



Independent  
Evaluation Office  
GLOBAL ENVIRONMENT FACILITY

# Evaluation of the GEF's System for Transparent Allocation of Resources

JULY 2018  
FULL REPORT





Global Environment Facility  
Independent Evaluation Office

# **Evaluation of the GEF's System for Transparent Allocation of Resources**

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*Cover:* Electric bus charging in a transportation hub in Zhenzhou, China. The GEF provided support for planning of integrated transportation hubs in this city through a project that was among the first funded through the GEF-4 System for Transparent Allocation of Resources (STAR). Photo by Neeraj Kumar Negi/GEF IEO.

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# Foreword

The independent overall performance studies (OPS) of the Global Environment Facility (GEF) are undertaken to provide evaluative evidence to inform the replenishment on the achievements and results of the GEF. This evaluation is an input to OPS6, and it assesses design and implementation of the GEF's System for Transparent Allocation of Resources (STAR). It also assesses its effect on resource utilization and on the results of GEF activities. It builds on the cumulative body of knowledge on past evaluations conducted by the GEF Independent Evaluation Office on the STAR.

The evaluation presents the emerging findings, conclusions, and lessons from implementation of the STAR during GEF-6. Of special relevance is the experience related to management of the effects

of the shortfall in replenishment due to currency fluctuations.

The evaluation's recommendation that "the GEF Secretariat should develop clear protocols and quality checks on calculations" is aimed to facilitate efforts to minimize errors in the STAR calculations and encourage transparency. Several other suggestions may also be relevant for revising the STAR for the GEF-7 period.



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The evaluation was led by Neeraj Kumar Negi, Senior Evaluation Officer in the Global Environment Facility Independent Evaluation Office (GEF IEO), who also drafted this report. Molly Watts Sohn, Evaluation Analyst at the GEF IEO, provided research assistance support. Mathias Einberger, Consultant, conducted the statistical analysis and simulations. The online survey that the evaluation draws upon was administered by Universalialia, a consulting firm hired by the GEF IEO.

The evaluation benefited from guidance and oversight provided by Juha Uitto, Director of the IEO, and quality control was provided by Geeta Batra, IEO Chief Evaluation Officer.

Administrative support was provided by Evelyn Chihuguyu, Program Assistant. Jennifer Rubio edited the report, while Nita Congress designed and laid out the publication.

Several GEF stakeholders, including the Council members, the operational focal points, the Secretariat, the Agencies, and the conventions, provided valuable inputs through interviews and participation in the online survey. The GEF Secretariat provided feedback on the draft report of the evaluation.

The GEF IEO is grateful to all these individuals and institutions for their contributions. Final responsibility for this report remains firmly with the Office.

# Abbreviations

CEPIA	Country Environmental Policy and Institutional Assessment Index	LDC	least developed country
CPIA	Country Policy and Institutional Assessment	NPFE	national portfolio formulation exercise
GBI	GEF Benefits Index	OFP	operational focal point
GDP	gross domestic product	PBA	performance-based allocation
GDPI	GDP-based Index	PMIS	Project Management Information System
GEF	Global Environment Facility	PPI	Portfolio Performance Index
GNI	gross national income	PPP	purchasing power parity
GPI	GEF Performance Index	SFM	sustainable forest management
IAP	integrated approach pilot	SIDS	small island developing states
IDA	International Development Association	STAR	System for Transparent Allocation of Resources
IEO	Independent Evaluation Office		

The GEF replenishment periods are as follows: pilot phase: 1991–94; GEF-1 1995–98; GEF-2: 1999–2002; GEF-3: 2003–06; GEF-4: 2006–10; GEF-5: 2010–14; GEF-6: 2014–18; GEF-7: 2018–22.

All dollar amounts are U.S. dollars unless otherwise indicated.



# Executive summary

In September 2005, the Global Environment Facility (GEF) Council agreed to implement a resource allocation framework for the GEF-4 replenishment period. Implementation of the Resource Allocation Framework started in 2006, and it covered biodiversity and climate change focal areas. During its implementation, several weaknesses in its design—such as group allocations for some countries, a 50 percent ceiling on resource utilization within the first two years of the replenishment period, and inadequacy of set-asides—became apparent. Based on the recommendations of the 2008 midterm review of the Resource Allocation Framework, the framework was updated for the GEF-5 period. The framework was renamed the System for Transparent Allocation of Resources (STAR).

The revised STAR for the GEF-5 period included several new features: Group allocation was dropped—all recipient countries were covered through country allocations, flexibility for cross-focal use of allocations by countries was provided, a gross domestic product (GDP)-based index was added to account for socioeconomic factors, focal area set-asides were increased substantially, and STAR coverage was expanded to include the land degradation focal area.

The recommendations of the 2014 Midterm Evaluation of the System for Transparent Allocation of Resources, along with discussions during the GEF-6 replenishment negotiations, led to several

changes in the STAR for the GEF-6 period. Important changes include an increase in the aggregate floor for the least developed countries (LDCs) to \$6 million, an increase in the weight of the GDP Index exponent from  $-0.04$  to  $-0.08$ , an increase in marginal adjustment for countries with allocations in the \$7 million to \$100 million range, and a slight decrease in the country allocation ceiling for the climate change focal area.

The STAR for GEF-6 has been under implementation since July 2014. The STAR model was implemented based on a projected replenishment of \$4.43 billion, with \$2.34 billion budgeted for country allocations. During implementation of GEF-6, the U.S. dollar appreciated compared with other currencies, leading to a shortfall in projected replenishment.

## Key conclusions and findings

**Conclusion 1: Country allocations under the STAR model are primarily driven by a country's potential to generate global environmental benefits, which is appropriate.** Although the GEF Performance Index adequately incentivizes improved performance, country allocations are primarily driven by the GEF Benefits Index. This is so because normalized GEF Benefits Index scores of recipient countries are spread across a wider range than their normalized GEF Performance Index scores. While per capita GDP figures for recipient countries also vary considerably,

because of the low weight of the exponent of the GDP Index, the GDP Index score does not drive country allocations.

It is appropriate that GEF Benefits Index scores play an instrumental role in determining country allocations, because this helps in directing the GEF's resources to countries where there is higher potential to produce global environmental benefits. The general endorsement of the GEF Benefits Index formula used for the GEF-5 STAR by the STAR midterm evaluation is still valid, along with the suggestions on areas where the formula may be fine-tuned.

**Conclusion 2: The STAR model assigns a low weight to GDP relative to indexes used in other multilateral development banks.** During GEF-5, the GDP Index had an exponent of  $-0.04$ , which was increased to  $-0.08$  for the GEF-6 period. Simulations indicate that this change led to a moderate increase in the allocations of LDCs (+4 percent) and low-income countries (+5 percent). The exponents of the income-based index used in performance-based allocation formulas used by other multilateral organizations range from  $-0.125$  to  $-0.900$ , which is substantially higher than that used by the GEF STAR model.

