



"Frank Pinto"
<frank.pinto@undp.org>

03/14/2006 08:23 PM

To <Helen.Walsh@do.treas.gov>

cc <Rramankutty@thegef.org>, <rvandenberg@thegef.org>, "Ravi Sharma" <rsharma5@thegef.org>, <delfin.ganapin@undp.org>, <yannick.glemarec@undp.org>, "John Hough" <john.hough@undp.org>, <mzimsky@thegef.org>

Subject RE: Anticorruption Measures in Small Grants Program and Proposed Program for Supporting Country Early Action Unprotected Areas

Dear Helen,

Apologies for the delayed response but we hope this reply answers your questions.

1. As in all UNDP projects, final details of the financial management and control mechanisms will only be agreed during project appraisal, ie. after Council clearance. However, as in all UNDP work, management and control of the grants will depend heavily on the local UNDP country office and in this regard a number of elements are similar to those that are used by the Small Grants Programme.

2. NGO proposals to SGP are reviewed by the National Steering Committee (NSC) composed of the most credible NGO leaders in the country, experts from academe, government representatives (including the GEF Focal Point), the UNDP Country Office Resident Representative or his/her representative and in many cases also representatives from the private sector and donors. The combined knowledge and links of these NSC members to the civil society community provide assurance that those proponents who have had a negative history in project implementation will be known. Risks entailed in the implementation of a proposed project, including that of possible corruption, is part of the review parameters of the NSC.

3. Yet, before a proposal even get to the NSC, the National Coordinator

would have done an investigation including a site visit if needed. The proposal, in many cases, also goes through a technical committee of experts to assure objective review of eligibility and feasibility as well as provide a buffer against unworthy proposals being pushed for other non-meritorious reasons.

4. In the case of the Protected Areas Early Action (PAEA) project, the grant making mechanism itself will be more similar to the World Bank's "Development Marketplace" rather than the Small Grants Programme, in that decision making will be at the global rather than at national level, and the grants are expected to go primarily to government institutions rather than NGOs. However, the PAEA will still rely heavily on the UNDP country office and its existing knowledge of the country situation. Specifically UNDP country offices will be asked to screen grant proposals to:

- . assess the risk of grant abuse
- . determine the standard financial control method to be used
- . recommend where certain applicants should use a different, and approved, financial partner

5. Once grant decisions are made, it should be noted that in the SGP the grant MOAs (Memorandum of Agreements) are signed by the UNDP Resident Representative who also puts in her/his own filter system to prevent any tinge of corruption in SGP grantmaking. These MOAs are standardized agreements designed by the UNOPS legal unit with all the needed protective provisions such as the first tranche release never going beyond 50% except under exceptional circumstances (i.e. only grants of very small amounts for one time activities), requiring 3 to 4 tranches per year, and no release of any tranche funds without approved reports and submission of proper receipts. The National Coordinator and members of the NSC also do regular site visits and M&E just to make sure that funds are utilized properly and activities are progressing well.

6. Similar mechanisms will be used in the PAEA project where the UNDP Resident Representative will determine the financial modality appropriate for the grant recipient. Standard modalities already in place include:

- . quarterly advance and reimbursement based on work and financial plans and reports
- . quarterly reimbursement with no advance, ie. the countries must first advance the funds themselves and then UNDP reimburses only appropriate expenditures (used in countries where significant corruption risk has been identified)
- . direct execution by UNDP

7. The other deterrent to corruption in the SGP is that funds for SGP projects go through a system of authorization in the UNDP Country Office which then sends the funds directly to the bank account that all grantees are required to open just for the project. The funds do not pass through any government agency or third party channels. The small size of the grants (overall average of \$25,000 per project with many, especially for CBOs, at much smaller levels) also prevent corruption. While in the PAEA project funds will go directly to government agencies and the actual grants will be somewhat larger, similar bank account requirements are often used.

