unreported Country Program Management Costs

A country program may commit funding at the portfolio level on activities that may not be directly linked to any individual project but that are essential for the overall effectiveness of the program. Such activities may include promoting awareness about the program to generate grant applications, developing a strategic plan, program monitoring, grantee training, and program evaluation. Normally, funding for these activities is categorized as program management costs—that is, the cost of doing business. For greater efficiency, grants programs may subcontract these activities to other organizations, frequently making dedicated grants for this purpose. Such program management expenditures are generally listed as "project grants" in the respective management information system. Such a categorization may facilitate either a tacit effort or inadvertent tendency to record lower program management expenses. This issue was looked at to assess the extent to which reported program management costs are lowered through the use of this reporting practice with regard to some expenses.

Based on the accepted practice in the GEF, such project grants were included in the program management expenses.

Analysis based on the SGP project database showed that, even though separate resources had been provided in the line items of the SGP third operational phase (OP3) program management budget for such activities as country program–related issue awareness workshops, training, and M&E, the country programs often financed a portion of these program budget activities through project grants. About 3 percent of total GEF funding for the SGP was invested in projects that were actually aimed at improving the functioning of the program; such grants account for

[9] See GEF Evaluation Office, *Joint Evaluation of the Small Grants Programme*, Evaluation Report No. 39 (Washington, DC, 2008).

6 percent of the total number of project grants. Of the amount invested in such projects, 37 percent was expended on organizing grantee meetings, trainings, and workshops for country program purposes; 23 percent on public information and communications to promote the SGP initiative; and 18 percent in portfolio- (or project cluster level) level M&E activities. Other investments (22 percent) were in the form of dedicated projects addressing program management issues pertaining to knowledge sharing, planning and strategy development, program advocacy, program administration, and technical support.

An assessment of expenditures for program management projects during the various SGP operational phases shows that, during the pilot phase, such projects accounted for about 2 percent of the total GEF investment in the SGP.[10] During OP1 (January 1997 to February 1999), this increased to about 3 percent; it was approximately 4 percent during OP2 (March 1999 to February 2005). However, this decreased to about 3 percent during the first part of OP3 (FYs 2005–06), . Thus, throughout its life, the SGP has invested a small but significant proportion of its budget in projects pertaining to program management.

The tendency to invest in program management projects is not unique to the SGP. For example, in FYs 2005–06, the CEPF invested about 19 percent of its total expenditure in management grants; PACT invested about 1.5 percent, the GGF invested about 2 percent, and the IUCN NL's Ecosystem Grants Program invested about 4 percent.[11] About 1 percent of the grants of the 2002 cohort of the World Bank SmGP portfolio were reported to be management grants.[12] Other programs—such as the Ramsar SGF, Wetlands for the Future, the PACS Programme, the Eurasia Foundation, and the ICEF—do not meet their program management expenses through dedicated project grants.

5.3 Reported Program Management Costs

Based on the information provided in the annual reports of the programs reviewed and by the program staff during interviews, it can be inferred that the SGP is in the upper middle range of program management costs. Reported program management costs for the reviewed programs vary from 10 to 12 percent of total program expenditure for the World Bank SmGP to 32 percent

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[10]Ideally, the date of project approval would be used to determine the operational phase in which a given project originated. However, the SGP project database does not provide information on project approval dates. Consequently, this analysis instead used project start date as a means of assigning projects to their respective operational phase; this is a useful proxy, but note that, on average, project start lags approval by about three months.

[11]The estimate for the Ecosystem Grants Program was provided by IUCN NL staff. Its project database was not accessible.