From 2012 to 2016, the per capita GDP increased at a higher rate for low-income countries than for middle-income and upper-middle-income countries. Simulations show that when the per capita GDP data for 2016 are used instead of 2012, allocations for low-income countries decline by 1.4 percent and for LDCs by 0.9 percent.

**Conclusion 3: The GEF-6 STAR provided LDCs a greater share in GEF resources. The increase was mostly driven by an increase in floors.** The total country allocations of LDCs increased from \$429 million in GEF-5 to \$518 million during GEF-6, an increase of 21 percent. The share of LDCs within country allocations also increased

from 18 percent to 22 percent. A breakdown of the increase in LDC allocations shows that 41 percent of the increase (\$37 million) is accounted for by the increase in floors for the LDCs. An increase in the weight of the GDP Index from  $-0.04$  to  $-0.08$  accounts for 23 percent of the increase (\$21 million). The remainder of the change is accounted for by other factors, such as changes in the underlying values of the per capita GDP, GEF Performance Index scores, and GEF Benefits Index scores; the ceiling for the climate change focal area; and a change in the amount provided for country allocations from GEF-5 to GEF-6. The increase in floors also had the effect of increasing aggregate allocations for small island developing states (SIDS) by 5.1 percent, as several SIDS are also LDCs. During its October 2016 meeting, the GEF Council accepted the Secretariat's recommendation to protect the allocations of LDCs and SIDS from the effects of a projected shortfall in GEF-6 replenishment. The level of decrease apportioned for country allocations is being met entirely by the non-LDC and non-SIDS countries. These two measures together increased the effective share of LDCs in STAR country allocations from 22 percent at the start of GEF-6 to 26–28 percent after the Council's decision.

**Conclusion 4: The GEF Secretariat has managed the projected shortfall in GEF replenishment proactively and in an adaptive manner. However, non-LDC and non-SIDS countries would have been better prepared had its effect on them been discussed during the October 2016 Council meeting.** The GEF Trustee's monthly reports have projected a shortfall of more than \$500 million in GEF-6 replenishment from December 2014 onward. However, given that the exchange rates fluctuate and most of the replenishment pledges were yet to materialize, the level of certainty on the extent of the shortfall was low. As the replenishment period progressed and more pledges

materialized, the level of certainty in these projections increased. In its June 2016 meeting, the GEF Council requested that the Secretariat prepare an update on GEF-6 resource availability for its next meeting. In response to the Council's request, the GEF Secretariat prepared the "Update on GEF-6 Resource Availability," which informed the Council on the extent of the shortfall and its recommendation on measures to address the shortfall. The paper recommended to the Council that country STAR allocations for SIDS and LDCs, as well as focal area set-asides to meet convention obligations, should remain unchanged, and the burden of the shortfall should be met by the focal areas proportionately to maintain the original GEF-6 balance. The measures adopted by the Council are consistent with its decision in November 2012, when a shortfall had been projected for the GEF-5 replenishment.

For focal areas under the STAR, maintaining funding for the set-asides at the original level, while decreasing the level of support for focal area country allocations at the same rate as that for focal areas outside the STAR, reduces the GEF's ability to maintain the focal area balance, as it disadvantages the focal areas that are outside the STAR. This is so because it reduces the total resources available to focal areas outside the STAR at a higher rate than the reduction in the total resources of the focal areas under the STAR. This said, an overall difference in reduction at 1–2 percent is not substantial. Moreover, it slightly mitigates the decrease in STAR allocations of non-LDC and non-SIDS countries.

From October 31, 2016, onward, depending on when the projections are made, the average decrease in the allocations of the non-LDC and non-SIDS countries is in the 27–32 percent range for land degradation, 22–27 percent for biodiversity, and 21–26 percent for climate change. The allocations of the non-LDC and non-SIDS

countries for the land degradation focal area are more affected because at the start of the GEF-6 period, a higher share of the focal area allocations had been allocated to LDCs and SIDS. Further, among the non-LDC and non-SIDS countries, 22 countries had already utilized more than 80 percent of their allocation, which meant that the revised targets could not be applied fully to them. When this is considered, the decrease in allocations for remaining (slow-programming) non-SIDS and non-LDCs is in the 25–37 percent range.

Among the GEF regions, countries in Africa on average faced a decrease of 7–8 percent compared to other regions, where the average decline was in the 20–24 percent range. This skew is primarily due to the higher share of LDCs and SIDS in allocations for countries in Africa.

During the October 2016 Council meeting, several Council members requested that the Secretariat work with recipient countries on the operationalization of the consequences of the potential shortfall and proactively engage recipient countries in their programming activities. The Secretariat managed the shortfall consistent with the request of the Council members. The Secretariat informed the countries of their revised resource envelope and discussed options to help them program their remaining unutilized resources. In the interim, the Secretariat put project identification form submissions on hold for several affected countries so that the countries could discuss and choose among the available options. Several countries dropped projects, resized projects, or needed to utilize marginal adjustments allowed to them. This also slowed down the project cycle, as it increased the time taken from a project information form's submission to its approval.

Several non-SIDS and non-LDC countries felt that they would have been better prepared had the

effect of the GEF Secretariat's recommendations on non-LDC and non-SIDS countries been clarified during the October 2016 Council meeting. Although recipient countries would have liked to know their updated allocation as a fixed number, it was difficult for the Secretariat to provide it, as shortfall projections change with fluctuations in the currency exchange rate and available resources are difficult to ascertain with finality until all pledges materialize or the replenishment period ends.

**Conclusion 5: In general, calculations of STAR allocations were carried out correctly. In response to the recommendations of the GEF-5 STAR midterm review, the GEF Secretariat has made efforts to reduce errors. However, there is room for further improvement in minimizing calculation errors.** In response to the recommendations of the GEF-5 STAR midterm review, the GEF Secretariat has made efforts to reduce errors. There were several improvements in the processes adopted for carrying out the calculations for GEF-6. In general, calculations of STAR allocations were carried out correctly. However, errors were observed in some of the calculations. The overall effect of the errors was not substantial. There is scope for further minimization of the risk for such errors.

For calculation of country scores, the underlying data for GEF Performance Index and GDP Index were updated. GEF Benefits Index data were updated for the climate change focal area and for the land degradation focal area. Data could not be updated for the biodiversity focal area because they were not available. The GEF Secretariat is now working with the United Nations Environment Programme's UN Environment World Conservation Monitoring Centre to update the data for the biodiversity focal area for the GEF-7 period. This will allow the GEF to assess the potential benefits that may be generated in a recipient country with greater precision, based on richer and more

updated data. For other focal areas, the data may be easily updated again for the GEF-7 period.