8. With respect to audits, the practice in SGP is also to send spot

audits from UNOPS. With the expansion to many new countries, SGP has discussed with the UNDP audit unit the possibility of the unit augmenting the work of UNOPS and SGP has also started the practice of contracting accredited local audit firms to increase the coverage of spot audits. The audits are not only financial audits but also management audits to make sure that SGP procedures and requirements are religiously followed by all country programmes. It is not anticipated that the PAEA project will use management audits, but spot audits will certainly be used as appropriate. In addition, as part of UNDP standard financial practice UNDP requires all of its grant recipients to have an independent annual audit conducted. UNDP does of course freeze all disbursement, pending investigation, where financial abuse is suspected. It should also be noted that SGP uses UNDP's Enterprise Resource Platform (Atlas) to conduct and track every single financial transaction. This enables an audit to fulfill its function in an effective manner.

9. The rule in SGP is that we will not start-up in any country unless there is an endorsement from the UNDP Resident Representative that conditions are ideal or at the very least manageable as far as good democratic governance is concerned and that our own appraisal mission also concludes the same. The same rule will be applied in the case of a PAEA grant. So far there is only one country with an application to SGP where UNDP has not yet agreed to start up the programme up because of corruption risks. We are still in negotiations to get into agreements that would reduce the risk of corruption, in this case to select a particular geographic focus in the country, an area where communities are indigenous and are far away from pseudo-NGOs and the clutches of powerful politicians.

10. As regards the upcoming evaluation of the SGP, this will be the Fourth Independent Evaluation which will also provide inputs for preparing SGP's Fourth Operational Phase. The SGP OP4 proposal should be submitted for GEF Council Consideration in late 2007. As this is an independent evaluation, we understand that the GEF Office of Evaluation has included the SGP Evaluation in its workplan which will be submitted to the Council for approval, and that UNDP's Evaluation Office (as well as those of UNEP and the World Bank as required) would also be involved.

11. The indicators for SGP's monitoring of global environmental impacts are in the annex of the replenishment proposal. In the coming SGP Regional Workshops this year, SGP will further design with National Coordinators a more organized monitoring methodology and additional indicators related to the programme's capacity building work, policy advocacy, and knowledge management. This work will be done by SGP and its stakeholders in cooperation with the GEF Secretariat and with the assistance of the GEF Office of Evaluation.

Warm regards. Frank

Frank Pinto
GEF Executive Coordinator, UNDP

-----Original Message-----

From: Helen.Walsh@do.treas.gov [mailto:Helen.Walsh@do.treas.gov]
Sent: Tuesday, March 07, 2006 7:33 PM
To: frank.pinto@undp.org; yannick.glemarec@undp.org; delfin.ganapin@undp.org
Cc: Rramankutty@thegef.org; rvandenberg@thegef.org
Subject: Anticorruption Measures in Small Grants Program and Proposed Program for Supporting Country Early Action Unprotected Areas

Colleagues --

I'm looking at the projects on the intersessional work program and see that you are proposing that the project to support early action on protected areas be done using a fast disbursing mechanism similar to that which exists in the small grants program and the development marketplace. I would appreciate if you could tell me what kinds of internal controls are in place for the small grants program (and presumably will be in place for this project) to ensure that funds go to their intended use, particularly in countries with severe corruption problems. For example, do you conduct a risk assessment for this? Are there any unannounced spot audits? Are there countries where corruption is so serious that you either would not operate in that country or would change the way funds are disbursed ?

Also, I have some questions on the small grants program. You are doing an independent evaluation for 2007, according to the document. How will that independent evaluation be conducted? For example, how would you select the evaluator? who is writing the terms of reference of the evaluation and the request for proposals? Who will manage the process? UNDP's evaluation office or the project managers? Will the GEF office of evaluation have any role? Finally, I'm pleased to hear that you are now monitoring for global environmental impacts. Do you have any background material on the indicators being used? (Apologies if it's in the project document... I've only read the summaries.)

