



MEMORANDUM

28 January 2005

To: Ms. Lisa Gomer
Manager, Global and Inter-regional Division, UNOPS

From: Mr. Frank Pinto
Executive Coordinator, UNDP/GEF

A handwritten signature in black ink, appearing to read 'Frank Pinto', is written over the 'From:' field.

Subject: Project Document for GEF Small Grants Programme, Operational Phase III

Please find attached the signed project document for the GEF Small Grants Programme's Third Operational Phase as approved by the UNDP Project Appraisal Committee (PAC) on Wednesday 26 January.

Please note that the GEF Council in November 2004 approved funding for the first year only of the three year operational phase (2005-2008). Funding for the subsequent years would depend on the results and impact demonstrated.

We would appreciate receiving an original signed copy of the document.



UNDP Project Document

United Nations Development Programme

1. The development goal of the GEF SGP is to secure global environmental benefits in the areas of biodiversity conservation, climate change mitigation, protection of international waters, prevention of land degradation, and phasing out of persistent organic pollutants through community-based initiatives and action. The rationale of the programme is rooted in the belief that local solutions to global environmental problems exist and have been successfully implemented through the programme while at the same time recognizing that there is still an unrealized potential to enhance the impact of the programme within the GEF system as a whole. Given the strategic role of the GEF SGP in furthering the overall GEF Strategy and mandate, the long-term financial modality is one that ensures continuity for the programme's expansion and consolidation, and for flexibility and accountability at the same time.

Responding to recommendations in the report of the third independent evaluation of the GEF SGP, the programme will focus on achieving the following principal objectives (outputs): (1) increasing the global reach of the programme especially to address global environmental problems in vulnerable countries; (2) implementation of well-designed project portfolios that incorporate new GEF focal areas and themes; (3) strengthening of existing country programmes; (4) demonstration of local and global benefits of the programme and application of lessons learned and good practices; (5) enhancing sustainability of SGP-funded projects, and; (6) realization of SGP's potential as a GEF corporate programme.

2. The GEF Council, at its November 2004 meeting, considered the full three year operational programme and approved funding for the first year only (mid-February 2005 to mid-February 2006) amounting to \$47 million.

SIGNATURE PAGE

Country: GLOBAL (76 countries)

UNDAF Outcome(s)/Indicator(s): **Increased integration of the GEF Small Grants Programme to the achievement of the MDGs as the basis for coordination of the Common Country Assessment (CCA) and the United Nations Development Assistance Framework (UNDAF) in the SGP participating countries.**

Expected Outcome(s)/Indicator (s): **The GEF Small Grants Programme, strengthened as a global programme to help all participating countries (estimated at 103 by 2008) towards achieving their MDG targets.**

Expected Output(s)/Indicator(s): **Sustainable development projects implemented in all participating SGP countries through the actions and participation of civil society and local communities.**

Implementing partner:

UNOPS

Other Partners:

UNDP

Programme Period: 3 years with subsequent "rolling" financial modality
Programme Component: Environment
Project Title: GEF Small Grants Programme: Third Operational Phase (2005-2008)
Project ID: 2580
Project Duration: First year of the 3-year phase
Management Arrangement: UNOPS

Total budget: US\$ 47 million
Year 1: US\$ 47 million
• Government N/A
• Regular N/A
• Other: Co-financing to be mobilized in the next 3 years
In cash / In kind contributions:
Year 1: US\$ 34 million

Agreed by UNDP: Mr. Frank Pinto, Executive Coordinator, UNDP/GEF



Agreed by UNOPS: Ms. Lisa Gomer, Manager, Global and Inter-regional division



The GEF Small Grants Programme Third Operational Phase

Table of Contents

ACRONYMS.....	4
SECTION I. ELABORATION OF THE NARRATIVE	5
PART 1. SITUATION ANALYSIS	5
Introduction.....	5
Contribution to the GEF mandate	5
Rationale for a new project document.....	6
Target beneficiaries	6
SGP during the Second Operational Phase (February 1999 – February 2005)	7
Country programme structure and requirements of country teams	8
Expansion to new countries.....	10
SGP grants portfolio.....	11
Project impacts and global benefits.....	12
Monitoring and evaluation	15
Resource mobilization and project sustainability.....	16
Links with regular and medium-sized GEF projects.....	18
PART 2. STRATEGY.....	19
Goal and objective in the Third Operational Phase.....	19
Outcome 1. Global reach of SGP increased, especially to address global environmental problems in vulnerable countries	19
Output 1. Expansion strategy designed and implemented.....	21
Outcome 2. Country programmes implementing well-designed project portfolios that incorporate new GEF OPs, SPs, and focal areas.....	21
Output 2. Capacity created to address new focal areas in a systematic and strategic manner within integrated portfolios.....	23
Outcome 3. Existing country programmes maintained and strengthened	23
Output 3. Capacity for global and country programme level management enhanced	25
Outcome 4. Local and global benefits of SGP demonstrated and applied.....	26
Output 4. Results, lessons learned, and good practices defined, tracked, documented, and communicated	27
Outcome 5. Programme and project sustainability enhanced.....	28
Output 5. Programme and project sustainability frameworks in place	29
Outcome 6. SGP as a GEF corporate programme fully realized	30
Output 6. Partnerships with GEF Implementing/Executing Agencies established.....	31
PART 3. MANAGEMENT ARRANGEMENTS	32
Reasons for assistance from UNDP	34
Acknowledgement of GEF funding	34
PART 4. MONITORING AND EVALUATION.....	34
PART 5. LEGAL CONTEXT	34
SECTION II BUDGET	35
Annexes	37
Annex F1: Workplan.....	F1-1
Annex F2: Deliverables for the GEF SGP (February 2005 - February 2008).....	F2-1
Annex F3: Project Planning Matrix.....	F3-1
Annex F4: Countries participating in programme benefits.....	F4-1
Annex F5: Deliverables for year 6 of the Second Operational Phase and Implementation Results.....	F5-1
Annex F6: Terms of Reference for Programme Personnel.....	F6-1

ACRONYMS

ADB	Asian Development Bank
BPR	Biennial Programme Review
CBD	Convention on Biological Diversity
CBOs	Community-based Organizations
CCF	Country Cooperation Framework
CIS	Commonwealth of Independent States
CO	Country Office
COMPACT	SGP Community Management of Protected Areas Conservation Project
CPMT	Central Programme Management Team
CWI	Community Water Initiative
EA	Executing Agency
FSPs	Full-sized projects
GEF	Global Environment Facility
IA	Implementing Agency
JPO	Junior Professional Officer
LDCs	Least Developed Countries
LIFE	Local Initiative Facility for Urban Environment
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MOA	Memorandum of Agreement
MSPs	Medium-sized projects
NGOs	Non-government Organizations
NCs	National Coordinators
NHI	National Host Institution
NSC	National Steering Committee
NTEAP	GEF Nile Transboundary Environmental Action Project
OP2	Second Operational Phase
OPs	Operational Programs
PA	Programme Assistant
POPs	Persistent Organic Pollutants
PTF	SGP EU Promotion of Tropical Forests
SAPs	Strategic Action Programmes
SBAA	Standard Basic Assistance Agreement
SGP	Small Grants Programme
SIDS	Small Island Developing States
SPs	Strategic Priorities
STAP	Scientific and Technical Advisory Panel to the GEF
TDAs	Transboundary Diagnostic Analyses
TORs	Terms of Reference
TRAC	Target for Resources Assignment from the Core
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNCCD	United Nations Convention to Combat Desertification
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office of Project Services
UNSO	UNDP Drylands Development Centre
UNV	United Nations Volunteers
WFP	World Food Programme
WHO	World Health Organization
WHS	World Heritage Site

Section I. Elaboration of the Narrative

PART 1. SITUATION ANALYSIS

Introduction

1. The GEF Small Grants Programme (SGP) is implemented by UNDP on behalf of the three implementing agencies of the Global Environment Facility – UNDP, World Bank, and UNEP – and executed by the United Nations Office for Project Services (UNOPS). Launched in 1992, SGP is rooted in the belief that global environmental problems can best be addressed if local people are involved and direct community benefits and ownership are generated. In twelve years of operation, SGP has worked with thousands of community-based organizations (CBOs) and non-governmental organizations (NGOs) in 76 countries in five world regions: Africa, Asia/Pacific, Arab States, Europe/CIS and Latin America/Caribbean. In partnership with these local organizations, SGP has demonstrated that even with small amounts of funding (SGP grants are less than \$50,000), local communities can undertake activities that will make a significant difference in their lives and environments and contribute to global environmental benefits at the same time. Since its inception, SGP has operated in a decentralized, democratic, transparent, and country-driven manner, through National Coordinators and National Steering Committees. SGP grant-making, guided by Country Programme Strategies developed on the basis of a global Strategic Framework in tandem with national environmental priorities, has funded close to 5,000 projects worldwide. The programme has paid especial attention to local and indigenous communities and gender concerns, and aimed for the replication and sustainability of its initiatives. As such, the programme has influenced national policies and donor agendas by increasing awareness of global environmental issues and communicating lessons learned, including best practices from community-based experiences.

Contribution to the GEF mandate

2. As highlighted by the 2002 Third Independent Evaluation of the SGP¹, the programme has become the “public face” or “ambassador” of the GEF, and in this way has generated unprecedented levels of grassroots awareness of global environmental problems. This is based on a generally high quality portfolio of innovative and cost-effective projects that are consistent with GEF strategic criteria, as well as increased recognition by government agencies, other donors, and the general public. SGP is seen to link effectively global, national and local environmental issues through a transparent, participatory, decentralized, and country-driven approach to project planning, design and implementation, which has produced a “very high degree of national ownership of the SGP.”

3. The Third Independent Evaluation concluded that the programme continues “to occupy a unique and valuable niche not only within the GEF but within all international environment and development efforts,” following on the 1998 Second Independent Evaluation’s appreciation that “there is no comparable mechanism for raising environmental awareness and building capacity across such a broad spectrum of constituencies within the recipient countries.”

4. The SGP, with its focus on supporting local communities build capacity and initiate new action for co-managing their natural resources, exemplifies the implementation of GEF’s strategic priorities such as sustainable use activities both within protected areas and their buffer zones; conservation in productive landscapes and seascapes; productive uses of renewable energy; innovative demonstrations and capacity building foundational work in international waters; implementation of innovative and indigenous sustainable land management practices, and targeted capacity building and demonstration of innovative and cost-effective technologies in the POPs focal area.

¹<http://sgp.undp.org/download/SGP3IE2003.rtf>

5. SGP also provides GEF and the international environment and development community in general a dedicated pathway for reconciling global environmental goals with poverty reduction and working towards the Millennium Development Goals (MDGs). Addressing poverty reduction in conjunction with environmental conservation – essentially the pursuit of sustainable development – is clearly at the forefront of the international agenda. As the Third Independent Evaluation emphasized, “this is an area where SGP is already demonstrating what is possible... establishing environmentally sustainable livelihood opportunities at local levels may be a *precondition* for generating long-term global environmental benefits, as well as one of the most important ways of generating these benefits.”

Rationale for a new project document

6. In recognition of the substantive changes and advances in the GEF and SGP over the past several years, it was determined that a new project document was necessary that would adequately reflect and build upon them. As SGP has matured during the Second Operational Phase (February 1999 – February 2005), key lessons and good practices have emerged that merit being applied in a systematic and consolidated fashion to programme operations. A number of gaps have also been identified in this process as well, among them the critical need to strengthen and increase support for SGP country teams. Additionally, the GEF Council has authorized SGP to expand at an accelerated pace, increasing the number of new countries incorporated annually from five to ten, and has enjoined SGP to give priority to LDCs and SIDS in this further expansion. The importance of this expansion was noted and welcomed by the CBD COP6 in its decision VI/17². As an integral part of the GEF, SGP must respond to these operational and programmatic challenges, hence the need for new project document for a third operational phase.

7. The GEF has incorporated two new focal areas (Land Degradation and POPs) and a number of operational programs, as well as established strategic priorities such as adaptation for each focal area to guide the programming of resources. The questions of project sustainability and impact have become increasingly significant and SGP, as part of the wider GEF, has been called upon to address more effectively the matter of project and programme impacts and global benefits. This will entail refocusing SGP monitoring and evaluation processes and communications strategies towards impact assessment and knowledge management.

8. This project document reflects the findings and recommendations of the 2002 Third Independent Evaluation of the SGP and the conclusions of the 2003 SGP Global Workshop. Agreements reached in two meetings between the UNDP GEF/SGP Team and the GEF Secretariat in July 31, 2003 and in December 1, 2003 also provides key inputs in the development of this project document. SGP also convened a meeting in Merida, Mexico in June 2004 to consider the strategic directions that the programme should take over the next three years, bringing together key programme participants and stakeholders – representatives of the GEF Secretariat, the three GEF Implementing Agencies, STAP, the GEF NGO Network, UNDP Resident Representatives, The Nature Conservancy, SGP National Steering Committees, SGP National Coordinators, and the headquarters team – for intensive discussions over three days. The deliberations and conclusions of the Strategic Directions Meeting have directly informed the elaboration of this document, underscoring the need to *consolidate and build upon the gains of the Second Operational Phase, while expanding the programme geographically and thematically in the Third Operational Phase*. To meet this objective, US\$ 172 million over three years are being requested.