[12]The evaluation report *Making a Little Go a Long Way: How the World Bank's Small Grants Program Promotes Civic Engagement*, by Beryl Levinger and Jean Mulroy (Washington, DC: World Bank, 2003) provides information on the 2002 SmGP grant portfolio. It notes that 497 grants were made in 2002, of which 3 were primarily for program management–related tasks.

for the Eurasia Foundation. For the other programs, estimated costs are either within this range or not available. For example, Wetlands for the Future (24 percent), the GGF (26 percent), and PACT (27 percent) have reported program management costs in this band.[13]

The data provided by the CPMT shows that during its third operational phase, the SGP's reported program management costs were about 25 percent in FYs 2005 and 2006. After factoring in the project fees paid by the GEF to UNDP for hosting the program, this figure increases to 28 percent. When dedicated project grants aimed at addressing program management issues are included, the proportion rises to 31 percent.

Although the World Bank SmGP's reported program management costs are about 10 to 12 percent of total program budget, these costs do not include country office staff time and resources, which are contributed at no cost. Further, the program places relatively little emphasis (as compared, for example, to the SGP) on monitoring and evaluation of its grant portfolio. These factors lower its program management costs. A similar situation pertains to OTEP, which also has relatively low reported management costs (16 percent). As with the SmGP, OTEP administration is handled by staff from a larger entity, in this case the U.K. Department for International Development and the U.K. Foreign and Commonwealth Office, some of whose time appears to be contributed to the program. Further, OTEP also does not undertake intensive monitoring and evaluation of the program. The lower management costs of the Ramsar SGF and Wetlands for the Future small grants programs are similarly accounted for; when staff time is taken into account, their management costs increase.

The CEPF has a reported program management cost of about 16 to 18 percent, but these 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, CEPF management costs increase to 30 to 34 percent (see annex C for details on estimates). However, since the CEPF portfolio includes larger grants, its estimated management costs have a downward bias.

5.4 Adjusted Program Management Costs

The actual cost of administering a small grants program should take into account the total grants made excluding grants aimed at addressing program management–related issues. For the SGP, 3 percent of its total expenditure during it third operational phase has gone for projects aimed at addressing program management–related issues. This reporting practice has the effect of lowering total reported program management costs. When this is corrected for, the adjusted program management costs for the SGP increase from the reported 28 percent to about 31 percent (see annex C for information on calculation of adjusted program management costs for the selected programs that were reviewed).

[13] See annexes B and C for information on how these estimates were calculated.

SGP program management costs vary considerably among the countries in which the program is operational. For example, for FYs 2005 and 2006, the reported recipient country management costs—including global program-level program management costs and program management grants—as a proportion of total program expenditures were 20 percent or less in Pakistan (17 percent), South Africa (17 percent), and Tanzania (20 percent); and 45 percent or higher in Dominica (46 percent), Barbados (47 percent), Ecuador (47 percent), Panama (47 percent), Trinidad and Tobago (49 percent), Turkey (49 percent), and Papua New Guinea (more than 50 percent). By region, program management costs were on average lower in Asian countries (27 percent) and higher in Latin America and the Caribbean (35 percent) and in Europe and Central Asia (33 percent). Program management costs fell somewhere in between for African countries (30 percent). The average program management costs in SIDS, when considered as a separate group, were 36 percent of total program expenditures in those countries.

Three main factors appear to drive this variation:

- Total grants made during the period considered. The fewer project grants made during a period, the higher management costs as a proportion of total program expenditures tend to be.

- Cost of living. The higher the cost of living, the higher the proportion of management costs for a country program. This relationship goes a long way in explaining why program management costs are higher in Latin American and Caribbean countries and SIDS, and lower in Asia, especially in South Asian countries.

- Whether the country program is in its start-up phase During a country's start-up phase, the proportion of country program management costs is relatively higher than in later stages. During this phase, the SGP incurs a significant level of fixed costs in establishing the country program team and national steering committee, and the level of grants committed is generally very low. Thus, the programs recently begun in Colombia, Jamaica, and Dominica have a higher proportion of management costs as compared to other countries in the region that are of comparable size. In general, the proportion of country program management costs stabilizes after one or two years of program operation.