**Conclusion 6: Overall utilization of focal area resources covered under the GEF-6 STAR was 64 percent as of September 30, 2017.** Compared to the projected availability of resources on August 31, 2017, overall utilization of resources, including set-asides, for focal areas covered under the GEF-6 STAR was 64 percent through September 2017. Overall utilization of focal area resources was higher for land degradation (69 percent) and biodiversity (67 percent) than for climate change (61 percent).

Within the focal area resources, overall utilization was 66 percent for the revised country allocations. The rate of utilization of country allocations was 70 percent for land degradation, 66 percent for biodiversity, and 64 percent for climate change. Overall utilization of set-asides was 53 percent. There are wide variations among focal areas in terms of set-aside utilization. While utilization of biodiversity focal area set-asides was at 83 percent, it was substantially lower for climate change at 46 percent and land degradation at 50 percent.

**Conclusion 7: The increase in the marginal adjustment of focal area allocations has led to greater cross-focal use of allocations by targeted countries. Use of the flexibility feature did not make a material difference to the focal area funding balance during GEF-5.** The GEF-5 STAR provided full flexibility for cross-focal use of allocations to countries that had a total allocation of up to \$7 million. It provided marginal adjustment of up to \$200,000 to countries with allocations in the \$7 million to \$20 million range, of up to \$1 million to countries with allocations in the \$20 million to \$100 million range, and of up to \$2 million to countries with allocations greater than \$100 million. Based on the recommendation of the STAR midterm evaluation (GEF-5), for GEF-6

the marginal adjustment was increased to \$2 million for countries with allocations in the \$7 million to \$100 million range. For others, the permissible marginal adjustment remained the same as in GEF-5.

As utilization of the flexibility feature tends to be back-loaded, it is still too early to assess the feature's utilization for the entire GEF-6 period. However, some trends are evident. Of the 143 countries that received a country allocation, 56 (39 percent) had already utilized the flexibility feature by September 2017. During GEF-5, at a comparable stage in the replenishment cycle (through June 2013), 53 countries (37 percent) had used the flexibility feature. The overall utilization rate of marginal adjustments is comparable for the two periods. However, countries with allocations in the \$7 million to \$20 million range have a much higher utilization rate (43 percent) during GEF-6 than during GEF-5 (19 percent). This is especially impressive, as utilization of the flexibility feature was likely to have been negatively affected by the projected shortfall in GEF-6 replenishment.

During GEF-6, the total cross-focal utilization under the STAR has so far been \$60.1 million. Of this, \$25.7 million was received for activities in climate change, \$17.0 million for activities in biodiversity, and \$17.4 million for activities in land degradation. Considering the original share of the three focal areas in the STAR country allocation, this amounts to an indicative net transfer of \$10.0 million from the biodiversity focal area. Climate change accounts for \$1.5 million of this transfer, and land degradation accounts for \$8.5 million. It is still too early to estimate the net cross-focal transfer for the entire GEF-6 period. The GEF-5 experience indicates that the net transfer is likely to be less than 3 percent of the total resources of the contributing focal areas. Thus, compliance with the GEF STAR policy to protect

at least 90 percent of the resources of the climate change and biodiversity focal areas is likely.

An analysis of the utilization of marginal adjustments was conducted to assess whether the same countries used marginal adjustments during GEF-5 and GEF-6. The question was explored both at the aggregate country allocation level and at the country focal area allocation level. The analysis shows that there is no pattern in terms of utilization of marginal adjustments by the same countries for the biodiversity focal area and for the three focal areas together. The analysis was less conclusive for the climate change and land degradation focal areas. While no statistically significant pattern was observed, it was also difficult to conclude with confidence (at a 95 percent confidence level) that randomness explains the observed repetition of countries that have used (or have not used) the marginal adjustment during both the GEF-5 and GEF-6 periods.

**Conclusion 8: Utilization of the sustainable forest management incentive scheme increased substantially during GEF-6. However, the level of GEF resources invested in sustainable forest management activities is about the same because contributions from the STAR were required at a lower ratio.** Of the \$230 million allocated to the sustainable forest management incentive scheme for GEF-6, \$217 million (94 percent) had been utilized through September 2017. Sustainable forest management incentives attracted \$456 million from STAR country allocations and set-asides, as well as additional contributions of \$11 million from focal areas outside the STAR. Thus, during GEF-6, GEF has so far invested \$683 million in activities aimed at sustainable forest management, which is in the same ballpark as the \$699 million invested during the GEF-5 period. (Numbers do not add up because of rounding.)

During GEF-6, participating countries were required to provide \$2 from their STAR country allocations, compared to \$3 during GEF-5, to access \$1 from the sustainable forest management incentive scheme. The lower rate at which recipient countries needed to contribute from their STAR allocations during GEF-6 facilitated increased utilization of the incentive scheme. However, the increased utilization was balanced by a lower level of contributions from STAR country allocations. The average incentive utilized by participating countries was much larger during GEF-6 than during GEF-5 because of the lower rate of required contribution from the STAR and because the number of countries that accessed the sustainable forest management incentive was lower at 54 for GEF-6 than 69 for GEF-5.

**Conclusion 9: The STAR has helped smaller countries in accessing GEF resources. It is perceived to make GEF activities more relevant to country needs and priorities.** Analysis of the GEF portfolio shows that across GEF periods, the level of concentration of GEF resources among countries has decreased. The Herfindahl-Hirschman index score measures level of market concentration on a scale of 0 to 10,000, where a score of 0 indicates no perfect competition and 10,000 a perfect monopoly. The index score for share of recipient countries in GEF funding for national projects is 251 for GEF-6 through September 2017, the lowest it has been for any GEF period. Further, of the GEF recipient countries, those in the bottom half based on their share in GEF funding account for 16 percent of the total funding for national projects during GEF-6, compared to 7 percent during GEF-3 and 3 percent during GEF-2. Compared to the GEF-3 period, there was a spike in the concentration level during GEF-4. Much of this may be due to provision of group allocations in the STAR for GEF-4, which created barriers for the countries under group allocation in accessing GEF funding. The countries

that were included in a “group” were forced to compete with other countries included in the group for a small pot of resources. However, after this weakness was fixed, the level of concentration decreased during GEF-5.

An online survey was administered in February and March 2017 to GEF Agencies, GEF Secretariat staff, GEF operational focal points, the conventions, the GEF Scientific and Technical Advisory Panel, and Council members. The survey results show that respondents were in broad agreement that the STAR supports environmental activities in a wide range of countries, is important in helping the GEF meet country objectives, and ensures equitable resource allocation to recipient countries. In general, operational focal point responses on STAR performance indicate greater confidence in STAR effectiveness than the responses of other stakeholders. Two-thirds of respondents to the GEF-6 STAR online survey agree with the statement that the STAR is a key component of the GEF’s ability to meet country objectives. This finding is consistent with the finding of the GEF-5 STAR online survey, wherein 75 percent of the respondents agreed with the statement that the STAR has made GEF operations more relevant to country needs and priorities.