Target beneficiaries

9. Since its inception, SGP grant-making has been directed principally towards poor and marginalized communities, through their own community-based organizations (CBOs) or assisted by local or national non-governmental organizations (NGOs). The programme has operated on the premise that local people will be empowered to protect their environment when they are organized to take action,

² <http://www.biodiv.org/decisions/default.aspx?m=COP-06&id=7191&lg=0>

have a measure of control over access to the natural resource base, can deploy the necessary information and knowledge, and believe that their social and economic well-being is dependent on sound long-term resource management. SGP has provided for experimentation, innovation, and demonstration of community-based solutions to global environmental problems, with local communities an integral part of the process. Most country programmes have given priority to working with local and indigenous communities and have taken gender equity into consideration in grant making. In the Third Operational Phase, SGP will intensify its efforts to facilitate increased access of the same local stakeholders to GEF resources to undertake activities in the GEF focal areas, by supporting outreach, capacity building, and networking among grantees. This will be especially critical as the programme expands to include more LDCs and SIDS.

10. SGP grants are made directly to community-based organizations (CBOs) and non-governmental organizations (NGOs) in recognition of the key role they play as a resource and constituency for environment and development concerns. The decentralized structure of the SGP encourages maximum country and community level ownership and initiative, with decisions about country programme strategies and project approval are taken at the country level by a voluntary National Steering Committee (NSC). NSCs will also be a target of SGP attention in the Third Operational Phase, both in terms of supporting as well as recognizing their invaluable contributions to the programme beyond project proposal reviews and approval. Including high government officials, with increasing membership of GEF Operational Focal Point persons, top academic experts and the most credible civil society leaders, NSC members will expand into the role of linking SGP good practices and lessons learned to the larger policy making processes as well as global environmental governance.

11. SGP's effects extend beyond providing grants in the GEF focal areas to NGOs and CBOs. By raising public awareness, building partnerships, and promoting policy dialogue, the SGP seeks to promote an enabling environment within countries for achieving sustainable development and addressing global environmental issues. The SGP has helped NGOs, CBOs, and countries to simultaneously support local, community-based initiatives while meeting national obligations and global commitments. Hence key stakeholders who benefit from SGP activities in addition to local CBOs and NGOs include: national and international NGOs and NGO networks, research institutions, foundations, the private sector, and donor and government agencies.

SGP during the Second Operational Phase (February 1999 – February 2005)

12. The 1998 Second Independent Evaluation set the stage for SGP's Second Operational Phase (OP2), which was approved by the GEF Council in October 1998 and commenced in February 1999. Since the beginning of OP2, SGP is considered a GEF corporate programme that is part of the GEF business plan and reports annually to the GEF Council as a basis for consideration of its replenishment for the following year. A programmatic approach and annual "rolling" financial modality were established at the beginning of OP2 whereby SGP's replenishment would be dependent on performance against agreed benchmarks and deliverables, and continuity of programme activities thus ensured. A two-year replenishment for \$31.619 million was granted for years 1 and 2 of OP2. It was agreed that SGP budgets would maintain a 75%-25% ratio between grant and non-grant costs.³ The programme also committed to raising cofinancing on a matching basis with the GEF contribution, 50% in cash and 50% in kind, thereby meeting baseline costs at the programme, rather than the individual grant, level.

13. Four subsequent yearly replenishments have been approved on the basis of programme reporting on the agreed benchmarks and deliverables. The last replenishment for \$31.2 million covers SGP operations in 73 countries, as well as its expansion to ten new countries, during the period March

³ The SGP yearly replenishment budget has four parts: A. Grants, B. Programme mobilization, strategic guidance and monitoring and evaluation, C. Programme management, and D. Administrative costs. B, C, and D together are considered non-grant costs.

2004 through February 2005 (year 6 of OP2). During OP2 the number of SGP participating countries has grown from 53 to 73. The 2002 Third Independent Evaluation found that in OP2, SGP effectively built on its strengths and rectified most of the weaknesses identified in the Second Independent Evaluation in 1998. The principal OP2 objectives – strategic refocusing of the programme, mobilization of cofinancing, stronger and systematic monitoring and evaluation, linkages with larger GEF projects, outreach and communications strategy – were successfully met. This has meant noticeable overall improvement in SGP operations at the global, country, and local levels; grant-making that clearly responds to the GEF strategy and criteria; meeting cofinancing targets for OP2 thus far; and leveraging of impact through replication, mainstreaming in UNDP and GEF, and influencing government and donor environmental policies and programs.

14. In current year 6 of OP2, SGP is expanding operations to ten new countries of which at least five are small island developing states (SIDS) and least developed countries (LDCs), as instructed by the GEF Second Assembly in Beijing. The programme is conducting ex-post evaluations of four projects each in 34 countries (a total of 136 evaluations) as a means of better understanding the direct and indirect impacts of SGP interventions. A revision of the global Strategic Framework⁴ to bring SGP in line with new GEF strategic guidance is also near completion and will be disseminated to country programmes. The revised Strategic Framework will include an improved approach to the international waters focal area which has been relatively under-represented in the SGP portfolio.

Country programme structure and requirements of country teams

15. SGP operates in a decentralized and country-driven manner through highly qualified National Coordinators and National Steering Committees with a range of expertise in each participating country, and management, financial, and administrative support from UNDP Country Offices. As a global corporate programme, administered on behalf of GEF and its implementing agencies by UNDP, SGP is not considered part of UNDP core functions. Some country programmes are hosted by national NGOs with varying degrees of responsibility for programme implementation. The SGP Central Programme Management Team (CPMT) and UNOPS at headquarters in New York provide global guidance, coordination, support, and supervision.

16. During OP2, most country teams are composed of two staff, the National Coordinator and a Programme Assistant (PA). The National Coordinator (NC) has lead responsibility for managing country programme implementation (see TORs in Appendix B). Over the course of OP2, additional tasks and responsibilities have been added to the NC job description, such as the documentation of lessons learned and the assessment of SGP impact. Some NCs have also had to take on the responsibility for SGP subprogramme management as well as for specific cofinancing arrangements. The NCs of mature SGP country programmes have taken on additional tasks of appraisal of countries applying for participation in SGP and mentoring newly selected NCs, thus allowing the programme to better meet GEF's mandate to expand to 10 countries per year with priority to LDCs and SIDS.

17. The Programme Assistant's job description is normally determined at the country programme level, and there is significant variation across countries. During the course of OP2, there has been a tendency to convert this position from one that involves administrative and financial support to one that provides technical backstopping and is more involved with substantive grant-making and project management issues to allow the National Coordinator to manage an ever increasing portfolio of projects.

18. The need to strengthen SGP country teams and address staffing problems were key concerns expressed by National Coordinators and Programme Assistants who attended the 2003 SGP Global Meeting in Nairobi, Kenya. Many NCs observed that their country teams, including NSCs, were over-stretched, and the demands of the programme surpassed their ability to cope effectively. It was

⁴ <http://sgp.undp.org/download/StrategicFramework.rtf>

noted that the limitations on the programme's non-grant costs also limited possibilities for career advancement and merit-based incentives within the SGP structure. With the addition of new focal areas, the increased attention to portfolio management rather than just project management, and the increased focus on measuring and designing for impact, some NCs would need further training for them to be able to keep up with these new programme responsibilities and the evolving nature of the GEF.

19. The 2002 Third Independent Evaluation concluded that while the National Coordinators (NCs) continue to be the single most important element of the SGP and perform admirably in an increasing variety of programme areas, the demands that are being placed on them and their Programme Assistants are almost unreasonable, and jeopardize the sustainability of SGP. Therefore, the highest priority recommendation of the Evaluation is the provision of more non-grant resources to support NCs and the country teams over the long term. The Second GEF Overall Performance Study (2002)⁵ concurred, pointing out that national ownership of the SGP is reflected in the commitment to the programme by professionals on the NSCs and in the caliber of most of the NCs, and that "it will be important to allocate increased resources" to SGP.

20. The membership of the voluntary National Steering Committee comes from NGOs and other civil society organizations, academic and scientific institutions, government, and the UNDP Country Office, with a majority of members coming from the non-governmental sector. Its main purpose is to provide overall guidance and direction to the country programme, in addition to selecting and approving projects for funding, thereby highlighting this body's evolution from a National *Selection* Committee in the pilot phase to a National *Steering* Committee in OP2. As such, in collaboration with the NC, the NSC helps to develop the country programme strategy in accordance with the global Strategic Framework and national environmental priorities, and oversees its implementation. Since the NSC is responsible for ensuring the technical and substantive quality of the SGP grants it awards, in OP2 increasing numbers of NSC members have participated in pre-selection project site visits and in project monitoring and evaluation, as well as in programme representation.

21. During years 5 and 6 of OP2, SGP has tried to create opportunities for NSC members to contribute their valuable knowledge and experience to global programme activities, and also for them to benefit from exchanges with colleagues internationally. The NSCs are a powerful constituency at the national, regional, and global levels for environmental governance. As such, greater involvement and recognition of NSCs in global programme initiatives is clearly of mutual benefit, and the programme has decided that creative means of furthering their participation has to be made. The voluntary status of the NSCs – which is a cornerstone of SGP and guarantee of transparency – should remain but incentives could be provided to promote their participation in country programmes as well as regional and global activities.

22. UNDP Country Offices provide management support to SGP country programmes. The Third Independent Evaluation found SGP's relationships with UNDP Country Offices (CO) to be of mutual benefit. However, the Evaluation as well as SGP management recognizes the need to strengthen this relationship in some countries, especially as the programme expands to new countries.

⁵ http://www.gefweb.org/1Full_Report-FINAL-2-26-02.pdf

Expansion to new countries

23. Expansion to new countries has been undertaken on the basis of objective criteria that were established during OP2:

Prerequisites:

- Ratification of the CBD and UNFCCC, and fulfillment of eligibility criteria under paragraph 9(b) of the GEF Instrument.⁶
- Government interest in joining the programme and support for the programme's implementation modality, including establishment of a National Steering Committee to be composed of members from NGOs, civil society organizations, academic and research institutions, government, UNDP and others, as appropriate, with a non-governmental majority.
- Presence and adequate implementation capacity of local NGOs and resources mobilization potential
- Willingness of UNDP CO and government to cofinance and/or help attract other co-funding sources.

Preferred:

- Existence of environmental threats and needs in GEF thematic areas.
- Existence of areas with significant global biodiversity.
- Satisfactory government-NGO relations.
- Positive enabling environment.
- Presence of other relevant donor programmes; presence (current or proposed) of a national environmental fund or other potential local funding sources (private or public sector).
- Presence of one or more regular GEF projects (related to SGP mainstreaming objective).
- Presence of other UNDP small grant programmes to promote sustainable development (Africa 2000 Network, LIFE).

24. If an applicant country meets these criteria, an appraisal mission is undertaken, guided by specific TORs (see Appendix B). The appraisal mission is designed to ensure that conditions exist for SGP to be established and function effectively, through on-the-ground discussions with potential SGP stakeholders, partners, and grantees, including government, UNDP, donors, international agencies, NGOs, and CBOs. Potential problems and difficulties can be identified and negotiated, so that they do not necessarily constitute obstacles for a country's participation in SGP. The appraisal mission determines in consultation with the CPMT whether a candidate country satisfies the requirements outlined in the TORs and whether it can be accepted for participation in SGP. In year 5 of OP2 (2003), the programme exceeded its new mandated objective of expanding to ten new countries with priority given to LDCs and SIDS, as indicated in the following table:

⁶ For countries that have not ratified any of the following conventions: CBD, UNFCCC, POPs and CCD the country programme does not support projects in any of the non-ratified conventions i.e. SGP Thailand did not support biodiversity projects until the ratification of the CBD in January 2004.

Year	New Countries	LDC	SIDS
2003	Colombia	No	No
	Fiji	No	Yes
	Jamaica	No	Yes
	Mozambique	Yes	No
	Nicaragua	No	No
	Romania	No	No
	Rwanda	Yes	No
	Samoa	Yes	Yes
	Yemen	Yes	No
2004	Belarus	No	No
	Cambodia	Yes	No
	Cuba	No	Yes
	Ethiopia	Yes	No
	Madagascar	Yes	No
	Marshall Islands	Yes	Yes
	Micronesia	No	Yes
	Palau	No	Yes
	Syria	No	No

SGP grants portfolio

25. By August 2004 (year 6 of OP2), SGP's grant portfolio was comprised of 4,945 projects, of which 3,486 were approved during the Second Operational Phase. The composition of the portfolio has remained roughly the same throughout OP2: 65% biodiversity, 20% climate change, 6% international waters and 9% multiple focal areas.

26. The Third Independent Evaluation found that the biodiversity projects – in comparison to the 1998 Evaluation – were better targeted, relied on sounder and more replicable methodologies, and those that were based on strategic partnerships had the potential to achieve sustainable results. SGP's biodiversity portfolio review analyzed projects covering 22 different fields within the three core objectives of the CBD relating to the conservation, sustainable use, and equitable sharing of the benefits of biodiversity. Projects relating to forests, both temperate and tropical made up the largest set within this portfolio. A significant number of projects also covered marine/coastal and inland waters biodiversity and agricultural biodiversity as well as those of mountain ecosystems. In Iran, for example, SGP supported a "community artificial reefing project" in the Persian Gulf designed to promote a simple three panel design technology for local fishing communities to construct and sink from their own fishing boats rather than from expensive barges. Based on the SGP demonstration effect, the Iranian Fishing Authorities have shown interest in replicating the technology.