SGP management costs have varied by operational phase. Compared to the OP3 proportion (31 percent), management costs were 37 percent of total expenditures during OP1 and OP2. However, during these earlier phases, the program operated at substantially lower levels of investment per recipient country. Thus, although SGP management costs have decreased as a proportion of total over time, this may be attributable to some extent to higher investment levels per recipient country during OP 3.[14]

The management cost figures for some of the other reviewed programs increase when program management grants are taken into account. For example, the CEPF management cost proportion increases from 16–18 percent of total program expenditures to 30–34 percent; for the GGF, they increase from 26 to 28 percent; for PACT, they increase from 27 to 29 percent; and for SmGP, they increase from 10–12 percent to 11–13 percent. The adjusted figures for the reviewed small grants programs are listed in table 5.1.

Table 5.1: Adjusted Management Costs for Reviewed Programs as a Percentage of Total Program Expenditures

Program	Management costs as percentage of total expenditure
World Bank SmGP	11–13
IUCN NL	16
Wetlands for the Future	24
GGF	28
PACT	29
SGP	31
Eurasia Foundation	32
CEPF	30–34

6 Cost Efficiency of SGP Management

Since it is difficult to determine management costs of small grants programs accurately, and because of differences in scale and scope, it is not easy to compare programs in terms of their cost efficiency. These caveats notwithstanding, it appears that, overall, the SGP is comparable to the other programs reviewed in terms of cost efficiency of management. For example, while the GGF and PACT have reported management costs that are similar to the SGP's, the SGP puts more emphasis on program-level M&E and on capacity building of grantee institutions. Conversely, because the SGP is substantially larger than these two programs (both in terms of its total size as a global program and its investment per recipient country), it is expected to enjoy greater economies of scale. Similarly, although the Eurasia Foundation seems to be stronger in terms of the technical assistance it provides, it is able to do so because its annual investments per recipient country are higher than the SGP's.

One of the issues that needs to be considered is whether overall efficiency of delivery would be affected if a program's overall level of funding is changed. For example, a reduction in funding

[14]This is discussed in *Joint Evaluation of the Small Grants Programme*.

would lead to an increase in the proportion of management costs. Alternatively, if funding levels were increased significantly, some efficiency gains are likely to be made. The SGP is presently working with an annual program expenditure of about $50 million. If it were to operate at a higher level of funding, the proportion of global program expenditure could be expected to decrease even if the number of countries in which the SGP operates increased proportionately. However, if the number of countries were increased without a concomitant increase in the total program expenditure, management costs as a proportion of total budget would also increase if program services were maintained at the previous level.

Another program efficiency consideration involves a program's mix of management structure, activities, and strategies. Given the limited scope of this assessment, some aspects of this issue were addressed, but only for the SGP. It was determined that the SGP will be able to make some efficiency gains through such measures as eliminating workshops and renegotiating the rents of country offices. Other measures, such as reductions in allocations for knowledge sharing, M&E, capacity building of country teams, technical assistance, and country program auditing, may have program effectiveness implications.

Annex A: Program Strategies

Program/ organization	Program structure	Maximum individual grant	Average grant size	Emphasis on capacity building[a]	Intensity of program M&E[b]	Cofinancing
GEF SGP	Centralized HQ (New York); decentralized country offices	$50,000	$27,000	Medium to high	High	50:50
PACS Programme	n.a.	n.a.[c]	$120,000	Medium to high	High	Not required
IUCN NL	Centralized	$100,000	$35,000	Medium to high	Medium	Not required
Eurasia Foundation	Centralized HQ (Washington, D.C/); decentralized regional offices	No limit	$20,000[d]	Medium to high	High	Varies
OTEP	Centralized	—	$85,000[e]	Medium	Low	Required
World Bank SmGP	Centralized HQ (Washington, D.C.); decentralized regional offices	$15,000	$6,000	Medium	Low	50:50(in cash or kind)
GGF	Centralized	$5,000	$4,000	Medium	Low	Not required
Ramsar SGF	Centralized	$32,000	$28,000	Medium	Low	Not required
Wetlands for the Future	Centralized	—	$11,000	Medium	Medium	50:50 (in cash or kind)
ICEF	n.a.	$250,000	$120,000	Medium	Medium	Not required
CEPF	Centralized HQ; decentralized program administration at the “hotspot” level	No limit	$90,000	Medium	Medium to high	Not required
PACT	n.a.	$30,000	$15,000	Medium	Medium	Varies