**Conclusion 10: Projects funded through STAR resources perform as well as those prepared through non-STAR resources.** Most of the projects that have been prepared through resources from STAR country allocations are not yet complete. However, a sizable number of projects in focal areas (biodiversity and climate change) covered under the STAR during the GEF-4 period have been completed. Performance ratings of projects, for focal areas under or outside the STAR, approved during the first two years of GEF-4 may be compared with ratings of those approved during the last two years of GEF-3 to assess whether funding through the STAR made a difference in



the performance ratings of projects. The analysis shows that the difference-in-differences in percentage of projects that achieved ratings in the desirable range was –1 percent for outcomes, +1 percent for sustainability, –1 percent for quality of implementation, +14 for broader adoption, and +3 for environmental stress reduction. None of these differences are statistically significant at 95 percent confidence. The difference in percentage of projects that achieve broader adoption is salient but not statistically significant. Whether this difference endures may be ascertained as more observations become available. However, it may be concluded that, in general, GEF projects prepared through non-STAR resources do not perform better than those prepared through STAR resources.

## Recommendation

**The GEF Secretariat should develop clear protocols and quality checks on calculations.** In line with the GEF-5 midterm review of the STAR, the GEF Secretariat has made efforts to minimize errors in the STAR calculations. As STAR databases and equations continue to become increasingly complex, the GEF Secretariat should ensure that quality control protocols are developed and risks to mistakes in calculations are minimized.





# 1: STAR background and characteristics

## 1.1 Background

In September 2005, the Global Environment Facility (GEF) Council agreed to implement “a resource allocation framework based on an index of a country’s potential to generate global environmental benefits in the biodiversity and climate change focal areas and an index of performance” for the GEF-4 replenishment period (GEF 2005). Implementation of the Resource Allocation Framework started in 2006.

The GEF Independent Evaluation Office (IEO) conducted a midterm review of the Resource Allocation Framework in 2008 (GEF IEO 2008). The evaluation noted several concerns related to the design and implementation of the framework and recommended a number of changes. Based on the recommendations provided by the midterm review and discussions during the GEF-5 replenishment negotiations, several changes were made in the allocation framework: Group allocation was dropped, flexibility for cross-focal use of countries’ allocations was provided, a gross domestic product (GDP)–based index (GDPI) was added to account for socioeconomic factors, focal area set-asides were increased substantially, and coverage was expanded to include the land degradation focal area. The Resource Allocation

Framework was also renamed the System for Transparent Allocation of Resources (STAR).<sup>1</sup>

The total donor commitment of \$4.34 billion for the GEF-5 period was considerably higher than the \$3.14 billion commitment for the GEF-4 period. Because of an increase in GEF-5 replenishment and the graduation of several countries in Europe from GEF funding, GEF recipient countries experienced a substantial increase in their indicative country allocations.<sup>2</sup>

In 2013, the GEF IEO undertook a midterm evaluation of the STAR (for GEF-5). The evaluation recommended an increase in flexibility to use STAR resources across focal areas, specification of better indicators and an update of underlying data, and fine-tuning of the STAR implementation processes. These recommendations led to several changes in the design of the STAR for GEF-6. Discussions during the GEF-6 replenishment negotiations also led to some changes, such as an increase in the aggregate floor for the least developed countries (LDCs) to \$6 million, an increase in the weight of the GDP index to give preference to the countries with low per capita GDP, and a slight decrease in the country allocation ceiling for the

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<sup>1</sup> In this report, the term “STAR” is used to refer to both the Resource Allocation Framework and the STAR.

<sup>2</sup> The countries that graduated during this period include Bulgaria, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, and the Slovak Republic.

climate change focal area. The “Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6” (GEF 2014d) provides details on the key features of the GEF-6 STAR.

The STAR for GEF-6 has been under implementation since July 2014. Although replenishment commitments for the GEF-6 period at \$4.43 billion were marginally higher than for the GEF-5 replenishment, because of appreciation of the U.S. dollar vis-à-vis other currencies, a shortfall of more than \$0.5 billion has been projected from December 2014 onward. During the October 2016 meeting of the GEF Council, the GEF Secretariat presented an “Update on GEF-6 Resource Availability” (GEF 2014f), which informed the Council on the projected shortfall and recommended measures to address it. The Secretariat recommended that the country allocations for small island developing states (SIDS) and LDCs, as well as focal area set-asides to meet convention obligations, remain unchanged and that the shortfall be met maintaining the original GEF-6 focal area balance. The GEF Council accepted the GEF Secretariat’s recommendations.

## 1.2 STAR characteristics (GEF-6)<sup>3</sup>

The GEF-6 STAR covers the biodiversity, climate change, and land degradation focal areas. Eligibility criteria for countries remained unchanged from GEF-5.<sup>4</sup> The STAR model includes a GEF Benefits Index (GBI), a GDPI, and a GEF Performance Index (GPI). Separate allocations are provided to

countries for each of the three focal areas covered under the STAR.

The GBI for the biodiversity focal area provides a weighted score of a country for its terrestrial (0.75) and marine (0.25) biodiversity. The GBI for the climate change focal area provides a weighted score based on two subindexes. The first subindex is the product of a country’s greenhouse gas emissions and the change in its carbon intensity (0.95), and the second subindex is the product of a country’s forest cover and change in forest cover (0.05). The GBI for the land degradation focal area provides a weighted score based on three indicators: global share of land area affected (0.20), proportion of dryland area in the country (0.60), and proportion of rural population (0.20), as shown in equation 1.1.

The weight of the exponent for the GDPI changed from  $-0.04$  for GEF-5 to  $-0.08$  for determining GEF-6 country allocations. The weight was changed to allocate more resources to countries with a lower per capita income.

The GPI uses information from two sources: the World Bank’s Country Policy and Institutional Assessment (CPIA) scores for a country, and data on the performance of GEF projects in a country. The Country Environmental Policy and Institutional Assessment Index (CEPIA) and Broad Framework Indicator components of the GPI, which account for 0.65 and 0.15 weight of the GPI respectively, are based on the CPIA indicators. The Portfolio Performance Index (PPI) component of the GPI (0.20 weight) is based on data from the terminal evaluation review ratings on project outcomes (0.12 weight) and from the project implementation report ratings for implementation progress (0.08 weight).

GEF-6 STAR country allocation floors remained the same for non-LDCs. For LDCs, the floors increased from \$1.5 million to \$2.0 million for

<sup>3</sup> See GEF (2014d) for more details.