27. The Third Independent Evaluation also remarked that "the high quality and variety of SGP climate change projects are one of the highlights of the second operational phase," with many projects employing affordable, renewable technologies, generating income, and creating policy impact. There has been diversification of the portfolio with increasing numbers of projects moving into the renewable energy thematic area covering wind, micro-hydro, solar and modern biomass. Increasingly, projects are geared toward supplying energy to income generating activities such as agro-processing and small scale enterprises rather than meeting non-productive end uses such as household lighting, heating and cooking – a trend that augurs well for the sustainability of projects.

28. In the international waters focal area, SGP is developing a new strategy in conjunction with the international waters advisors in UNDP GEF and the GEF Secretariat. The basic approach is to better target SGP resources toward international waters by improving collaboration with large and medium-sized GEF projects that have identified priorities in transboundary water systems and have developed policies, laws, programmes, and institutional arrangements to address them. To strengthen the results orientation of SGP projects, the programme will fund international waters principally in the context of a collaboration with an on-going large or medium-sized GEF project, and guided by the priorities and institutional structures laid out in the Transboundary Diagnostic Analyses (TDAs) and Strategic Action Programmes (SAPs) produced by completed and ongoing GEF projects. At present, an example of this approach include the Nile Basin Initiative where the SGP will implement the Microgrants Component of its NTEAP. A similar modality has been designed for the Niger Basin Project. Agreement has also been reached with the Program for the Environmental Management of South East Asian Seas (PEMSEA) where SGP will help strengthen the program's community level activities through joint efforts with PEMSEA's local government partners.

29. The focal area of land degradation is new to the SGP. SGP's portfolio review, however, revealed that 89 biodiversity projects included components related to land degradation while 418 dealt with dryland biodiversity. More such projects are on line with SGP's partnership with the Global Mechanism of the UNCCD, established in early 2004. To prepare for OP3 where SGP grants directly focused on land degradation will expectedly increase, SGP has started working on creating a "baseline" of existing SGP activities based on types of interventions which have addressed land degradation in the past for lessons learning and strategic planning.

30. The focal area on Persistent Organic Pollutants (POPs) is also new to the SGP. Again, SGP's portfolio review show that biodiversity projects involving sustainable agriculture have addressed POPs-based concerns. The same is true of some 15 SGP projects connected with the Regional Seas Convention. The SGP has recently recruited its International Waters/Land Degradation/POPs Programme Officer. The share of the old focal area of International Waters, and the two new ones of Land Degradation and POPs will increase in OP3 for a more balanced SGP portfolio of projects covering GEF's five focal areas.

31. Building on this experience, SGP in the Third Operational Phase will incorporate the new GEF focal areas and operational programs into the grants portfolio. This will require strategic guidance from headquarters and capacity development at multiple levels: for country teams, including NSCs, for potential NGO and CBO grantees, and for the wider environment and development community in participating countries.

Project impacts and global benefits

32. SGP's situation in tracking global benefits is complex, given the diversity of countries in which it operates, the scale of its interventions, and the limits of community capacity. The challenge for the programme is how to measure and track the direct and indirect impacts of SGP projects. The Third Independent Evaluation considers that the indirect impacts of SGP activities seem much more likely to contribute to global benefits. These indirect impacts of SGP projects and activities include: policy changes by governments and donors; adoption of SGP approach and mechanism by other programmes; grantees and stakeholders taking action and achieving influence through greater awareness of global environmental issues and enhanced organizational capacity; and NSC members as advocates for global environmental issues. Yet these indirect impacts are particularly difficult to track and assess because they may not become evident until several years after SGP activities have concluded. For direct impacts, they become evident when a critical mass is reached. Thus, while start-up periods will provide capacity building, innovation and model development, substantial follow-up periods are necessary for consolidation as well as mainstreaming, replication and upscaling with continued support from the GEF and by other donors.

33. Assessment of direct benefits, however, continues to be extremely important as this constitutes the demonstrable evidence of change, even with the difficulty of tracking benefits over time. For this reason, the SGP has revised its on-line and off-line database system to incorporate an “impacts” field for the regular reporting by all National Coordinators on impacts by each project as well as the country portfolio. An “ex-post study” of 134 projects that have been concluded three years or more ago have been started to identify impacts and factors that have sustained impacts for better design of SGP projects and the measurement and monitoring of SGP impacts.

34. The programme can point to a number of countries where geographic focus and planning and strategic grant-making have already been quite effective in demonstrating global benefits. To date, there has been focus of SGP projects in 420 protected areas including six (6) which are on landscape scales covering the World Heritage Sites of Mt. Kenya (Kenya), Mt. Kilimanjaro (Tanzania), Sian Kaan (Mexico), Belize Barrier Reef (Belize), Morne Trois Pitons (Dominica), and the Puerto Princesa Subterranean National Park River (Philippines). Through SGP cofinancing with the United Nations Foundation (UNF) in a Community Based Management of Protected Areas (COMPACT) program, Local Consultative Bodies (LCBs) have been institutionalized. Comprehensive baseline studies, holistic management plans, and community projects in synergy with that of other donors in the area have also been put in place. The COMPACT approach is a model that could be adopted by the SGP as a whole to manage large landscapes or ecosystems through a strategic cluster of complementary and mutually-supportive community-based projects. SGP has signed an agreement with UNESCO and with the CBD Secretariat for the wider dissemination of COMPACT methodologies and lessons learned to other World Heritage Sites and critical protected areas.

35. In Senegal, a mosaic of projects with different but strategically linked objectives has been developed around the Niokolo Koba Park and World Heritage Site. In Costa Rica, the SGP works in concert with the Mesoamerican Biological Corridor and local communities has established biological connectors between protected areas. These area-focused projects have definitely helped protect key flagship species. From the SGP biodiversity portfolio review a few examples can be listed: (a) birds (e.g. golden eagle, harpy eagle, Philippine cockatoo, quetzal, scarlet macaw, superb bird of paradise, white stork, yellow headed parrot); (b) mammals (e.g. Afghan urial, Asian elephant, blind Indus dolphin, humpback whale, Oryx, snow leopard, southern white rhinoceros, Turkestan bobcoat, West Indian manatee, white colobus monkey), and; (c) amphibians (e.g. crocodile, spectacled caiman, green, hawksbill, olive ridley and loggerhead sea turtles, European fire-bellied toad). In Mauritius, a new species of endemic fish was discovered during implementation of an SGP project on sustainable reef fisheries in the Rodrigues Lagoon, which will be named after the island of Rodrigues (*Pomacentrus rodriguessi*). In OP3, SGP plans to consolidate “lines of action” and increase synergies of community-based activities to protect globally significant species such as migratory birds and marine turtles, as well as flagship and charismatic species.

36. One of the most important impact that SGP can boast of is its success in getting vulnerable groups such as indigenous communities living in and around protected areas to be able to co-manage biodiversity resources in these areas. As an example, SGP through its COMPACT program in Mexico funded a total of 12 projects on the promotion of Mayan culture and knowledge of biodiversity. Five of these involved traditional Mayan medicine through the study and management of 128 plant species at 2 medical centers. A project on the “dissemination of the indigenous law” also took place in 40 communities, guided by traditional Mayan judges, involving 2,000 children, 700 women and 1,487 men. The ‘Mayan Language and Culture Academy’ also elaborated a bilingual Mayan-Spanish dictionary on biodiversity and place names of Sian Ka’an with some 1,400 vernacular terms and toponyms. In Egypt, SGP has supported the ‘Egyptian Botanical Society’ to record and document the indigenous and traditional use of biodiversity in the arid and semi-arid ecosystems of the northern coastal zones of the country, examining the relationship between intellectual property rights and the protection of biological diversity. In Kyrgyzstan, another SGP project provided a grant to rehabilitate fragments of the true pistachio (*Pistacia vera*) and Vavilov almond (*Amugdalu Vavilivii*) forest belt in the foothill deserts and dry steppes of the country.

37. In the Philippines, the baseline assessment for the Puerto Princesa Subterranean River National Park and World Heritage Site helped identify and settle overlapping jurisdictions between the 'Certificate of Ancestral Domain Claim' (indigenous territories) of the *Tagbanua* and *Batak* and other areas within the park. In Malaysia, SGP works with the *Semelai* group living around the Tasek Bera wetlands, Malaysia's only Ramsar site, to help the *Semelai* form their own organization and develop the skills and infrastructure necessary to earn income from ecotourism. In Guatemala, the SGP is solely focused on working within a region of indigenous Mayan communities and its projects have led to sustainable livelihoods and empowerment for the indigenous communities. In Kenya, SGP contributed to a "cultural mapping" exercise by providing assistance to local communities in the Mt. Kenya area. The project has led to a number of sacred groves gazetted as national monuments by the government, a first in the country and even in the region. At the global level, SGP is working with UNDP and UN Permanent Forum on Indigenous Issues to improve direct access by indigenous communities to GEF funds and to develop practical guidance on ABS (Access and Benefit Sharing) and protection of TK (Traditional Knowledge) for projects involving or affecting indigenous communities.

38. In the climate change focal area, the replication and accumulation of small projects create a sizeable contribution to efforts at reducing carbon dioxide emissions. In 2002 a study of the "Fuel-efficient Smokeless Stoves Project" in the Changa Manga region of Pakistan, estimated that the 5,476 stoves that were in use in 24 villages in 1996 had an annual reduction of greenhouse gas emissions of at least 10.84 Gt. By 2003, with 11,728 stoves constructed, the carbon dioxide emission avoided were almost double. This project won the Ashden Awards 2004. In Jordan, the SGP-supported "Energy Efficiency Manager Program" has been estimated to reduce 28,000 tons of carbon dioxide emission annually by working with fifty young engineers, the Jordan Engineering Association, medium and small industries, and the Jordan Chamber of Commerce and Industry in improving energy efficiency in industrial production.

39. Though the land degradation focal area is new, significant outcomes have already resulted from SGP projects. In Mali, an SGP project worked with a group of seven villages in the southern Sahel to reverse desertification threatening local varieties of plant and animal species. Like many SGP projects, the project not only undertook ecosystem restoration, but also demonstrated to the local authorities the capacity of the local people to sustainably manage their lands. In Jordan, capacity development was also central to an SGP project in the Wadi Rum, a desert region designated as a natural reserve, and heavily impacted by tourism. SGP worked with a Bedouin cooperative that leads tours to the area to reduce the negative effects of tourism on the fragile desert ecosystem. In a large number of SGP projects classified with a land degradation component in the review involved "conflict resolution" techniques.

40. SGP country programmes have started to identify and measure SGP project impacts over time. The Mexico programme, for example, has been able to assess the direct global benefits of community-based biodiversity conservation and climate change mitigation activities over a period of ten years. With the collaboration of scientists on the NSC and other partner research institutions, a baseline assessment of the Yucatan Peninsula – the region where the Mexico SGP operates – was conducted in order to develop a strategy for the programme. The strategy centered on grant-making in the areas of bee-keeping, fighting forest fires, and organic agriculture as a means of avoiding deforestation and conserving biodiversity, and established clear links to the protected areas in the region so that the programme could take advantage of other cofinancing resources as well as influence government policy. The Mexico SGP has developed programme indicators for monitoring and measuring species protected, hectares of forest conserved, hectares saved from forest fires, and has developed an algorithm for measurement of carbon emissions avoided. The Mexico strategy and use of indicators is one of the mature methodologies developed during OP2 and could be adaptively replicated in other SGP country programmes, including in LDCs and SIDS, but only with increased support for capacity building activities of the programme.

41. While geographic concentration of SGP activities is desirable, some country programmes have been reluctant to take the step for a variety of reasons, many of them valid. In some countries with a relatively new NGO culture or limited NGO capacity, a geographic concentration could bypass opportunities. A few participating countries have largely nomadic populations, thus obviating the utility of geographic concentration. Moreover, new country programmes do not necessarily *a priori* know the capacity in given regions, and there is always the political risk of appearing to favor one region over others. Finally, SGP has also made a point of being inclusive and of attending to indigenous groups, communities, and localities that may be overlooked by other donors. Thus, the trend is for the newer countries to spread the portfolio for innovation and model building and to reach its constituencies but then move into consolidation as the programme matures. It should be noted though that in country programmes where the portfolio is not area-focused, it has still been found that SGP projects have served as sources of innovation and models that can serve as a nucleus for larger efforts particularly when larger government and donor programs come in.

42. Some country programmes (Chile and Kenya among others) have addressed the issue by electing to concentrate on one region or one focal area for a period of a few years and then move on to another after due assessment. This paves the way for constructing a baseline, funding a coherent and consistent portfolio of grants, and being better placed to assess impacts. It has also been the experience of many country programmes that a strategic and well-defined grants portfolio is more attractive to donors and enables cofinancing and partnership building.