Note: n.a. = not applicable; — = not available

a. This is an evaluative question aimed at determining the extent to which the grant-making organization emphasizes capacity building in the investments it makes.

b. Intensity of program M&E denotes the level of attention given to monitoring and evaluation at the program level, as distinct from the project level.

c. The PACS Programme administers four types of grants, the largest of which covers projects exceeding $350,000. This grant type was excluded from the analysis, but the remaining three grant types (which are awards for less than $350,000) were considered.

d. From www.eurasia.org/about/.

e. From www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/1014/1014we06.htm.

Annex B: Program Management Cost–Related Information

Program/ organization	No. of grants in FYs 2005 and 2006 (no. of projects)	Total grant commitments in past FYs 2005 and 2006 (million $)	Expenditure on program management grants as % of total expenditure (FYs 2005 and 2006)	Adjusted program management costs in FYs 2005 and 2006 as % of program budget
GEF SGP	≈2,200	76	3	31[a]
PACS Programme	30	–	0	–
IUCN NL	210	0.78	4	25
Eurasia Foundation	1,100	28.5[b]	0	32[c]
OTEP	36	3.05	0	16
SmGP	850[d]	4.9	0.5	11–13
GGF	1,200	5.6	2.3	28[e]
Ramsar SGF	12	0.55	0	20–25[f]
Wetlands for the Future	23	≈0.5	0	24[g]
ICEF	12	1.4	0	–
CEPF	330	38.6	12–16 .	30–34[h]
PACT	≈20	≈0.3	1.5	29 [i]

Note: – = not available.

a. This includes reported program management costs, project grants addressing management issues, and UNDP fees.

b. Data are for FYs 2004 and 2005**.** www.eurasia.org/publications/ar.aspx.

c. Based on calculations performed by Eurasia Foundation staff following the methodology laid out in this paper. The author does not have access to the detailed financial information on which is this calculation is based.

d. World Bank, *World Bank–Civil Society Engagement: Review of Fiscal Years 2005 and 2006* (Washington, DC, 2006), p. 28. http://siteresources.worldbank.org/CSO/Materials/21063337/CSEngagement06Final.pdf.

e. Calculated from figures in the GGF 2006 annual report. Program management costs were calculated after considering program management expenses, program support expenses, and grants committed but excluding fundraising expenses. GGF, Global Greengrants Fund Annual Report 2006 (Boulder, CO), pp. 14-15. www.greengrants.org/pdf/annualreport_2006_guided.pdf.

f. Based on a 10 percent flat management fee and time contributed by the Ramsar Convention Secretariat technical staff, IUCN, and other specialists to appraise and supervise grants (valued at around $0.250–$0.4 million).

g. Calculated from the following: total contribution by the US government of approximately $2.75 million, a program management fee of 10 percent of this amount, and staff time contributed by the Ramsar Convention Secretariat valued at $0.5 million. Margarita Astrálaga and Adrián Ruiz Carvajal, *The Wetlands for the Future Fund: A Performance Review of the First Ten Years*, p. 7. www.ramsar.org/wff/wff_review_2006.pdf.

h. See annex C on calculation of these estimates.

i. Figure based on information provided by the PACT executive director. The data pertain to all grants programs administered by PACT; however, since small grants comprise a major part of the PACT portfolio, this figure is fairly reflective of the overall program management costs of the PACT small grants program.