<sup>4</sup> To be eligible, a country should be a party to the relevant convention and meet the eligibility criteria decided by the Conference of the Parties to that convention; it should not be a member of the European Union; and it should have had at least one national project in the past five years, excluding projects that involve reporting to the conventions.

$$\text{Gross country score} = \text{GBI}^{0.8} \times \left( \frac{\text{GDP}}{\text{capita}} \right)^{-0.08} \times (0.65 \text{ CEPIA} + 0.15 \text{ BFI} + 0.20 \text{ PPI}) \quad \text{EQUATION 1.1}$$

where:

CEPIA (the Country Environmental Policy and Institutional Assessment Index) factor is Criterion #11, "Policies and Institutions for Environmental Sustainability," of the World Bank's Country Policy and Institutional Assessment (CPIA) indicators and World Bank data for 2012 were used (<https://data.worldbank.org/indicator/IQ.CPA.ENVR.XQ>)

BFI (the Broad Framework Indicator) is a simple average of the five criteria making up Cluster D (Public Sector Management and Institutions) of the CPIA indicators, and World Bank data for 2012 were used (<https://data.worldbank.org/indicator/IQ.CPA.ENVR.XQ>)

Of the 0.20 weight for PPI, 0.12 is accounted for by the outcome ratings given or adopted by the GEF IEO for the completed GEF projects; the remaining 0.08 is accounted for by the project implementation report ratings for implementation progress. GEF IEO data on outcome ratings of completed projects up to calendar year 2013 and implementation progress ratings up to March 2013 were used to update the performance index for GEF-6.

biodiversity, from \$2.0 to \$3.0 million for climate change, and from \$0.5 million to \$1.0 million for land degradation (table 1.1). The ceiling for country allocations for the climate change focal area decreased from 11 percent to 10 percent of the total focal area resources.

The STAR's design for GEF-6 continues to provide full flexibility to countries with aggregate

allocations of up to \$7 million for cross-focal use among the focal areas covered by the STAR. For a country that has an aggregate allocation of more than \$7 million, the GEF-6 STAR allows the marginal adjustment of up to \$2 million for cross-focal use among the focal areas covered by the STAR (table 1.2).

**TABLE 1.1** STAR floors and ceilings by replenishment period

Focal area	Floor (million \$)			Ceiling (% of total focal area resources)		
	GEF-4	GEF-5	GEF-6	GEF-4	GEF-5	GEF-6
Biodiversity	1.0	1.5	2.0 (LDCs) 1.5 (others)	10	10	10
Climate change	1.0	2.0	3.0 (LDCs) 2.0 (others)	15	11	10
Land degradation	n.a.	0.5	1.0 (LDCs) 0.5 (others)	n.a.	10	10

**NOTE:** n.a. = not applicable. Land degradation was not under STAR during the GEF-4 period,

**TABLE 1.2** Marginal adjustments allowed for cross-focal use under the STAR

Aggregate GEF country allocation	GEF-4	GEF-5	GEF-6
Up to \$7 million	\$0	Full flexibility	Full flexibility
\$7 million to \$20 million	\$0	\$200,000	\$2 million
\$20 million to \$100 million	\$0	\$1 million	
\$100 million or more	\$0	\$2 million	

The STAR model for GEF-6 was used in 2014 for a total replenishment level of \$4.43 billion (GEF 2014b). The following steps were taken to determine country allocations:

- Of the total replenishment, the following were excluded from the allocation: the allocation for the corporate budget and the GEF IEO, the resources for focal areas not covered under the STAR, and the set-asides for focal areas covered under the STAR.<sup>5</sup>
- Using the STAR formulas, country scores for focal areas were determined.
- A country's gross share for each focal area was determined by dividing the country's score for the focal area by the sum of the country scores for all eligible countries.
- A country's preliminary allocation for a given focal area was determined by multiplying the country's gross share in the focal area by the total focal area resources available for allocation.

<sup>5</sup>The exception to this rule is calculations of the ceilings, which are calculated and applied as a percentage of total focal area resources, including resources for country allocations and for focal area set-asides.

- The floors were applied to ensure that countries' allocations were not below the floor. Ceilings were applied to ensure that none of the country allocations for a focal area exceeded the ceiling. The residual amount was reallocated to the remaining countries maintaining their respective country share.

The "Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6" (GEF 2014d) describes the rules to be followed on country allocations. It states that country allocations determined through application of the STAR model are to be treated as targeted maximums that may be achieved if the initial estimate of funding is realized. From the overall GEF envelope, recipient countries may access available resources up to their country allocation on a first-come, first-served basis. When there is a shortfall in actual replenishment vis-à-vis projected replenishment at the start of the period, the countries that have already utilized their ex ante allocation are not affected. However, those that have not fully utilized their allocations may be affected. The paper also notes that if actual replenishment exceeds the initial estimate by \$300 million or more, the STAR model will be implemented again to determine revised allocations for recipient countries.

## 2: Key questions and methodology

### 2.1 Key questions

The evaluation seeks to answer the following key questions related to the STAR, with a focus on the STAR for the GEF-6 period.

#### 1. To what extent does the STAR design facilitate balanced allocation and utilization of GEF resources?

The evaluation assesses the quality of design based on the relative importance given to benefits potential, past performance, and socioeconomic factors to determine country allocations. It also assesses the merits of other design features such as floors, ceilings, and set-asides. The midterm evaluations of the STAR undertaken for the GEF-4 and GEF-5 periods have already addressed several aspects of STAR design in detail. The elements that have remained the same between GEF-5 and GEF-6, therefore, receive less attention. More specifically, the evaluation assesses the following:

- **The quality of the index to determine performance potential**—the extent to which the performance index influences resource flows and creates incentives for improved performance
- **The quality of the indexes on socioeconomic factors**—the extent to which the GDPI influences resource flows along with simulations for other approaches that could have been used in terms of weight of the index

- **Merits of other design features that affect allocation**—the extent to which design features such as set-asides, floors, and ceilings determine a country's share

#### 2. To what extent does the STAR promote transparency and predictability in allocation of GEF resources and strengthen country-driven approaches?

The evaluation assesses the extent to which STAR design promotes transparency in resource allocation. It assesses the extent to which it has led to increased predictability in resources received by the recipient countries, along with variations in GEF funding for a country from one replenishment period to the other and, within a replenishment period, the difference between the ex ante allocation of a country and its actual approved amount. The evaluation determines the extent to which the STAR is perceived to have led to greater country ownership and promoted country-driven approaches.

#### 3. To what extent has the STAR been implemented in a transparent and efficient manner?

The evaluation assesses the extent to which the STAR has been implemented in a transparent and efficient manner. More specifically, it assesses the Secretariat's response to the funding shortfall and its communications on STAR-related matters with key stakeholders.

#### 4. To what extent were the flexibility features of the STAR design effective?

The evaluation assesses the extent to which the flexibility features of the STAR design were used and were effective. It identifies patterns evident for different groups of countries.