Monitoring and evaluation

43. Since the beginning of OP2, SGP has implemented a comprehensive M&E Framework⁷ which is used by country programmes to guide and structure M&E processes and activities. The M&E Framework requires the development of baseline indicators for each project funded, the submission of mid-term and final reports by grantees, a regular course of site visits by NCs and in certain cases by NSC members, and a final participatory evaluation and assessment of lessons learned. Each SGP country programme must also submit a semi-annual report and an annual report. Regular updating on projects in an SGP Database by each country programme is required for continued release of grant allocations. This database has recently been upgraded to include an “impacts” field as well as automatic reporting on trends for strategic planning and management. It should also be noted that each SGP project conducts a participatory self-evaluation at the end of the project. On the finance management side, UNOPS undertakes country programme audits annually on select SGP countries. Independent Evaluations are also organized with the GEFSec to look at the progress of the SGP as a whole.

44. But given limitations on staffing and non-grant resources, M&E has become increasingly difficult for most country programmes as grant portfolios increase in size and complexity. Some country programmes have been able to alleviate the M&E burden by calling on the expert voluntary assistance of NSC members, giving grants to seasoned local NGOs that will also build capacity of other grantees, or, in a few cases, raising cofinancing that includes support from institutions and/or additional staff.

45. The M&E Framework in OP2 did not provide for evaluating impacts beyond the life of individual projects, nor did it contemplate the assessment of the combined impacts of a strategic cluster of projects such as those produced by COMPACT. This is because OP2 expected outcomes have been focused on programme efficiency. Some country programmes, however, have been able to maintain a network of past grantees and even routinely visit former projects, but this has been difficult for others, primarily because of financial constraints, and partly because of insufficient guidance on a standard process for conducting these more long term monitoring and evaluation. Since SGP’s approach to monitoring and evaluation is participatory, there is no standard process for gaining an external assessment of project impacts. The challenge would be to develop such a standard process yet

⁷ <http://sgp.undp.org/download/SMEFramework.rtf>

maintaining SGP's participatory approach and making it flexible to fit SGP's wide variety of country and local situations. To address some of these gaps and the recommendations of the Third Independent Evaluation, SGP is carrying out an extensive ex post project study. This will be a pilot experience that will provide SGP M&E practice in the Third Operational Phase, as a means of determining the sorts of tools and practices that can assess impacts and enhance project sustainability.

Resource mobilization and project sustainability

46. As part of the agreements for OP2, SGP is required by the GEF Council to meet resource mobilization targets against which it reports on an annual basis. As stated in the SGP Resource Mobilization Strategy: "the Council decided that the issue of incremental costs would be addressed strategically by the SGP at the programmatic level, both for country programmes and for the global programme. Given the nature of the SGP it was agreed that it would be unrealistic to require potential grantees to prepare a detailed incremental vs. baseline cost calculation for individual projects. Therefore, in order to meet the baseline costs involved in SGP activities the programme would match the GEF contribution with other sources of funding both in cash and in kind. It was broadly estimated that the baseline costs would be approximately 50% of the total costs of programme activities." Thus since the beginning of OP2, SGP is committed to matching GEF funding with 100% additional cofinancing, half in cash and half in kind.

47. SGP developed its Resource Mobilization Strategy early in OP2. Its principal objective is to guide the programme in reaching current and future co-financing targets by creating a "culture and infrastructure" to attract, manage and allocate funding from non-GEF sources. Cofinancing is intended to complement core GEF resources in the goal of achieving global environmental benefits through local action. The Resource Mobilization Strategy sets forth several key cofinancing objectives: (a) maintaining SGP commitment to sustainable livelihood initiatives; (b) enhancing program and project sustainability; (c) promoting new partnerships; (d) achieving synergy and complementarity with other programs and projects; (e) up-scaling and replicating successful SGP funded projects; and (f) leveraging financial resources to increase global environmental benefits.

48. At the country level, a resource mobilization strategy is a required part of the approved country programme strategy. Resource mobilization has become a priority task for SGP country teams. However, NCs report that while appreciating the benefits of the synergies and partnerships produced through resource mobilization efforts, raising cofinancing has become increasingly more difficult. In this sense, it is important to bear in mind one of the Resource Mobilization Strategy's strategic considerations: "The necessary emphasis on resource mobilization should not lead to a loss of focus, purpose or approach, or alter the SGP's proven operating procedures and mechanisms." These considerations will be most relevant in the coming years when SGP, as per GEF Beijing Assembly and Council mandate, puts priority to the participation of LDCs and SIDs in the programme. These countries would require more years of capacity building through SGP before they could contribute to the programme's cofinancing efforts.

49. The following table presents SGP financial implementation since the inception of the programme:

Phase	GEF Funding (million US\$)	Actual Cofinancing in cash (million US\$)	Actual Cofinancing in kind (*) (million US\$)	Number of Participating Countries	Number of Grants
Pilot Phase (1992-1996)	18.0	5.9	NA	42	563
Operational Phase I (1996-1998)	24.0	5.4	NA	53	896
Operational Phase II (1999 ongoing)					
Year 1 & 2	31.6	24.3	7.3	58	785
Year 3	22.8	19.2	8.4	63	795
Year 4	20.7	4.5	6.4	64	878
Year 5	26.9	8.6	8.5	73	739
Year 6 (**)	31.2	4.8	2.5	73	289
Cumulative OP2	133.2	61.4	33.1	73	3,486
Cumulative since 1992	175.2	72.7(***)	33.1	73	4,945

(*) Information on in-kind co-financing is not available for the Pilot and First Operational Phases, SGP started recording in-kind co-financing from mid-1999 following when the database was designed and made operational. In Phase II SGP met the co-financing requirements on a yearly basis.

(**) It should be noted that this table was prepared as of end August Year 6, and figures should have increased with respect to cash and in-kind co-financing and number of projects by end of year 6 (February 2005).

(***) Co-financing agreement of 50% in kind and 50% in cash requirement started in Phase II

50. SGP has raised co-financing at the global, country programme, and project levels. Among other initiatives, the CPMT has mobilized resources in the form of a partnership with the \$15 million Promotion of Tropical Forests Programme (PTF), funded by the European Union, for the sustainable management of forests by local stakeholders; the \$3.55 million COMPACT to promote community-based biodiversity conservation at six World Heritage Sites, funded by the UN Foundation; the \$1 million Danish contribution for supporting additional SGP activities; and the \$300,000 Community Water Initiative (CWI) in five SGP countries. The Global Mechanism of the UNCCD has set aside \$260,000 for the Community Exchange and Training Programme, which will be administered by SGP on a pilot basis in 2004.

51. At the country programme level, bilateral donors as a group have been the largest contributors of cash cofinancing for programme activities, foremost among them The Netherlands, followed by Denmark and the United Kingdom. Multilateral contributions to SGP country programmes include UNDP TRAC allocations as well as UNDP's LIFE, Partners in Development, Africa 2000 Network, UN Capital Development Fund (UNCDF), and UNIFEM, UNV, UNSO. The most significant TRAC contributions in OP2 have been in Tanzania, India, and Pakistan. Other multilateral agencies that have supported SGP include UNEP, UNESCO, WFP, WHO and the World Bank. The Third Independent Evaluation found that cash and in-kind cofinancing resources from national sources – i.e., grantees, communities, national NGOs, national and local governments – contributed almost 70% of cofinancing at the country programme level. At the project level, national NGOs and grantees and also local governments are the largest source of cash cofinancing, a pattern which confirms the very high degree of national ownership of SGP.

52. The Third Independent Evaluation concluded that the cofinancing raised has allowed SGP to increase the number, size, and impacts of its projects while continuing to pursue GEF objectives. It has also allowed SGP projects to include income-generating or other livelihood project components that help build community acceptance and ownership and that might otherwise be ineligible for GEF funding. In the Evaluation's assessment, the GEF Council's decision to set SGP's resource mobilization targets at the global programme level – and not at project levels – has significantly

facilitated the achievement of SGP's prime objective, generating global environmental benefits through community-based activities.

Links with other GEF projects and other mainstreaming activities

53. During OP2 the global and country programmes have been successful in promoting linkages with the overall GEF and specific regular and medium-sized GEF projects. In just years 4 and 5 of OP2, there were at least 150 links with GEF projects, and 5 SGP projects were scaled up to MSPs.

54. SGP has supported the creation and implementation of small grants components of large GEF projects. For example, SGP has been integrally involved in the development of plans to carry out the GEF Nile supported Transboundary Environmental Action Project (NTEAP). SGP's procedures and Operational Guidelines were adopted to set up a micro-grants programme in the Nile Basin countries. In the four Nile Basin countries with SGP programmes, SGP will be responsible for overseeing the implementation of the NTEAP micro-grants programmes. In the other non-SGP countries, the SGP operational guidelines will be followed as well. SGP has also been approached to help implement a small grants component within the GEF Niger River Basin project. Both of these efforts involve more than one GEF implementing agency (UNDP and the World Bank). SGP country programmes in Central America have also worked closely with the World Bank and UNDP GEF Mesoamerican Biological Corridor projects in promotion, capacity-building, planning, and project implementation at the local level.

55. SGP's experience so far is that integrating small grants into these projects requires early upstream coordination and significant effort on the part of the SGP Central Programme Management Team (CPMT) and UNOPS, in conjunction with other implementing agencies, and the SGP National Coordinators of the countries concerned.

56. SGP's active linkage for cofinancing with various UN agencies and their programs has already been mentioned. A new partnership is being developed with UNDP's Capacity 2015 on capacity building and knowledge management, building on SGP's accumulated information base of almost 5,000 projects and global network at national and local levels. In addition, SGP has co-sponsored a workshop with the World Bank Small Grants Program and the ADB NGO Unit to build synergy and plan out future joint efforts of these three small grants programs. A partnership was launched at the Kuala Lumpur CBD COP 7 with the International Plant Genetic Resources Institute (IPGRI) on joint efforts in *in-situ* agricultural biodiversity conservation covering initially the countries of Asia-Pacific and then expanding to cover other regions. At the same COP 7, SGP signed a Memorandum of Cooperation with UNESCO and the CBD Secretariat for SGP methodologies and lessons learned to have larger venues for sharing and adoption.

57. Over the course of OP2, SGP participated in a number of international conferences in order to mainstream its operational modalities and disseminate key lessons learned. In the biodiversity focal area major events included: (i) CBD COP 6 (Netherlands, April 2002); (ii) the 'Africa Mountains High Summit' (Kenya, May 2002); (iii) 'African Mountains Association Conference' (Tanzania, August 2002); (iv) World Summit on Sustainable Development (South Africa, September 2002); (v) 'Bishkek Global Mountain Summit' (Kyrgyzstan, October 2002); (vi) GEF Council & The Second GEF Assembly (China, October 2002); (vii) 30th anniversary of the World Heritage Convention (Italy, November 2002); (viii) 5th IUCN 'World Parks Congress' (South Africa, September 2003); (ix) the 7th Conference of the Parties to the CBD (Malaysia, February 2004); and (x) the UNESCO World Heritage Committee (China, July 2004).

58. Climate change activities have been mainstreamed in Governments, other UN agencies and NGOs in different ways. The lessons from the climate change portfolio, for example, have been integrated into that of the UNDP Energy and Environment global programme, which includes that of UNDP GEF. This ensures global reach in the circulation of SGP lessons learned in the climate change focal area. For the first time SGP participated in a UNFCCC COP in Milan in 2003 and this has given

impetus to the process of mainstreaming SGP with various stakeholders in this focal area. SGP launched two books at COP 9 based on the review of the portfolio and assessment of lessons from the climate change activities.

59. On the broader field of sustainable development, SGP has significantly contributed to the World Summit on Sustainable Development (WSSD) process. SGP participated actively in the global prepcoms. Side events were organized in New York, Kenya, Phnom Penh and Bali. With GEF Secretariat funding, delegates at the 4th Prepcom in Bali visited two SGP projects. These and SGP's participation in the WSSD itself provided venues for showing how GEF funds have led to solid sustainable development initiatives since Rio as well as for opportunities to mainstream the SGP approach and objectives into the global sustainable development agenda. With the high visibility of successful community-based efforts, the UNDP administrator recognized that sustainable development will be achieved community-by-community, an important departure from the previous perception that UNDP's focus should be rather just the national and global policy level.

PART 2. STRATEGY

Goal and objective of the Third Operational Phase

60. SGP's Third Operational Phase (OP3) will be a consolidation and extension of the achievements of its OP2. As such, the goal of the programme remains the same:

Global environmental benefits secured in the GEF focal areas through community-based initiatives and actions.

61. In line with this continuity, and to focus programme efforts over the next three years, the objective for SGP's OP3:

Consolidation, demonstration, and expansion of SGP gains in OP2, while maintaining the programme's mandate and high standards.

62. In order to achieve this objective, the programme will concentrate on producing a number of specific outcomes that respond to the situation analysis presented in Part 1. These outcomes are associated with a number of outputs and activities, all of which have been derived through strategic logical framework planning (see Project Planning Matrix in Appendix A).