Many thanks --

Helen

To: Mary Agnes Evidente

"John Hough"
<john.hough@undp.org>

03/15/2006 03:59 PM

Please respond to
<john.hough@undp.org>

To "Helen Walsh" <helen.walsh@do.treas.gov>
cc "Yannick Glemarec" <yannick.glemarec@undp.org>, "Gonzalo Castro" <gcastro@thegef.org>, "Ramesh Ramankutty" <rramankutty@thegef.org>, "Joseph D'Cruz" <joseph.dacruz@undp.org>
Subject t
FW: QUESTIONS ON CHINA CONSERVATION AND SUSTAINABLE UTILIZATION OF WILD RELATIVES OF CROPS PROJECT

Dear Helen

Many thanks for your note on this project. We have put together responses to your reviewers questions in the attached file. The key thing to note is that in keeping with the approach of Strategic Priority 2 in Biodiversity (BD2 - Mainstreaming) the project is designed around a system of incentives rather than a system of enforcement - which would be more akin to a BD1 Protected Areas approach, and the whole purpose of the project is to figure out these incentives. I hope this information is sufficient, but if your reviewer would like any further information please don't hesitate to get back to me.

Thanks

John

Dr. John L Hough
Principal Technical Advisor - Biodiversity
UNDP-GEF
304 East 45th Street (FF-930), New York, NY 10017
Tel. 1-212-906-5560
john.hough@undp.org or www.undp.org/gef

-----Original Message-----

From: Helen.Walsh@do.treas.gov [mailto:Helen.Walsh@do.treas.gov]

Sent: Friday, March 10, 2006 06:32

To: yannick.glemarec@undp.org; Gcastro@thegef.org; Joseph D'Cruz;
Rramankutty@thegef.org

Subject: QUESTIONS ON CHINA CONSERVATION AND SUSTAINABLE UTILIZATION OF WILD RELATIVES OF CROPS PROJECT

Colleagues --

Our reviewers had some questions and concerns about this project:

Has GEF funded previous projects for in situ conservation of wild relatives of crops? Did any of them include the kind of mechanisms proposed here, using incentives and enforcement measures? If so, what lessons have been learned from these projects?

The indicators and baselines seem weak and vague. And there is only one target value (not annual targets) for each indicator: for example percentage of farmers actively conserving the wild relatives, where baseline is no farmers, and the target value is 75% of farmers modified their farming methods to promote conservation. We find this indicator somewhat lacking because it measures methods used by farmers and not the outcomes in conserving and increasing wild relatives of crops.

We did not see economic or financial analyses in the documents. Has this been done? How is the project financially sustainable?

There seemed to be a lot of questions in the STAP review about the incentives and enforcement measures, and the risks that you could end up with perverse outcomes. Please provide greater detail on the provisions that you propose to put in place to avoid bad outcomes. For example, what are the enforcement measures being contemplated? Could the imposition of fees ultimately lead to land seizures (since farmers may not have cash to pay any fines) and inadvertently impoverish those that the project is intended to assist? How would the project ensure that farmers actually receive the incentive payments?

Many thanks --

Helen



PIMS 2277 Response to US Council Comments.doc

UNDP GEF Project 2277: China - Conservation and Sustainable Utilization of Wild Relatives of Crops