#### 5. What is the impact of the STAR on generation of global environmental benefits?

The evaluation addresses issues related to the effect of the STAR on the GEF's ability to generate global environmental benefits. It will compare the results of the GEF projects from focal areas that are covered under the STAR with the results of projects under focal areas that are not covered, and those approved after adoption of the STAR (GEF-4 and later) with those approved before (GEF-3 and earlier). This will help in assessment of the STAR's effect on the generation of global environmental benefits, controlling for other factors.

## 2.2 Methodology

The evaluation draws on a variety of methodological approaches to respond to the key questions. It uses a mix of quantitative and qualitative tools and methods.

- **Document review.** The evaluation gathers information on the STAR's objectives, design, rules, and procedures for implementation from relevant GEF documents. Publications from other multilateral organizations were used to gather information on the design of their performance-based allocation frameworks and their experience in implementing them.
- **Qualitative assessment of the STAR indexes.** The scientific and technical merits of the GBI have been covered in detail in the two preceding evaluations of the STAR. The STAR review undertaken for GEF-4 used the Delphi approach to assess the scientific and technical merits of the GBI, whereas the review for GEF-5 used

expert panels, along with peer review of the panel reports, for the assessment. The GBI has remained unchanged from the GEF-5 period to the GEF-6 period. Therefore, this evaluation does not repeat the assessment of the GBI undertaken earlier but draws on its findings as they continue to be relevant. It gives more attention to assessment of the GPI and GDPI; set-asides, floors, and ceilings; and other arrangements that are part of the STAR design.

- **Portfolio analysis and statistical modeling.** The GEF Project Management Information System (PMIS) database is the main source of information for portfolio analysis and statistical modeling. The cutoff date for PMIS data for portfolio analysis was September 30, 2017. A portfolio analysis has been undertaken to uncover trends in resource utilization. Statistical modeling has been used to assess the effect of changes made in the STAR indexes for GEF-6 and other design choices that may be relevant.
- **Interviews.** The evaluation also draws from interviews of Secretariat staff who were involved in the implementation of the STAR. The notes of the interviews conducted for the 2017 Evaluation of the Expansion of the GEF Partnership have also been used to obtain information on the effects of the STAR on the GEF partnership.
- **Online survey.** This evaluation draws on an online survey that covered issues related to GEF governance, including the STAR. It was administered by Universalialia from February 22 to March 2, 2017. A total of 87 respondents, representing different GEF stakeholders, answered questions relevant to the STAR.<sup>1</sup>

<sup>1</sup> Universalialia was hired by the GEF IEO to conduct an evaluation on governance-related topics. Questions relevant to the STAR were embedded within a more general online survey that covered a wide range of governance-related topics.

# 3: Findings

## 3.1 Design

### COMPARISON WITH OTHER PERFORMANCE-BASED ALLOCATION SYSTEMS

When compared to its peers that use a performance-based allocation (PBA) system, the GEF provides support to a larger number of countries, but it is at the lower end in terms of annual disbursement per country. A PBA system is used to allocate development aid systematically, generally based on country needs and performance. The World Bank pioneered its use in 1977 for allocation of International Development Association (IDA) resources. In the past 15 years, nearly all major multilateral development institutions have adopted a PBA system. Tables 3.1 and 3.2 present a comparison among some of the funds that use a PBA system. Among these funds, the GEF STAR stands out as the framework used for allocations for the highest number of recipient countries (143 countries). In terms of resources disbursed per country, funds administered by the multilateral development banks generally provide a recipient country about \$50 million to \$100 million per year. In comparison, the GEF provides about \$8 million per recipient country per year, which is much lower in magnitude and similar in range to the resources provided by the International Fund for Agriculture Development and by the Special Development Fund of the Caribbean Development Bank. Not all of these organizations' resources are provided through the PBA system.

The formula used for PBA systems generally has two main components. The first component addresses country needs and may include indicators that assess the potential of a country to generate intended benefits and prevalent socio-economic conditions in the country. The second component addresses country performance, which may include indicators that measure policy environment and actual performance of activities undertaken in the country. The PBA systems generally use a multiplicative formula to generate the overall score for a country. In a multiplicative formula, all factors that are multiplied are critical, as a zero value for any of these will result in a zero total. In an additive formula, an addend affects the sum only to the extent of changes in the addend's value, and the zero value of one of the addends by itself may not result in a zero sum. Additive formulas are rarely used, with the Inter-American Development Bank's Fund for Special Operations being an exception, as in the past it used an additive formula to allocate its resources.

All PBA formulas reviewed for this evaluation include a per capita GDP/gross national income (GNI)-based index. The country score is inversely linked with the level of income through use of a negative exponent. Among the formulas considered for comparison, the GEF GDPI exponent at  $-0.08$  has the lowest weight (table 3.2). In addition to GDPI, the GEF uses the GBI, which is primarily based on environmental indicators, to determine country needs. The PBA formulas of other funds,



TABLE 3.1 Multilateral development institutions and funds that use PBA systems

Multilateral development institution, fund	Funding instrument/objective	No. of eligible countries <sup>a</sup>	Date of PBA system operational effectiveness	% of funding allocated through PBA system	Avg. annual disbursements <sup>b</sup>	Avg. disbursements per country <sup>b</sup>
					Million \$	
GEF, GEF Trust Fund	Grants covering incremental costs of measures to achieve global environmental benefits	143	2006	53 (GEF-6)	1,108	8
African Development Bank, African Development Fund (ADF)	Concessional loans and grants to promote sustainable development and reduce poverty in African LDCs	38	1999	92 (ADF-13)	2,433	64
Asian Development Bank, Asian Development Fund (ADF)	From 2017 on, ADF provides grants only to reduce poverty among the poorest Asian and Pacific region countries	29	2001	85 (ADF-11)	3,100	107
Caribbean Development Bank, Special Development Fund (SDF)	Concessional loans and grants to reduce poverty among Caribbean nations	18	2001	60 (SDF-8)	59.2 (SDF-7)	3
International Fund for Agricultural Development (IFAD)	Concessional and nonconcessional loans and grants to improve food and nutrition security and alleviate poverty among rural poor	99	2005	87 (IFAD-9)	375 (IFAD-10)	4
Inter-American Development Bank, Fund for Special Operations	Concessional loans to reduce poverty and inequality and achieve sustainable growth in the region's poorest countries	4	2002	100 (2015-16)	278	70
World Bank, IDA	Concessional loans and grants to reduce poverty within the poorest developing countries	75	1977	84 (IDA15)	7,700 (IDA18)	103

a. As of 2017.

b. Average annual disbursements are calculated as total replenishment resources divided by the number of years in the replenishment cycle, and include funding allocated outside the PBA system. This figure is meant as a rough indication of disbursements and does not distinguish between resources allocated as grants or loans and discounts for resources held for the fund's operational expenditures.

in comparison, use population along with per capita GDP/GNI as an indicator to determine country needs. Thus, the role that population score plays in these formulas is analogous to the role GBI plays in the GEF STAR. Most formulas use a combination of the World Bank's CPIA indicators,

or indicators harmonized with the CPIA, and country portfolio performance. The GEF STAR approach to measure performance is consistent with that of the other funds. The weight it accords to the portfolio performance is within the same range as in formulas for other funds.