Outcome 1. Global reach of SGP increased, especially to address global environmental problems in vulnerable countries

63. The GEF Business Plan, approved by the GEF Council in May 2003, proposed that the SGP accelerate its expansion to new countries, with a target of incorporating ten new country programmes each year. This has meant doubling the previous rate of expansion of five new countries per year. Additionally, as requested by the GEF Assembly in Beijing, SGP is expected to proactively facilitate the application by LDCs⁸ and SIDS⁹ for participation in the programme and to provide assistance to ensure

⁸ The United Nations has designated 50 countries as least developed (LDCs): Afghanistan, Angola, Bangladesh, Benin, **Bhutan**, **Burkina Faso**, Burundi, Cambodia, Cape Verde, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, **Mali**, **Mauritania**, **Mozambique**, Myanmar, **Nepal**, **Niger**, **Rwanda**, **Samoa**, Sao Tome and Principe, **Senegal**, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, **Uganda**, **the United Republic of Tanzania**, Vanuatu, **Yemen** and Zambia. The 13 countries in bold participate in SGP. Source: The Least Developed Countries Report 2004 (http://www.unctad.org/en/docs/ldc2004annex_en.pdf).

⁹ The following is the list of 48 Small Island Developing States (SIDS), with the 16 SGP participating countries in bold, and non-self governing islands in italics: *American Samoa*, **Antigua and Barbuda**, *Aruba*, Bahamas,

successful implementation of SGP in these countries. To respond effectively to these proposals, SGP needs to develop a strategy for expanding its coverage and to meet a significantly increased demand for its services. At the same time SGP, with UNDP, will prepare an information paper on SGP graduation issues for Council consideration.

64. Expansion to new countries has proven to be a time-consuming and costly enterprise, if it is done in a responsible, transparent, and systematic manner. There is no question of simply accepting countries without due consideration for the eligibility criteria or conducting a serious appraisal mission. Indeed, prudent application of eligibility criteria and a careful appraisal can help guarantee successful programme implementation in new countries. SGP also has to balance the growth that is vital for its sustainability and global impact, with providing high quality support, guidance, and resources for established country programmes.

65. In order to be able to manage expansion effectively in the Third Operational Phase, the procedures and tools for incorporation of new countries should be assessed and revised on the basis of the experience and lessons learned in the selection and appraisal mission process during OP2. The eligibility criteria should be streamlined and refined, and steps taken to work with applicant countries to facilitate their compliance. In addition, a methodology needs to be developed for launching and guiding country programmes once a new country has been accepted.

66. The approach to bringing in new countries would also increasingly become a proactive effort. From the Pilot Phase and up towards the end of OP2, the most capable and interested countries have been fast in applying for participation. Many of the remaining LDCs and SIDS are not well prepared to take on the responsibilities of an SGP country. Awareness and capacity building activities should be targeted at these countries well before start up missions are sent to them. To do this, NGOs and CBOs, as well as government stakeholders, from these targeted countries will be invited to join appropriate SGP activities (i.e. stakeholders workshops) in SGP countries adjacent or nearest them or those that share similar conditions. SGP therefore requires additional resources in OP3 for this needed proactive approach.

67. The CPMT and UNOPS have increasingly relied on experienced NCs to take lead responsibility for new country appraisal missions. These experienced NCs are often well-placed to undertake these missions because of their knowledge and understanding of SGP procedures, familiarity with country conditions, and ability to negotiate obstacles and arrive at solutions. This has been done on an ad hoc basis, but should be made more systematic with clear guidelines for country appraisal, report preparation, and follow-up activities. Mentoring arrangements between senior and newly-recruited NCs, as well as exchanges between NSCs, will also be crucial as the programme expands at a rapid pace, as necessary back-up for CPMT guidance and supervision.

68. New countries will have better opportunities to examine the necessity for strategic geographic and/or thematic focus as a way of enhancing the impact of SGP grant making using OP2 experience. One attractive model for new countries is the COMPACT ecosystem/landscape approach with a strategic cluster of community-based projects. Another option for new countries would be to launch the programme in one region as was done in Mexico, Brazil, and Guatemala. The advantages of this regional approach, however, would need to be evaluated against the challenges presented by the programme's location outside of the capital and the implications for access to partners and donors as well as for engaging in policy dialogue. Flexibility is also called for because new country programmes do not

Bahrain, Barbados, Belize, Cape Verde, Comoros, Cook Islands, Cuba, Cyprus, Dominica, Dominican Republic, Federated States of Micronesia, Fiji, Guam, Grenada, Guinea-Bissau, Guyana, Haiti, Jamaica, Kiribati, Maldives, Malta, Marshall Islands, Mauritius, Nauru, Netherlands Antilles, Niue, Palau, Papua New Guinea, Samoa, Sao Tome and Principe, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Seychelles, Singapore, Solomon Islands, Suriname, Timor-Leste, Tokelau, Tonga, Trinidad and Tobago, Tuvalu, US Virgin Islands, Vanuatu. Source: Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (<http://www.un.org/special-rep/ohrls/sid/list.htm>).

necessarily *a priori* know the capacity in given regions, and in some countries with a relatively new NGO culture or limited NGO capacity, a geographic concentration could bypass opportunities.

Output 1: Expansion strategy designed and implemented

Activities:

- 1.1 Assess lessons from new country incorporation in OP2 to inform OP3 expansion.
- 1.2 Prepare more detailed strategy for the admission of new countries based on established criteria
- 1.3 Revise process and methodology for incorporating new countries, including appraisal and launching missions.
- 1.4 Establish mentoring system to involve experienced NCs in country appraisal, programme launching, and follow-up activities.
- 1.5 Facilitate interactions and cross-learning between countries, involving both NCs and key NSC members.
- 1.6 Promote COMPACT as a model, so that country programme strategies can consider its ecosystem/landscape approach with a cluster of complementary and mutually-supportive community-based projects (as opposed to widely scattered and isolated projects), to strengthen country portfolios and grant-making from the outset.
- 1.7 Conduct ten (10) appraisal missions every year and launching missions as appropriate.

Responsibility: CPMT, UNOPS, and selected National Coordinators and NSC members.

Outcome 2. Country programmes implementing well-designed project portfolios that incorporate new GEF OPs, SPs, and focal areas

69. SGP in the Third Operational Phase will incorporate the new GEF focal areas and operational programs into the grants portfolio. This will require strategic guidance from CPMT and capacity development at multiple levels: for country teams, including NSCs, for potential NGO and CBO grantees, and for the wider environment and development community in participating countries. Country programmes will have to revise their country programme strategies in accordance with the updated global Strategic Framework which will be distributed to all countries. It would also be advisable to prepare capacity-building materials in local languages, to introduce programme stakeholders to the new focal and thematic areas. In relation to the new GEF focal areas and Strategic priorities, SGP will continue to work closely with the GEF Task Forces for these areas particularly, in POPs and Adaptation.

70. An important lesson of OP2 has been the value of a geographic and/or thematic focus in the country programme strategy. This paves the way for constructing a baseline, funding a coherent and consistent portfolio of grants, and being better placed to assess impacts. It has also been the experience of many country programmes that a strategic and well-defined grants portfolio is more attractive to donors and increases opportunities for cofinancing and partnership building. Country programmes will thus be encouraged to develop thematic clusters of projects or lines of action in the Third Operational Phase.

71. Thematic workshops, such as the March 2004 meeting on promoting organic apiculture as a means of biodiversity conservation in Yucatan, Mexico, are particularly useful for exchange and capacity building, and it was recommended by the 2003 Global Workshop that these workshops become standard practice. In such workshops, successful technologies and lessons learned from similar projects across countries are shared. Consolidation of similar projects and their products are made to better influence markets and prices. These workshops are thus vital in graduating the production oriented projects of early SGP country programmes to higher levels of enterprise development, market consolidation across countries and regions, and sharing of technologies and lessons to form more credible knowledge management products. In July 2004 a thematic workshop on sustainable development was organized for NGO and government stakeholders for the country and the region. Thematic workshops will also be undertaken to promote the integration of the new focal areas and operational programmes into SGP grant portfolios.

72. The active participation and collaboration of the NSCs will be critical for revising country programme strategies, incorporating the new global guidance, and creating integrated and strategic grants portfolios. The composition of the NSCs should be reviewed to make sure that the essential expertise in the new GEF focal areas is present, and new members may need to be recruited. A working dialogue between the NSCs and STAP would facilitate the incorporation of the new GEF focal areas into country programme strategies and their implementation. NSC expertise can also be strengthened through participation in relevant UNDP and GEF activities and exchanges with NSCs in other countries.

73. An inventory of NSC expertise will be undertaken and published to enable programme-wide access to specialized knowledge. This will be particularly helpful for new countries and for countries with fewer research and scientific institutions. As part of this process, NSC members will be identified to be the links to STAP experts or be included in the STAP roster.

74. It is strongly proposed that in OP3, the SGP will selectively pilot increasing the grant ceiling to \$150,000 in a "strategic projects window" as a means of supporting thematic consolidation of grant portfolios and to support strategic follow up efforts for highly successful projects or country programmes to create greater impact and foster sustainability. These larger grants will only be applied in selected countries or groups of countries with demonstrable demand, taking into consideration relevant local conditions, country team management capacity and fundraising ability, and NSC willingness to exercise greater oversight. The motivation for this pilot stems from the Third Independent Evaluation recommendation that the SGP grant ceiling be raised to \$US 150,000, and NC ratification of this recommendation at the 2003 SGP Global Workshop.

75. Among the Third Independent Evaluation's considerations for raising the grant ceiling is the significant gap between the current SGP limit of \$50,000 and the GEF Medium-Sized Projects (MSPs) that tend to approximate the high end of the eligible up-to-\$1 million funding range. The 2002 GEF Medium-Sized Projects Evaluation concluded that raising the SGP grant ceiling could help respond to the demand among GEF stakeholders for a moderate funding size that builds on SGP experience: "There appears to be a strong case for selectively increasing the SGP grant limits beyond \$50,000, perhaps to \$150,000, in selected countries where there are strong and well-established SGPs and supportive NSCs." It should be noted that grants considered small grants by other donor programs are at this level or even higher. However, to maintain SGP's priority for small community-based projects, this increase in the ceiling from USD50,000 to USD150,000 for strategic projects would be conducted on a pilot basis for one year and should be limited to five percent of the total allocation of grants for the year. This amount may be raised to ten percent in subsequent years provided that an evaluation finds that this increase has not adversely affected programs in SIDS and LDCs. The "strategic projects window" will also be managed by the programme's Central Programme Management Team (CPMT) with a selectivity criteria developed with GEFSEC¹⁰

76. Raising the grant ceiling to \$150,000 would enable SGP in particular to intervene more effectively in the international waters focal area, which has only comprised 6.4% of SGP's portfolio to date. SGP's new approach to international waters aims to better target SGP resources toward international waters by improving collaboration with large and medium-sized GEF projects that have identified priorities in transboundary water systems and have developed Strategic Action Programmes or other policies, laws, programmes, and institutional arrangements to address them. The new approach would also allow for funding projects that bring NGOs and/or CBOs from different countries to address a transboundary threat, a prospect which would be more feasible with the flexibility of a \$150,000 grant ceiling.

¹⁰ The "strategic projects window" will be managed by SGP's Central Programme Management Team with proposals coming from SGP country programmes or partnerships of programmes during SGP Global Workshops and Regional Workshops. Final selection and guidance shall be from a selection panel chaired by the SGP Global Manager, with two National Coordinators and two National Steering Committee members selected from a pool of reviewers (one NC and one NSC member per region) from non-proponent countries. The GEFSEC and the GEF IA will also be represented in the selection panel.

77. Strategic regional projects would also be supported by a raised grant ceiling. For example, in the recent SGP thematic workshop on organic apiculture for biodiversity conservation in the Central American region, NCs from Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua argued that a concerted regional effort with the potential for significant impact in terms of hectares of forest biodiversity saved would be immensely aided by a raised grant ceiling. In the Asia region, SGP has started to look at an approach for the Mekong River similar to that of the Nile River Basin (NTEAP) microgrants program. Larger grants would also be effective to address biodiversity conservation threats involving bi-national protected areas and parks, and ecosystems or landscapes that straddle national boundaries. The SGP in Iran and Pakistan have started planning joint efforts on conserving coastal mangroves, an effort that cannot be but transboundary in nature given that these mangroves are spread along the coasts from Iran to Pakistan. Such joint efforts across boundaries have already been put into implementation between SGP Poland and SGP Lithuania in ecosystems that straddle the two countries.

78. Another category of “strategic projects” that deserve a larger grant ceiling are those that consolidate lessons learned as well as practical methodologies and technologies developed in mature thematic areas across countries or globally. For example, an inventory and documentation of all the innovative community-based technologies developed through SGP projects for the purpose of sharing would certainly be useful to many other programs, not just the small grants but also mainstream environment and development programs of governments and other donors. This higher grant ceiling matches well the focus of OP3 for thematic consolidation for knowledge management and also allows SGP to create global impact expected of it.