Responses to comments from US Council member – 15 March 2006

Question	Response
<p>Has GEF funded previous projects for in situ conservation of wild relatives of crops? Did any of them include the kind of mechanisms proposed here, using incentives and enforcement measures? If so, what lessons have been learned from these projects?</p>	<p>Virtually all GEF OP13 projects under implementation deal with traditional varieties. Some of these, for example, the UNDP/GEF OP13 project in Vietnam, work in agricultural systems in which wild relatives are also present, but in such cases conservation of wild relatives is very much a secondary objective. Some other GEF OP13 projects do deal with wild relatives, but none of these projects are sufficiently advanced in implementation to provide concrete results, nor do any of them take the same approach built on economic incentives. Therefore there are no significant lessons to be derived from previous GEF-funded projects.</p>
<p>The indicators and baselines seem weak and vague. And there is only one target value (not annual targets) for each indicator: for example percentage of farmers actively conserving the wild relatives, where baseline is no farmers, and the target value is 75% of farmers modified their farming methods to promote conservation.</p> <p>We find this indicator somewhat lacking because it measures methods used by farmers and not the outcomes in conserving and increasing wild relatives of crops.</p>	<p>Many indicators have at least two targets (intermediate and final). For instance, both indicators for the Project Objective measure mid-point as well as final targets, as does Indicator 2 for Outcome 1 and both indicators for Outcome 3. Indicator 1 for Outcome 4 measures progress at the end of year 2.</p> <p>Those which do have only one target may be reviewed during the inception phase to assess whether intermediate targets can be added. Annual targets are not considered useful for two reasons. Firstly, it is extremely doubtful that meaningful targets can be defined on an annual basis, and secondly measuring indicators annually would imply allocating an unjustifiably large proportion of the funding to measuring impact instead of to achieving impact.</p> <p>The specific indicator quoted is an indicator of Outcome 3; <i>“Stakeholders at the central and local level have adequate capacity to conserve wild relatives”</i>. The indicator is designed to measure farmers’ capacity to conserve by tracking the percentage of farmers actively conserving wild relatives. It does not measure actual conservation because it is not designed to do so. Impact in terms of conservation is measured at the Objective level, e.g. through the indicator which tracks the land area occupied by wild relatives at the target sites.</p>
<p>We did not see economic or financial analyses in the documents. Has this been done? How is the project financially sustainable?</p>	<p>Fieldwork undertaken during the PDF-B did generate financial analyses, but these have not been translated from the Chinese. Details of how the outcomes of the project will be financially sustainable are detailed in the section of the project document titled <i>“Sustainability (including financial sustainability)”</i>. As described in this section, financial sustainability will be secured through sustainable incentive systems to be developed at each site. The exact nature of these systems will be determined through the activities undertaken to achieve Outcome 1 of the project.</p>
<p>There seemed to be a lot of questions in the STAP</p>	<p>The provisions to be put in place to avoid bad outcomes are described in various places, including the text on Outcome 1, which includes as</p>

<p>review about the incentives and enforcement measures, and the risks that you could end up with perverse outcomes. Please provide greater detail on the provisions that you propose to put in place to avoid bad outcomes. For example, what are the enforcement measures being contemplated?</p> <p>Could the imposition of fees ultimately lead to land seizures (since farmers may not have cash to pay any fines) and inadvertently impoverish those that the project is intended to assist?</p> <p>How would the project ensure that farmers actually receive the incentive payments?</p>	<p>Output 1.1 <i>“Local stakeholders design a socially appropriate incentive system”</i>.</p> <p>The imposition of fees might well result in defaults on payments and extreme financial hardships for farmers, which is why this approach is nowhere advocated in the project document.</p> <p>The Government of China is launching an ambitious program entitled “building new socialist countryside” and implementing a series of policies that favors farmers, which creates a conducive environment for the proposed GEF project. Nevertheless, in the unlikely event that land is seized (which is not contemplated as a means of project implementation), the People’s Republic of China has compulsory compensation and resettlement policies which would come into force.</p> <p>The project will ensure that farmers actually receive payments through Output 1.3: <i>“Appropriate methods to ensure equitable distribution of financial or other benefits are established with participation of farmers”</i>. However, we cannot yet specify exactly what these will be since the project has not yet been implemented and therefore we do not yet know all the barriers to the farmers actually receiving the incentive payments, and therefore in turn we cannot yet specify how these will be overcome. This is why the project is needed.</p>
--	--