TABLE 3.2 Performance-based allocation formulas in use by multilateral development banks and funds

Multilateral development institution, fund	Needs factor	x/+	Performance factor	Result
GEF, GEF Trust Fund	$GBI^{0.8} \times \left(\frac{GDP}{capita}\right)^{-0.08}$	×	$(0.65 CEPIA_{A-C} + 0.15 CPIA_D + 0.2 Portfolio)$	= allocation share
African Development Bank, African Development Fund	$Population^1 \times \left(\frac{GNI}{capita}\right)^{-0.125} \times AIDI^{-0.125}$	×	$(0.26 CPIA_{A-C} + 0.58 CPIA_D + 0.16 Portfolio)^4$	= allocation share
Asian Development Bank, Asian Development Fund	$Population^{0.6} \times \left(\frac{GNI}{capita}\right)^{-0.25}$	×	$[(ADB\_CPIA_{A-C})^{0.7} \times (ADB\_CPIA_D) \times Portfolio^{0.3}]^2$	= allocation share
Caribbean Development Bank, Special Development Fund	$\frac{LogPopulation \times POOR^{0.1} \times \left(\frac{GNI}{capita}\right)^{-0.9}}{\times Vulnerability^2}$	×	$(0.7 CDB\_CPIA + 0.3 Portfolio)^2$	= allocation share
International Fund for Agricultural Development	$Rural\_Population^{0.45} \times \left(\frac{GNI}{capita}\right)^{-0.25}$	×	$(0.2 CPIA + 0.35 Portfolio + 0.45 Rural CPIA)^2$	= allocation share
Inter-American Development Bank, Fund for Special Operations	$Population^{0.5} \times \left(\frac{GNI}{capita}\right)^{-1}$	×	$(0.3 Portfolio + 0.7 CIPE)^2$	= allocation share
World Bank, IDA	$Population^1 \times \left(\frac{GNI}{capita}\right)^{-0.125}$	×	$(0.24 CPIA_{A-C} + 0.68 CPIA_D + 0.08 Portfolio)^3$	= allocation share

NOTE: AIDI = Country Africa Infrastructure Development Index. CIPE = Country Institutional and Policy Evaluation score.

### GEF BENEFITS INDEX

The STAR GBI remained unchanged from the GEF-5 period to the GEF-6 period. The Midterm Evaluation of the System of Transparent Allocation of Resources (GEF IEO 2014b) concluded that the STAR GBI indexes for GEF-5 were scientifically and technically valid, although it did identify several areas for fine-tuning, such as giving greater attention to ecosystem functions and freshwater species within the GBI for the biodiversity focal area and moderating the weight given to proportion of dryland area in a country.

Table 3.3 presents the observed range of normalized gross GBI scores for GEF-6 for recipient countries. The range of country scores is much wider for the climate change focal area, where

the topmost score accounts for more than half the normalized gross score and is more than six times the next-highest country score and more than 500 times the median score. The differences in gross normalized country scores for the land degradation focal area are relatively moderate: The top score is about eight times the median score, and it accounts for only 3.31 percent of the total of country scores. The variations in normalized gross GBI scores of recipient countries observed for the biodiversity focal area are somewhere between the other two. While there is a huge spread in normalized GBI scores for climate change, there is only one outlier (China). The present approach of applying a ceiling of 10 percent to a country's allocation as a share of the total focal area resources ensures that country allocations for climate

**TABLE 3.3** Observed range of normalized gross GBI scores, GEF-6

Focal area	Minimum	Median	Maximum
Biodiversity	<0.01	0.21	9.12
Climate change	<0.01	0.09	52.83
Land degradation	<0.01	0.44	3.31

change are equitable, but it reduces the level of resources for the country with maximum global environmental benefit potential, as assessed through its GBI score.

The GBI formula presently includes an exponent of 0.8, which has the effect of slight moderation of the country GBI scores. Simulations show that if the GBI exponent were higher, it would lead to lower country allocations for LDCs, SIDS, land-locked countries, and the Africa region, but more resources would go to countries where underlying indicators suggest greater benefits. The reverse would be true if the value of the exponent were decreased.

For the GEF-6 STAR GBI calculation, the underlying data were fully updated for the climate change focal area. Data on the proportion of rural populations within recipient countries were also updated for the land degradation focal area. Data for the climate change and land degradation focal areas may be updated for the GEF-7 period.

The underlying data for calculation of the GBI for the biodiversity focal area were not updated for the GEF-6 period, as they were not available. The GEF Secretariat is working with the United Nations Environmental Programme's UN Environment World Conservation Monitoring Centre to update these data for the GEF-7 period. Key changes under consideration in the biodiversity GBI include use of data on occurrence of important habitats and biologically important areas, in addition to the data on fisheries species, for the calculation of the

marine biodiversity score. Data on fisheries had been the sole basis of determination of this score so far. This will allow the GEF STAR to fully utilize updated data to assess potential biodiversity benefits with greater precision.

### GDP-BASED INDEX

From GEF-5 to GEF-6, the weight of the exponent of the GDPI was increased from  $-0.04$  to  $-0.08$ . Simulations show that had there been no increase in the weight, compared to their actual ex ante allocations for GEF-6, the allocations of the LDCs would have been lower by 4.0 percent, and those of the heavily indebted poor countries by 4.5 percent (table 3.4). Allocations for SIDS, which tend to have higher per capita GDP, would have been slightly higher by 0.5 percent. Among the regions, allocations of countries in Africa would have been lower by 2.8 percent, and those in Asia by 1.0 percent. On the other hand, allocations for countries in Europe and Central Asia would have been higher by 2.7 percent, and those in Latin America and the Caribbean 2.9 percent. The changes in allocations experienced by individual countries would have ranged from a 9.8 percent decrease to a 6.6 percent increase in allocation.

The simulations show that if the weight of the GDPI were increased from  $-0.08$  to  $-0.12$ , allocations of countries with a lower per capita GDP would have increased and those of countries with a higher GDP would have decreased. The changes in allocations would be in the range of  $-6.4$  percent to 10.7 percent, compared to the GEF-6 STAR allocation baseline.