Output 2. Capacity created to address focal areas in a systematic and strategic manner within integrated portfolios

Activities:

- 2.1 Prepare guidelines and toolkits for each new focal and thematic area, based on the revised CPS, at the country level, preferably in local languages.
- 2.2 Develop mechanism to provide advice and guidance on new GEF focal and thematic areas.
- 2.3 Promote geographic and thematic “clustering” of projects to avoid fragmentation of efforts, enhance potential impact, and facilitate M&E.
- 2.4 Conduct thematic workshops on specific project clusters (i.e., organic apiculture and biodiversity conservation, ecotourism and biodiversity conservation, specific renewable energy technologies, sustainable land management strategies, organic agriculture and POPs) as appropriate.
- 2.5 Review NSC composition to ensure participation by experts in all focal areas, including GEF focal points
- 2.6 Undertake inventory of NSC expertise worldwide to facilitate access by country programmes as needed, and for possible inclusion in STAP roster.
- 2.7 Strengthen expertise of NSC members (regional exchange visits, structured interactions with global experts and STAP, participation in UNDP and GEF activities).
- 2.8 Participate in international meetings (COP, etc.) related to new focal and thematic areas.
- 2.9 Pilot increasing the grant ceiling for “strategic projects” from current \$US 50,000 to \$US 150,000 by selecting well-established, proven country or groups of country programmes with supportive NSCs and demonstrably strong demand and capacity for consolidating SGP initiatives.

Responsibility: CPMT, country teams, and NSCs.

Outcome 3. Existing country programmes maintained and strengthened

79. Supporting and reinforcing established country programmes is the basis for SGP to move forward in the Third Operational Phase. In particular, as these country programmes will expand on their portfolios, both in themes and number of grants, to match increased stakeholders’ capacity as well as demands for

impacts and cofinancing to cover greater participation of LDCs and SIDS. It has been widely acknowledged that the success of SGP depends in great part on high caliber, dedicated, and hard-working National Coordinators. The unique voluntary contributions of the National Steering Committees have allowed SGP to attain a high standard of transparent, responsible, and strategic grant making, and an exceptional level of national ownership. The allocation of more non-grant resources to support National Coordinators, country teams, and National Steering Committees is therefore a priority that will permit the achievement of all the other outcomes.

80. Country programmes have already explored a number of options to meet staffing and grantee needs in the absence of non-grant budgetary resources, such as volunteers, interns, and JPOs (UNDP junior professional officers that are generally funded by their governments for assignments of one or two years). Grants have also been given to experienced and knowledgeable NGOs to cover capacity-building, technical assistance, and monitoring and evaluation needs of SGP grantees and community-based stakeholders. While these stop-gap measures have been quite helpful and should indeed continue, the budget for the OP3 has specific provisions for essential capacity-building, technical assistance, and monitoring and evaluation costs.

81. The Third Independent Evaluation recommends a review of SGP's "one size fits all" staffing pattern of one NC and one PA which has been applied across the board in OP2, independent of the size of the country, the grant portfolio, or the management challenges involved. The programme should also respond to SGP staff's expressed need for adequate compensation for the amount and kind of work performed and for opportunities for career advancement, both of which may imply a change in type of contract with enhanced status and benefits. These elements – additional non-grant resources, additional staff, new and different contract types – all have policy and budgetary implications. To respond to these issues a number of steps can be taken:

- Depending on size of portfolio and cofinancing ability, increase staff, maintaining across countries the minimum of one NC and one PA
- Review NC TORs on a case by case basis to be able to reclassify their level to reflect new tasks and levels of responsibility
- Change the type of contracts available to SGP staff
- Establish a new, senior, merit-based NC position

82. The minimum two staff should be maintained across countries, as it would be impossible for SGP to operate otherwise. However, this "one size fits all" pattern should be adjusted given individual country conditions and capacities. Many country programmes, because of their grant absorptive capacity and ability to raise cofinancing, have large and complex grant portfolios and additional staff are now a necessity, especially to provide technical support and conduct M&E. Shifting some of the responsibility for technical assistance and monitoring and evaluation to other actors, such as research institutions and universities will allow NCs to assume broader programme management and facilitation roles, and lay greater emphasis on strengthening the programme's resource mobilization, partnership-building, and impact assessment efforts.

83. SGP will consider the creation of a merit-based senior SGP position. A small group of senior NCs – based on experience, merit, and proven capacity – would be a valuable asset for helping to establish new country programmes, providing support and capacity building, and dealing with problems within a region or globally. In this way, SGP will be able to recognize and reward both outstanding performance over a number of years and the capacity to undertake troubleshooting and training in diverse, multi-stakeholder settings, as well as provide much-needed support to country teams.

84. SGP as a whole has benefited enormously from the biennial global workshops and these should continue in the Third Operational Phase as these are prime opportunities for discussing overall programme issues, introducing new GEF guidance, and planning and assessing workplan progress. However, as the programme expands, global workshops will become too big to adequately provide strategic capacity development, training, and experience exchange for all participants, and will need to be

augmented by biennial regional workshops in alternate years. Regional workshops have the added advantage of permitting the full participation of PAs and NSC representatives.

85. The National Steering Committees (NSCs) have proven to be the optimal mechanism for transparent project selection and strategic programme guidance and, according to the Third Independent Evaluation, their voluntary contribution has no equivalent within the GEF. The range of NSC responsibilities and commitments continues to grow with the incorporation of new GEF focal areas and operational programs requiring specific expertise for their implementation. As SGP cofinancing arrangements multiply and more donors rely on the SGP mechanism to channel their funds, NSCs not only have to consider and approve SGP projects but those of all the subprogrammes as well. This means a substantial increase in NSC workload and the need to expand NSC expertise to cover new areas of knowledge. In the Third Operational Phase, it will be critical to provide NSCs with increased support and recognition, as well as facilitate their involvement in global SGP and GEF issues and activities.

86. A two-pronged strategy will be employed to reinforce relationships between SGP and UNDP Country Offices. Communications from CPMT emphasizing the kind of support needed and the importance of such support from the UNDP CO, within a framework of mutually beneficial cooperation, will be prepared and disseminated. This will be followed up by direct support to NCs from CPMT and UNOPS, preferably as part of country programme visits, to improve and manage relationships with UNDP CO as well as to strengthen country institutional arrangements and programme implementation overall.

87. A "Friends of SGP" group of UNDP Resident Representatives will be set up to work with CPMT and senior UNDP GEF management in addressing SGP-UNDP CO relationships. This group will serve as a bridge between Resident Representative colleagues and SGP, communicating relevant issues, improving understanding of programme goals and procedures within the CO context, helping to clarify reporting lines, and promoting mainstreaming. This mechanism will also be used to brief new Resident Representatives and Deputy Resident Representatives assigned to SGP countries, and to support new country appraisal missions and start up. The "Friends of SGP" was ratified by the UNDP Resident Representatives in attendance and other participants in the June 2004 SGP Strategic Directions Meeting.

88. The SGP Operational Guidelines were elaborated at the beginning of OP2, and must be updated and revised to reflect the advances made and lessons learned in programme management over the past several years. It is especially important to clarify roles, responsibilities, and reporting lines in terms of the relationship between SGP and UNDP COs. As the programme embarks on the activities required to enhance and strengthen global and country level management in the Third Operational Phase, new elements will have to be incorporated in the Operational Guidelines to ensure smooth programme administration and implementation.

89. The Third Independent Evaluation commented on the "much-needed opportunity for the CPMT and UNOPS to increase the number of country visits" to aid in addressing operational and programme issues (adoption of key SGP policy documents, improving institutional arrangements, strengthening project selection, portfolio management, cofinancing and communications). This is a key priority for the Third Operational Phase if existing country programmes are to be supported and improved.

Output 3. Capacity for global and country programme level management enhanced

Activities:

- 3.1 Review staffing arrangements, especially "one size fits all" staffing pattern of one NC and one PA, taking into account size of country, dimensions of SGP programme, and specific management challenges.
- 3.2 Assess NC contractual possibilities, and elaborate and apply NC TORs for new, middle-level, and senior NCs.
- 3.3 Develop TORs for PAs to reflect their evolving situation and responsibilities.
- 3.4 Develop professional development plan for NCs and PAs, including trainings and exchange visits

- with other country programmes.
- 3.5 Support professional growth of PAs so that NC tasks may be shared and/or delegated.
 - 3.6 Design programme to make better use of JPO, UNV, volunteer, and internship schemes, and grants to support capacity-building, M&E, and knowledge management activities.
 - 3.7 Conduct biennial global workshops in year 1 and 3, and regional workshops in year 2.
 - 3.8 Develop system to recognize NSC contributions and make them visible.
 - 3.9 Develop matrix to map out size and profile of environment team in UNDP COs as a means of assessing SGP's situation within that context.
 - 3.10 Develop programme to facilitate UNDP CO understanding of SGP's mandate, funding criteria, and reporting relationships between NCs and Resident Representatives and UNDP CO staff.
 - 3.11 Create a "Friends of SGP" group composed of RR advocates to help manage SGP-UNDP CO relationships and issues.
 - 3.12 Update Operational Guidelines to clarify roles, responsibilities, and reporting lines, especially in relation to UNDP COs.
 - 3.13 Increase periodic visits by CPMT and UNOPS to country programmes.

Responsibility: CPMT and UNOPS in consultation with SGP country teams and UNDP Resident Representatives.

Outcome 4. Local and global benefits of SGP demonstrated and applied

90. SGP's Monitoring and Evaluation (M&E) Framework is used by country programmes to guide and structure M&E processes and activities, and is currently the primary tool available for the detection and reporting of local and global impacts and benefits. At the project level, the M&E Framework stipulates the development of baseline indicators for each project funded, the submission of mid-term and final reports by grantees, a regular course of site visits by NCs, and a final participatory evaluation and assessment of lessons learned. At the programme level, semi-annual reports, biennial programme reviews (BPRs), and regular SGP project and cofinancing database updates are required; and at the global level, compilation and synthesis of the tremendous amount of information produced for annual reports to the GEF Council. M&E has become an increasingly difficult challenge for most country programmes as grant portfolios increase in size and complexity, and for CPMT as the programme expands.

91. For these reasons, the M&E Framework, Operational Guidelines (which include guidance on project proposal development and design), and the Communications Strategy will be carefully reviewed to streamline information collection and reporting requirements, and to move the programme towards impact assessment and knowledge management. As a first step, each SGP country programme will be required to strengthen their Country Programme Strategy and make clear the targeted impacts of their projects portfolio in OP3.

92. The SGP database will continuously be upgraded to assure accurate and timely inputs of project impacts by all country programmes. Monitoring of inputs by National Coordinators and incentive schemes for accurate and timely updates will also be put in place. NSC members will also be asked to institute periodic reviews of country database inputs for quality control as well as for planning and management purposes. The database will also be linked to the SGP's knowledge management system and will be utilized to regularly produce portfolio reviews, updates on trends, progress on targeted impacts.

93. SGP is carrying out an extensive ex post project study to assess the sustainable impacts of SGP projects and their contributions to achieving global environmental benefits. This will be a pilot experience to see whether such a process can be reasonably adopted as part of SGP M&E practice in the Third Operational Phase, specifically as a means of determining the sorts of tools and practices that can assess impact and enhance project sustainability. The study consists of 134 case studies of individual SGP projects, all of which were completed at least three years ago. They are divided among 34 countries, with an average of 4 projects studied per country. In-country research teams are undertaking these case studies, under the overall guidance of one or more NSC members. In addition, arrangements will be made with an internationally recognized institution for backstopping the process particularly in assuring

methodological accuracy and objectivity, consolidation and synthesis of case studies at the global level, and eventual publication of the findings.

94. The ex post project study constitutes a significant step forward in terms of developing the tools to detect and track impacts and programme contributions to local and global benefits. It is also the first time that SGP systematically works with specialized national NGOs and research institutions for M&E purposes at a programme-wide level (NGOs and university units have assisted with M&E in some countries). It is expected that this experience will facilitate M&E partnerships in the OP3. The programme will also apply other methodologies to assess and demonstrate impact such as thematic portfolio reviews and case studies, and networking with former grantees and project partners.

95. In the OP3, the programme will explore developing and applying a set of cost-effective indicators of global benefits in the GEF operational programs in which it principally works. These indicators would have to be applicable at project level but capable of being consolidated and systematized at country programme and eventually global levels in order to permit reporting. In this aspect as well as the others mentioned, the potential role of the GEF and IA M&E units in supporting SGP would be important. In general, the SGP impact assessment and knowledge management system that will be developed would be linked to the systems employed by the wider GEF family.

96. The fourth independent evaluation of the programme will start in late 2006 and finalized in mid-2007 to provide inputs for the next phase.

Output 4. Results, lessons learned, and good practices defined, tracked, documented, and communicated

Activities:

- 4.1 Revise Operational Guidelines and M&E Framework to streamline the reporting system and include critical baseline and project results and impact information (project format, database, BPR).
- 4.2 Review Communications Strategy for a shift towards “knowledge management.”
- 4.3 Complete the ex-post project study and disseminate its findings.
- 4.4 Make available revised programme documents and ex-post project case study publications in English, French, and Spanish.
- 4.5 Building on results of ex-post project study, track and document longer-term results, impacts, and sustainability of completed projects as part of standard M&E procedures.
- 4.6 Undertake studies of programme-wide grant-making in the identified thematic clusters or lines of action.
- 4.7 Institute systematic networking with earlier grantees and project partners to help track long-term impacts.
- 4.8 Develop incentives to ensure accurate, current, and high quality information in the SGP database.
- 4.9 Institute periodic NSC review of country information in SGP database.
- 4.10 Facilitate M&E and analysis of impacts and lessons learned by working with specialized NGOs and research institutions.
- 4.11 Develop and apply cost-effective methodologies to track benefits at a global, programme-wide level.
- 4.12 Work closely with M&E units of GEF IAs and Secretariat to link SGP impact assessment with GEF family impact assessment.
- 4.13 Fourth independent evaluation of SGP completed in year 3.