Annex C: Calculation of Management Costs for Selected Programs

C.1 GEF SGP

a. Reported management costs = 25.2 percent of the program budget (based on the expenditure statement provided by the CPMT) for FYs 2005 and 2006.

b. The percentage of project grant amounts invested in projects—excluding COMPACT projects[15]—aimed at addressing the program management issues of recipient countries in FYs 2005 and 2006[16] = 3.7 percent

c. Adjusted management cost (including projects aimed at addressing management issues) = reported management cost + (project grants × 0.75) (because project grants comprise 75 percent of total program expenditure:

$$25.2\% + (3.7\% \times 75\%) = (25.2\% + 2.8\%) = 28.0\%$$

d. Adjusted total management cost including UNDP fees:

- (28.0 + 4)/104 = 0.31 or 31 percent

[15] Community Management of Protected Areas for Conservation (COMPACT) projects are a partnership initiative of the SGP and the United Nations Foundation.

[16] Because project approval dates are not available in the SGP database, this analysis instead used project start date as a means of assigning projects to their respective operational phase.

C.2 CEPF

Table C-1: Management Costs Based on Actual Reported Spending

Item	FY 2005	FY 2006	Both years .
Project grants (total grants minus management cost–related grants)[a]	$18.2 million (67%)	$12.0 million (64%)	$30.2 million (66%)
Management cost–related grants			
Gross management costs through project grants:	$6.3 million	$3.2 million	$9.5 million
Less funds to be disbursed as small grants	1.17 million	0.00 million	$1.17 million
Net management costs through project grants	$5.13 million (19%)	$3.2 million (17%)	$8.33 million (18%)
Ecosystem profile preparation	$0.8 million (3%)	$0.2 million (1%)	$0.9 million (2%)
Business development, grant making, monitoring and evaluation, knowledge management, external evaluation	$3.0 million (11%)	$3.4 million (18%)	$6.4 million (14%)
Total management expenditure (2+3+4)	$8.9 million (33%)	$6.8 million (35%)	$15.7 million (34%)
Total expenditure	$27.1 million (100.0%)	$18.8 million (100.0%)	$45.9 million (100%)

a. One 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 $2.47 million, of which $1.17 million was for grant making. This figure has been included with project grants; the remaining $1.3 million has been included with management cost–related grants.

Because the CEPF coordination grants and ecosystem profiling are front loaded, the management cost figures provided in the above table need to be adjusted to ensure that the annual expenditure statements for the initial years of program implementation do not overrepresent the management costs.[17]

The adjusted estimates use an overall granting authority of $125 million for the first phase, actual CEPF expenses as of February 2007, allocations to management cost–related grants during FYs 2005 and 2006, and anticipated expenses for the remaining period of the first phase until June 2007; for more information, see pages 3, 25, 26 and 27 of the CEPF Implementation Completion and Results Report (2007).[18]

[17]While this adjustment needs to be made for the CEPF, it is not required for the SGP, since its country program expenses are disbursed annually and not in consolidated grants that run for multiple years.

[18]http://wbln0036.worldbank.org/852572430067B82D/DOC_VIEWER?ReadForm&I4_KEY=B6A8F473D71B5FFD85256B8700039FB48B38DD17A651E46185256C64001D7ECD&I4_UNID=5EAB2FB7C1E1D61E852572FF007B0EBB&.

Table C.2: Adjusted Estimates for Management Costs Based on Actual and Expected Expenditures

Item	Percentage of total expenditures
Ecosystem grants (total ecosystem grants minus management cost–related grants)[a]	70
Coordination grants @ 11% of total expenditure (14/125=.11)	12
Other management cost grants @ 1 % of total (1.63/125=0.013)	
Ecosystem profile preparation	5
Business development, grant making, monitoring and evaluation, knowledge management, external evaluation	13
Total management expenditure (2+3+4)	30
Total expenditure	100

Note: Data estimated based on long-run averages and anticipated expenditures.

a. One 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 $2.47 million, of which $1.17 million was for grant making. This figure has been included with project grants; the remaining $1.3 million has been included with management cost–related grants.