Responsibility: CPMT, country teams, and NSCs, supported by expert consultants.

Outcome 5. Programme and project sustainability enhanced

97. Resource mobilization and partnership creation have become priority tasks for SGP country teams inasmuch as they underpin project and programme sustainability. At the beginning of OP2 it was agreed that in order to meet the baseline costs involved in SGP activities the programme would match the GEF contribution with other sources of funding both in cash and in kind. It was estimated that the baseline costs would be approximately 50% of the total cost of programme activities. Since the beginning of OP2, therefore, SGP has been committed to matching GEF funding with 100% additional cofinancing, half in cash and half in kind. This modality will be continued in the next phase, with cumulative cofinancing to be assessed and reported at the end of year 3.

98. NCs report that while appreciating the benefits of the synergies and partnerships produced through resource mobilization efforts, raising cofinancing is difficult and takes an inordinate amount of time, often to the detriment of other critical programme responsibilities. NCs have asked for training in resource mobilization techniques and strategies, as well as more detailed guidance and support from headquarters. To this end, the Resource Mobilization Strategy will be revised, and each country programme will develop a sustainability strategy that draws upon local and global experiences and lessons learned.

99. It will be very important to promote SGP's track record as a reliable and transparent mechanism for channeling donor funds to communities. Nevertheless, there are substantial management and administrative costs involved in both attracting and managing cofinancing. Some of SGP's cofinancing arrangements have considerably increased the workload on NCs, and made extensive demands on the voluntary NSC members. This is particularly the case in countries where NCs have successfully raised cofinancing, often in the form of substantial additional grant funds, but without the additional staff to manage those funds. Mobilizing multi-country cofinancing has also required a substantial time commitment from the CPMT. In the next phase, efforts should be made to ensure that co-financing, when it is to be managed by SGP staff, should include provision for management costs. This may take various forms, including funding provision for staffing and overhead, or a fee for services rendered.

100. UNDP TRAC resources have proven to be a vital element in SGP cofinancing efforts. It will be necessary to negotiate an approach to TRAC resources that involves CPMT, UNOPS, government, UNDP senior management, including the "Friends of SGP." In terms of UNDP COs, another ongoing issue is that SGP's efforts to attract cofinancing, especially from bilateral donors, are sometimes seen to be in direct or indirect competition with the COs' own fundraising. Both as a means of dealing with this situation as well as enhancing fundraising and information-sharing, some countries have created donor/partner forums, co-sponsored by UNDP and SGP, that bring international and national donors, NGOs, and foundations to the table along with interested government agencies and the private sector. Within the UNDAF framework such donor/partner forums should become common practice in the next phase, but will require support from CPMT, UNDP, and the "Friends of SGP" for their widespread adoption.

101. In addition to the ongoing administrative support provided to the SGP by UNDP, resource mobilization efforts during OP3 will seek to engage a larger network and constituency of donors. As in OP2, SGP's primary function will continue to be to test and demonstrate innovative community responses to environmental problems, as well as to formally recognise local communities as legitimate actors by wider governance programmes. Further mainstreaming will only occur, however, through a "joint effort" in donor coordination. During OP3, priority will therefore be placed on feeding good practices into an enhanced knowledge management system linked to national and international policy development. To achieve greater global impact, a critical mass of small community projects will need to be created through additional funding and support from other GEF IAs, EAs and other donors.

102. Resource mobilization will be an issue of critical concern for SGP especially in the case of LDCs and SIDS. New countries generally take time to come up to speed in terms of mobilizing resources, often up to two to three years. LDCs and SIDS in particular have high grant management costs while their grant absorptive capacity is limited. In recent new country appraisal missions, CPMT and UNOPS have

addressed this issue by discussing resource mobilization possibilities as part of the appraisal process for new country approval. In Nicaragua, which joined SGP in 2003, for example, a UNDP and SGP sponsored donor roundtable was established even as the country programme strategy was being developed.

103. In kind contributions and cofinancing have often not been comprehensively identified or systematically tracked and are therefore significantly under-reported. Following its country-driven and flexible approach, SGP has yet to develop standard guidelines for valuing or costing in-kind contributions, especially the critical voluntary contributions of NSC members, other partners and stakeholders, and grantees. As the Evaluation remarked, “while SGP’s extraordinary ability to mobilize capable, enthusiastic, high-quality, technically-qualified people on a voluntary basis is one of its unique strengths, relatively little of this seems to be measured at present.” Therefore, a priority for OP3 will be to assess the techniques that have been developed by some country programmes (Dominican Republic and Guatemala, for example) to identify and measure in-kind contributions, and come up with a standard methodology that can be adapted and used across the programme.

104. Issues of sustainability and replicability of the country programmes and projects are addressed through emphasis on thematic focus, building of partnerships, IA consultations, knowledge management, networks, and mainstreaming. Another matter of concern is the relationship between resource mobilization, income-generation, and sustainability at the project level. This issue was also raised by the Second GEF Overall Performance Study (2002): “To the extent that the GEF/SGP projects have generated wide stakeholder participation, built local capacity in project management, successfully raised significant co-financing (in a number of cases from UNDP’s development funds), and routinely involved income-generating activities, their chances of sustainability are good. However, it is important to ensure that the income-generating components of SGP projects are based on good feasibility studies and incorporate business-oriented management approaches.” In this regard, guidelines will be included in the revised Resource Mobilization Strategy on cofinancing partnerships with the private sector, and NSCs will be encouraged to include members from the private sector who can advise on appropriate microenterprises, sustainable marketing, and business plans.

Output 5. Programme and project sustainability frameworks in place

Activities:

- 5.1 Revise the Resource Mobilization Strategy to provide further guidance and clarifications on cofinancing modalities.
- 5.2 Provide training on resource mobilization strategies to SGP country teams as necessary.
- 5.3 Incorporate sustainability strategy at country level.
- 5.4 Establish UNDP and SGP donor/partner forums at the global and country level, which include international and national donors, foundations, private sector, government, NGOs, etc.
- 5.5 Promote SGP’s track record as a proven, reliable, and transparent mechanism for ensuring that donor funds reach communities.
- 5.6 Ensure that future cofinancing arrangements include SGP management costs, to be negotiated with each donor, and make sure that they are relevant to the GEF mission.
- 5.7 Develop standard methodology for identification and measurement of in-kind contributions to projects and programmes.
- 5.8 Review NSC composition to enable relevant participation by private sector (to support microenterprises, business plans, feasibility studies, etc.).
- 5.9 Establish guidelines on cofinancing partnerships with the private sector, including safe guarding community interests.
- 5.10 Expand SGP’s more production-oriented projects to include marketing, financing, and partnerships with the private sector.

Responsibility: CPMT, UNOPS, NCs, and NSCs.

Outcome 6. SGP as a GEF corporate programme fully realized

105. SGP's status as a GEF corporate programme presents many opportunities to deepen collaboration with GEF Implementing Agencies (UNEP, World Bank, and UNDP) and others. In OP3, "Operational Consultations," will be held on an annual or biannual basis chaired by the GEF Secretariat, bringing together SGP, IAs, and others, to discuss themes of strategic interest. SGP can work closely with all three Implementing Agencies (IAs) in developing GEF Medium Sized Projects (MSPs) and Full Sized Projects (FSPs), either by upscaling SGP projects, helping prepare proposals that will involve SGP, or sharing SGP's successful methodologies or technologies. Annual "Strategic consultations" will also be established with GEF IAs for closer coordination and better synergies of focal areas and new initiatives. SGP will also consult with the GEF Focal Area Task Forces as needed. The operational consultations can also explore options for SGP as a fast response delivery mechanism for full sized projects as even these projects require community participation and have to generate local benefits to be sustainable. At the same time, SGP is also active in knowledge management and policy advocacy, which are also objectives of larger projects. Synergy of efforts particularly at the country level will certainly be appreciated when local stakeholders see members of the GEF family advocating the same practice and policy improvements. To support these efforts, SGP will endeavor to create a network of "supporters of SGP" within the GEF family that would facilitate communication on opportunities for collaboration.

106. Strengthening collaboration with the GEF IAs, STAP, and other partners brings with it a number of management issues for SGP. Early, upstream participation in project and programme planning and design is essential. There will need to be ongoing communication between SGP and counterparts in the IAs to ensure that the necessary upstream coordination takes place to enable SGP participation in overall GEF activities, especially in terms of the small grants components of GEF projects and to improve SGP performance in the international waters focal area. In addition, the costs of SGP's contribution to the establishment and implementation of small grants components of large GEF projects must also be taken into account. Synergies and alignment with other grant programmes should be the aim to enhance mutual benefit without over-burdening SGP.

107. Each IA has specific areas of potential interest to SGP. UNEP offers the Conservation Finance Alliance of which both UNDP and UNEP are members. Other areas of mutual interest include UNEP GEF's work program on indigenous peoples, culture, and biodiversity; environmental goods and services; and sustainable trade. UNEP's in-kind contribution in form of expert staff support for COMPACT aerial surveys has been very important and could well continue in the next phase.

108. In the OP3, SGP can pursue forging links with the World Bank Small Grants Program in countries where both are operational, as appropriate. World Bank Country Teams at country level can provide information on pipeline development and project implementation with community-based components.

109. UNDP Resident Representatives generally serve as Resident Coordinators of the UN system in most countries. Under the UN Resident Coordination framework, SGP can participate in the Roundtable Mechanism and Joint Programming Instrument which facilitate coordination amongst UN agencies, European Union, and bilateral international cooperation agencies at country level. They help to create a harmonized approach to critical issues and common problems which is attractive to donors. The UNDP GEF Regional Coordination Units (RCU) can provide support and guidance, especially regarding possible SGP participation in MSPs and FSPs that are being developed.

110. Experiences of coordination and collaboration will be documented, if possible in conjunction with a network of "supporters of SGP," and feedback provided to UNDP Resident Representatives, Regional Coordinators and UN country teams, as well as the GEF Secretariat, IAs and EAs.

Output 6. Partnerships with GEF Implementing/Executing Agencies established

Activities:

- 6.1 Establish “Operational Consultations,” bringing together SGP, IAs, GEF Secretariat, and others.
- 6.2 Create coherent, standing group of “supporters of SGP” among GEF family to facilitate flow of information and share opportunities for collaboration.
- 6.3 Ensure early, upstream coordination for collaborative activities, including MSP and FSP development.
- 6.4 Design strategy and targeted communications to IAs, EAs, and donors so that SGP can participate in project design, building on notion of “SGP as a delivery mechanism.”
- 6.5 Promote involvement in Roundtable Mechanism and Joint Programming Instrument (under auspices of UN Resident Coordination framework).
- 6.6 Establish links with UNDP GEF Regional Coordination Units (RCU) for support and guidance, especially regarding MSPs and FSPs.
- 6.7 Document and disseminate examples of fruitful collaboration and partnerships with GEF IAs/EAs.

Responsibility: CPMT in consultation with GEF Secretariat and Implementing Agencies.

PART 3. MANAGEMENT ARRANGEMENTS

111. SGP will continue to operate in a highly decentralized and country-driven manner through a National Coordinator (NC) and National Steering Committee (NSC) in each participating country, with support from the UNDP Country Office and in some countries, a National Host Institution (NHI) or host NGO. The SGP CPMT and UNOPS will provide, as before, global guidance, coordination, support, and supervision.

112. The UNDP/GEF Unit at UNDP Headquarters in New York manages all of its GEF activities, including SGP. The UNDP/GEF Executive Coordinator and his/her Deputy are accountable, both to UNDP and to the GEF Secretariat and Council, for all UNDP GEF activities, including SGP. Implementation services provided by UNDP at Headquarters, regional and country levels include the following: programme/project development and preparation (review, appraise and provide guidance on submissions, policy negotiations, etc.); global management oversight and support (approval and management of parallel and cost-sharing co-financing agreements, resource mobilization support, recruitment and contractual policies, treasury and financial reporting, security, Regional Bureau support and advice for start-up of new country programmes, M&E and technical backstopping from UNDP/GEF specialists, etc.); and country management oversight. None of these costs are covered under the UNDP/GEF corporate budget. UNDP charges a discounted rate of 4% for these services.

113. The SGP Central Programme Management Team (CPMT), located within the UNDP GEF Unit, is composed of the Global Manager, Deputy Global Manager (Programme), Deputy Global Manager (Operations), Climate Change Programme Officer, Biodiversity Programme Officer, Land Degradation/International Waters/POPs Programme Officer, Knowledge Facilitator, Programme Associate, and Administrative Assistant. The TORs for these and other programme posts can be found in Appendix B. The CPMT is responsible for overall programme management, provides operational guidance and support to the country programmes, including identification and establishment of the SGP in new countries, and reports to the GEF Council. Through a global M&E framework and communications strategy, it monitors country programmes and coordinates the documentation and dissemination of lessons learned from the programme's community-based experiences.

114. The UN Office of Project Services (UNOPS) following agreed procedures, policy and strategy with the CPMT will continue to be responsible for providing programme execution support services in the following areas: (1) personnel recruitment and contract administration for project staff and consultants; (2) subcontracts for host institutions; (3) authorization of country programme grant allocations and disbursements; (4) budget administration, including authorization and monitoring of expenditures; (5) training and guidance on the above to country-level staff; and (6) support for initiation of the programme in new countries. UNOPS support costs at a discounted rate of 6% will be maintained in the next phase.

115. The UNDP Country Office following SGP Operational Guidelines will continue to participate in providing overall management support to operations in each of the SGP country programmes. The Resident Representative in each Country Office assigns a staff member to serve as the SGP focal point, and the Resident Representative or the focal point as his/her delegate participates in the NSC. Each UNDP CO also contributes to monitoring programme activities – usually through broad oversight by the designated focal point as part of NSC responsibilities; facilitates interaction with the host government; and develops links with other in-country financial and technical resources. The CO is also responsible for providing financial and administrative services to the programme, and the Resident Representative signs the Memoranda of Agreement (MOA) with NGO/CBO grantees, on behalf of UNOPS. The Country Office administers the disbursement of grant payments in accordance with the terms of the MOA and as authorized by UNOPS. It also plays a fundamental role in launching a new SGP programme and in the appointment of National Steering Committee members once ratified by the CPMT. As the programme has evolved, the UNDP Country Office is also expected to help develop the links between SGP and the other GEF Implementing Agencies and Executing Agencies at country level.

116. In some countries, the SGP is located in a National Host Institution (NHI), normally a national non-governmental organization (NGO) or national environment fund. Programme hosting arrangements are normally considered during a new country appraisal mission. UNOPS administers a service contract with the host NGO that outlines the technical support and administrative services to be provided and an operating budget. The sub-contract contains rules of collaboration with the host organization as defined in the offer or terms of reference, both of which are integral parts of the sub-contract. This contract is supervised by UNOPS. All country programmes, whether based in the UNDP or in a host NGO, equally respond to the SGP Strategic Framework, Operational Guidelines, and other global programme guidance.

117. As of the middle of year 6 of OP2, the following country programmes were hosted by an NHI:

Brazil	Instituto Sociedade, População E Natureza (ISPN)
Colombia	Ecofondo
Dominica	Dominica Save the Children Fund (hosts SGP COMPACT)
Egypt	Arab Office for Youth and Environment (AOYE)
Fiji	University of the South Pacific (USP)
India	Centre for Environmental Education (CEE)
Indonesia	Yayasan bina Usha Lingkungan (YBUL)
Jordan	Jordan Royal Ecological Diving Society (JREDS)
Micronesia	Micronesia Conservation Trust (MCT)
Namibia	Namibia Nature Foundation
Peru	Fondo Nacional para las Areas Protegidas por el Estado (PROFONANPE)
Tunisia	L'Audit Environnemental (AE)

118. The National Steering Committee (NSC) is composed of voluntary members from NGOs, academic and scientific institutions, other civil society organizations, the UNDP Country Office, government, and donors in cases of large scale co-financing, with a majority of members coming from the non-governmental sector. It provides overall guidance and direction to the country programme, and contributes to developing and implementing strategies for country programme sustainability. In collaboration with the NC, the NSC helps to develop the country programme strategy in accordance with the global Strategic Framework and national environmental priorities, and oversees its implementation. The NSC is responsible for selecting and approving projects, and for ensuring their technical and substantive quality. NSC members are encouraged to participate in pre-selection project site visits and in project monitoring and evaluation. The technical capacity of the NSC is an important criterion in determining composition, and the NSC membership should include experts in the GEF focal areas. The NSC has been asked to be more active in linking SGP's lessons learned to development practice and policy, hence, GEF Operational Focal Points have increasingly been invited to sit as a key member. Those representing the private sector and international and national donors and foundations are also increasingly being invited to become members to support SGP's resource mobilization efforts.

119. The National Coordinator (NC) has lead responsibility for managing country programme implementation. The National Coordinator's major basic functions include:

- Promoting the programmes's objectives, procedures, and achievements among non-governmental organizations (NGOs), community-based organizations (CBOs), and other key stakeholders;
- Developing and revising the Country Programme Strategy (CPS) in collaboration with the NSC and other stakeholders;
- Implementing the CPS, and ensuring that that SGP grants and projects meet the criteria of the CPS;
- Assisting NGOs and CBOs in the formulation of project proposals, and ensuring their technical and substantive quality;
- Serving as the NSC's secretariat, pre-screening project proposals, and otherwise supporting the work of the National Steering Committee;
- Facilitating NGO and CBO access to technical support services;
- Developing and implementing communications and information dissemination strategies which will reach a wide range of target audiences.

- Ensuring sound programme monitoring and evaluation, including periodic project site visits;
- Mobilizing resources for cofinancing projects, in particular “baseline” activities;
- Supervising other SGP local staff; and
- Reporting to the CPMT and UNOPS as required.

Reasons for assistance from UNDP

120. UNDP has been managing the programme since its inception in 1992. Its comparative advantage lies in its global reach and highly decentralized structure that places 85% of its staff in the more than 170 countries and territories it supports. The system of Country Offices and Resident Representatives has supported the programme in many ways including the setting up of new programs in countries, day-to-day administrative and oversight support to the programme, providing valuable contacts and outreach, and assistance with media coverage. UNDP has contributed considerable funding to some country programmes, and has sponsored donor forums in others to promote SGP co-financing efforts.

121. UNDP Country Offices typically have close working relations with the national government and Resident Representatives serve as Coordinators of the UN System as a whole. These features can greatly facilitate the building of partnerships with in-country programmes of the UN system, those of government agencies, and other international donors.

122. SGP is a global programme, but at the country level it operates under the overall UNDP SBAA agreement, although it is not considered a part of the CCF or UNDP core functions.

Acknowledgement of GEF funding

123. In order to properly acknowledge GEF for providing funding, the GEF logo should appear on all relevant programme and project publications. Products and publications generated by GEF-funded SGP grants and activities should carry the GEF logo. The UNDP logo should also appear, separated from the GEF logo.

PART 4. MONITORING AND EVALUATION

124. The SGP has an M&E Framework that includes regular site visits by the country programme teams to projects, semi-annual and annual reporting to the Central Programme Management Team, regular updates on projects in an on-line and off-line database, and an Independent Evaluation every three years. The programme is adding an ex post study approach for projects that have been concluded three or more years ago. At present, the M&E system is designed to measure progress against objectives, progress of the country programmes, and the achievement of the overall programme objectives. In OP3, the M&E system will be further strengthened by adding aspects that identify and measure impacts, both at the local and global levels. In addition the on-going Ex-post study will become an integral part of the SGP M&E system

125. The SGP will continue to work closely with M&E units of GEF IAs and Secretariat to link SGP impact assessment with GEF family impact assessment. A detailed explanation of activities to be undertaken on this is outlined above under Output 4. In addition, the programme shall be monitored and evaluated as per the identified specific indicators of performance for each output in the logical framework. Reporting on the achievement of programme deliverables to the GEF Council shall be done annually.

PART 5. LEGAL CONTEXT

126. Since its inception the GEF/SGP has been launched in a country only after government endorsement of the programme’s objectives and methodology. UNDP’s Resident Representative will be asked to secure the host government’s approval before the programme is offered in new countries. However, governments are not expected to be signatories to the project document.

127. This project document shall be the instrument referred to as such in Article 1, paragraph 1, of the Basic Assistance Agreement between the United Nations Development Programme and the governments of those participating countries that have signed such an agreement. Alternatively, for those participating countries that have not signed such an agreement, this project document shall be the instrument referred to as plan of operation in Article 1, paragraph 2, of the agreement concerning assistance under the Special Fund Sector of the United Nations Development Programme, between UNDP and the governments of those participating countries that have signed such a latter agreement.

128. The following types of revisions may be made to this project document with the signature of UNDP/GEF and UNOPS – the two signatories to this document:

- (a) Revisions in, or addition of, any of the annexes of the project document.
- (b) Revisions which do not involve significant changes in the immediate objective, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation.
- (c) Mandatory annual revision which rephase the delivery of agreed project inputs, or reflect increased expert or other costs due to inflation, or take into account agency expenditure flexibility.

E. Section II: Budget

129. Table 1 below presents the indicative total budget for OP3 which will cover a period of three years, from 16 February 2005 through 15 February 2008. The following key requirements have been taken into consideration during the budgeting exercise: (i) programme expansion to 30 new countries; (ii) support for new deliverables to backstop new countries, at least half of which will be LDCs and SIDs which require more extensive strategic guidance, monitoring and support; (iii) increased demand from existing programme countries resulting from capacities built in OP2; (iv) thematic expansion into new focal areas; (v) compilation and dissemination of lessons learned particularly in support of a shift to impact assessment and knowledge management; and (vi) programme cost-effectiveness.

130. The budget comprises four main components, with the first two relating directly to SGP grants, programme mobilization and strategic support, and the remaining two relating to programme management and support costs. It should be noted that the current budget being requested from GEF would leverage a co-financing in cash of \$89.2 million that will be used for allocation of additional grants to beneficiary local communities, and an equivalent amount in in-kind co-financing from non-GEF resources. Note that the co-financing level is below the 1:1 ratio with GEF funds in year 1, but increases over the next two years to cumulatively meet the ratio by year 3.

131. As stated earlier, a key objective of OP3 will be to consolidate, evaluate and disseminate lessons learned. Thus, a total allocation of about \$5.0 million under Component B (Programme mobilization, strategic guidance and M&E) has been made to support this goal. This includes assessment of new programme countries and strategic guidance that are critical to support new countries, especially LDCs and SIDSs, to strengthen the programme focus in meeting their global environmental objectives, consolidate and share SGP experiences and lessons learned, and independent evaluation document new experiences and assess SGP performance under OP3. In addition, biennial Regional and Global workshops have been planned to promote exchanges and knowledge sharing.

132. The budget includes a discounted 6% UNOPS support cost to execute country level programme activities, grants disbursement and monitoring. As was the case in previous operational phases, UNOPS will also take from this the payment for essential financial services provided by UNDP Country Offices to SGP country programmes.

Table 1: Indicative Programme Budget for Third Phase (OP3) 2005-2007)

	OP2/Yr 6	Year 1	Year 2	Year 3	TOTAL OP3
A. Grants					
GEF	20,500,000	34,000,000	44,093,000	47,192,000	125,285,000
B. Programme mobilization, strategic guidance and M&E					
Regional Workshop	400,000	120,000	600,000	120,000	
Communication Strategy	60,000	190,000	250,000	270,000	
LL/IA	850,000	255,000	350,000	400,000	
Travel/M&E	100,000	240,000	350,000	330,000	
Technical Assistance	80,000	55,000	125,000	95,000	
Audits	30,000	30,000	40,000	50,000	
CTs Strengthening	0	40,000	50,000	60,000	
Evaluation	0	100,000	200,000	300,000	
Global Workshop	0	400,000	0	520,000	
Sub-total:	1,520,000	1,430,000	1,965,000	2,145,000	5,540,000
C. Programme management					
<u>Country-level</u>					
Personnel	2,700,000	3,500,000	4,300,000	4,950,000	
NHI	640,000	700,000	750,000	800,000	
Premises	350,000	410,000	490,000	550,000	
Equipment, O&M	700,000	880,000	1,100,000	1,375,000	
Workshops	350,000	385,000	450,000	475,000	
FM/travel	650,000	730,000	840,000	950,000	
Technical assistance	180,000	200,000	275,000	300,000	
Outreach	250,000	280,000	330,000	380,000	
Sundry	250,000	269,753	300,984	329,490	
Sub-total:	6,070,000	7,354,753	8,835,984	10,109,490	26,300,227
<u>Global programme-level</u>					
Global Manager	223,000	242,970	267,267	293,993	
Deputy Manager (Operations)	188,000	208,270	229,097	252,006	
Deputy Manager (Programme)	169,000	208,270	229,097	252,006	
Climate Change Programme Officer	150,000	176,850	194,531	213,984	
Biodiversity Programme Officer	150,000	176,850	194,531	213,984	
Int'l Waters/POPs/ Land Degradation Programme Officer	150,000	176,850	194,531	213,984	
Knowledge Facilitator	120,000	113,810	125,188	137,706	
Programme Associate	71,000	73,000	80,274	88,301	
Administrative Associate	65,000	73,000	80,274	88,301	
Equipment	10,000	15,000	20,000	20,000	
Premises	60,000	75,000	75,000	75,000	
Sundry	12,000	15,000	20,000	25,000	
Sub-total:	1,368,000	1,554,870	1,709,790	1,874,265	5,138,925
Total A+B+C:	29,458,000	44,339,623	56,603,774	61,320,755	162,264,152
D. Administrative costs					
UNOPS Support	1,767,480	2,660,377	3,396,226	3,679,245	9,735,849
E. GEF/SGP Total	31,225,480	47,000,000	60,000,000	65,000,000	172,000,000
F. CO-FINANCING:					
a) In-kind resources from non-GEF sources for grant element:	14,000,000	17,000,000	31,000,000	38,000,000	86,000,000
b) Cash co-financing from non-GEF sources	14,000,000	17,000,000	31,000,000	38,000,000	86,000,000
Sub-total:	28,000,000	34,000,000	62,000,000	76,000,000	172,000,000
G. GRAND TOTAL (E + F):	59,225,480	81,000,000	122,000,000	141,000,000	344,000,000