C.3 GGF

The GGF annual report for FY 2006 provides the following breakdown of spending:

Table C.3: Management Costs Based on Actual Reported Spending

	Percentage of budget		
Item	FY 2005	FY 2006	Both years
Program support	18	19	19
Administrative costs	4	6	5
Fundraising costs	11	7	9
Unadjusted management costs	33	32	32
Grants	67	68	68

Since it is very difficult to determine the true cost of fundraising for other small grants programs, those for the GGF have been excluded from consideration here. No 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 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 GGF need to be adjusted. A further adjustment to the GGF data needs to take into account the incidence of program management grants. For the GGF, 1,197 grants made during FYs 2005 and 2006 were reviewed. Of these, six (about 3.16 percent of the grants assessed) were found to have been granted for program management expenditures. Considering that 74 percent of GGF total expenditures (excluding fundraising costs) were for grants, these six grants represent 2.3 percent of total GGF expenditures (excluding fundraising costs).The adjusted costs for the GGF follow.

Table C.4: Adjusted Estimates for Management Costs Based on Actual Costs

	Percentage of budget		
Item	**FY 2005**	**FY 2006**	**Both years**
Program support	20	20	20
Administrative costs	5	7	6
Program management grants (.0316 × 0.74 = 2.3%)	2	2	2
Adjusted management costs	27	29	28
Grants	73	71	72

C.4 PACT

The reported management costs for PACT for FYs 2005 and 2006 were 27 percent of the total PACT budget, according to the PACT executive director. This excludes amounts spent on raising funds. A review of 70 projects approved during FY 2005-06, which includes grants other than small grants, shows that 7 of these projects, which accounted for 2.05 percent of total grant outlays, were for program management purposes. Since grants represent 73 percent of total PACT expenditures, program management grants account for 1.5 percent (0.0205 × 0.73) of the total program expenditure. Thus, adjusted management costs for PACT are approximately

$$27\% + 1.5\% = 29\%$$

C.5 Program Management Costs and Program Management Grants

Table C.5: Management Cost–related Projects and Adjusted Management Costs

Program/ organization	Period	No. of reviewed projects	No. of mgmt cost projects identified	Program mgmt grants as % of total grant amounts	Program mgmt grants as % of total program expenditures	Reported mgmt costs	Adjusted mgmt costs
GEF SGP	2005-2006	2,166	87	3.7	3%	28%	31%
PACS Programme	2002-2006	199	0	0	0%	—	—
IUCN NL[a]	—	—	—	5.4%	4.3%	21%	25%
Eurasia Foundation	1993-2006	766[b]	0	0	0.0%	32%	32%
OTEP[c]	2004-2007	81	0	0	0.0%	16%	16%
World Bank SmGP	2002	497	3	0.6[d]	0.5%	10–12%	11–13%
GGF	2005-2006	1,197	6	3.16	2.3%	26%	28%
Ramsar SGF	1991-2006	202	0	0	0.0%	20–24%	20–24%
Wetlands for the Future	1995-2006	196	0	0	0.0	25%	25%
ICEF	2005-	49	0	0	0.0%	UA	UA

Program/ organization	Period	No. of reviewed projects	No. of mgmt cost projects identified	Program mgmt grants as % of total grant amounts	Program mgmt grants as % of total program expenditures	Reported mgmt costs	Adjusted mgmt costs
	2006						
CEPF	2005-2006	364	23	21.6	12% - 18%	16% - 18%	30% - 34%
PACT	2005-2006	70	7	2.05	1.5%	27%	29%

Note: — = not available

a. Management cost figures are estimated projections provided by program staff.

b. Projects were accessed through the online database .

c. Figures provided by program staff and based on actual costs for 2006-07.

d. The 497 FY 2002 projects reviewed in the Levinger and Mulroy evaluation were considered. The evaluation reports that 3 of these grants were primarily for program management–related tasks. Based on this, it has been assumed here that 0.6 percent of project grants and grant amounts was for program management–related grants.