Simulations show that even if the GDPI weight were maintained at  $-0.08$  for the GEF-7 period and other factors were constant, there would be a change in the allocations because of the data update. For example, if the per capita GDP data were updated to 2016, holding other factors

**TABLE 3.4** Percentage change in GEF-6 STAR allocations with changes in GDP weight and data update

Effect on	-0.04 weight		-0.08 weight	-0.12 weight	
	2012 data	2016 data	2016 data	2012 data	2016 data
High-income countries	4.5	5.7	2.2	-4.4	-1.3
Upper-middle-income countries	2.4	2.9	0.7	-2.5	-1.6
Low-middle-income countries	-1.9	-2.3	-0.8	1.7	0.7
Low-income countries	-5.3	-6.1	-1.4	5.7	3.6
Africa	-2.7	-2.9	-0.3	2.9	2.5
Asia	-1.0	-1.6	-1.0	1.0	-0.4
Europe and Central Asia	2.7	4.0	2.2	-2.7	0.3
Latin America and the Caribbean	2.9	3.3	0.6	-3.0	-2.1
Heavily indebted poor countries	-4.5	-5.0	-0.7	4.9	3.9
LDCs	-4.0	-4.5	-0.9	4.3	3.0
SIDS	0.5	0.5	-0.2	-0.5	-0.9
Landlocked developing countries	-1.8	-1.4	0.3	2.0	2.2
Fragile states	-3.9	-5.5	-2.2	4.1	1.3
Maximum increase for a GEF constituency	4.6	6.3	3.2	4.9	4.5
Maximum decrease for a GEF constituency	-4.6	-4.9	-3.4	-4.7	-4.5
Maximum increase for a country	6.6	7.2	4.8	10.7	12.0
Maximum decrease for a country	-9.8	-9.8	-3.8	-6.4	6.4

**SOURCE:** Based on GDP per capita data from the World Bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

**NOTE:** Data are from GEF-6 baseline with 2012 per capita GDP data.

constant, low-income countries, LDCs, and heavily indebted poor countries would experience a decrease because from 2012 to 2016 their per capita incomes have increased at a faster rate than countries with higher levels of income.

Most of the performance-based allocation frameworks include GNI per capita as an indicator of socioeconomic conditions. The GEF STAR includes GDP per capita instead. Although there is a high correlation between the two, allocations for some of the countries would be affected if GEF STAR replaced GDP per capita with GNI per capita. Allocations of some countries (such as Philippines, Moldova, and Bangladesh) whose GNI is higher than GDP might decrease, whereas those of others, such as Liberia, Belize, and Gabon, might increase. Overall, the choice of GDP as an indicator

is appropriate because there are more gaps in the World Bank's GNI data than its GDP data for the GEF recipient countries.

The midterm evaluation of STAR (GEF IEO 2014b) recommended use of purchasing power parity (PPP)-based per capita GDP, instead of exchange rate-based GDP, for the STAR GDPI because it is a better indicator to compare living standards across the world and calculate global poverty or inequality. The evaluation noted that most performance-based allocation systems follow the IDA precedent, wherein the exchange rate-based GDP per capita has been used. However, the evaluation explained, while use of exchange rate-based per capita may make sense where there is not much difference in the per capita income levels of the recipient countries, it may not be as useful

for STAR, as recipients of GEF grants include not only IDA recipients but also middle-income countries. Consequently, ratios of PPP and exchange rate–based per capita GDP show greater variance for GEF grant recipient countries than for recipient countries for other funds. During its November 2013 meeting, the GEF Council discussed the GEF IEO recommendation to use PPP, instead of exchange rate–based GDP per capita for STAR GDPI. However, it did not accept the recommendation, although several Council members suggested that its feasibility be studied further (GEF 2013a, 2013b).

Simulations show that if PPP-based GDP had been used, GEF-6 STAR allocations of countries in Latin America and the Caribbean, and of Europe and Central Asia, would have been higher by about 1.9 percent and 0.7 percent, respectively. On the other hand, allocations of countries in Asia and in Africa would have been lower by 1.2 percent and 0.6 percent, respectively. Country allocations of a constituency in Latin America and the Caribbean would have increased by 2.9 percent, whereas country allocations of a constituency in Asia would have decreased by 2.8 percent. Effects on individual countries show greater variation—they range from a 16.5 percent decrease to a 5.0 percent increase. Allocations for heavily indebted poor countries and LDCs would have been lower by 1.0 percent and 1.1 percent, respectively. Given that the GEF gives greater attention to LDCs and low-income countries, this may be an unintended outcome. However, this may be compensated for by increasing the weight accorded to the GDPI. By using the PPP instead of exchange rate–based GDP per capita, the GDPI gains precision in directing GEF resources to countries that face more challenging socioeconomic conditions.

## GEF PERFORMANCE INDEX

The STAR GPI has two distinct components: the CPIA and GEF portfolio performance, which account for 0.80 and 0.20 weight, respectively. Two subcomponents of the World Bank's CPIA score are the CEPIA indicator, which has a weight of 65 percent, and the Broad Framework Indicator, which has a weight of 15 percent. Inclusion of CPIA indicators is consistent with the practice of other performance-based allocation frameworks. However, a disadvantage of using CPIA indicators is that the data are not publicly disclosed. Although World Bank discloses CPIA scores to the recipient countries, these may not be accessible to the GEF operational focal points (OFPs) in the country (GEF IEO 2008). In any case, even if these scores were accessible to all the OFPs for their respective countries, they would not be able to compare them with those of other countries.

Among the publicly accessible alternatives to CPIA, the Environmental Performance Index by the Yale Center for Environmental Law and Policy could be tested. It has been published since 2006 (Esty et al. 2006), and its last report (Yale Center for Environmental Law & Policy 2016) rated the environmental performance of 180 countries. This includes 134 (94 percent) of the 143 GEF recipient countries eligible for GEF-6 STAR allocations. A subcomponent of the index covers several areas that are closely aligned with the GEF focal areas. Simulations show that replacing the CPIA indicators with Environmental Performance Index indicators would have led to allocation outcomes that are broadly consistent with the STAR baseline; however, some allocations for countries may have changed, as their scores based on Environmental Performance Index may have been at variance with those from CPIA. Adding Environmental Performance Index indicators with a low weight, alongside CPIA indicators, may mitigate the risk

of significant change in country allocations due to transition.

Within the GPI, the PPI accounts for 0.2 weight. Of this, 0.08 weight is accounted for by the project implementation report ratings for implementation progress. The remainder, 0.12 weight, is accounted for by the outcome ratings of completed projects given by, or adopted by, the GEF IEO (i.e., the terminal evaluation review data set).

The project implementation report-based component of the PPI is based on the implementation progress rating of the projects under implementation. All the projects that had been under implementation at some point and for which implementation progress ratings were available were included for calculating the STAR PPI for GEF-6. Because a project may be under implementation for multiple years and therefore have multiple (annual) implementation progress ratings, its implementation progress ratings are averaged. Each project is accorded equal weight. Given that, for this component, implementation progress ratings for all the projects that were under implementation since inception are included, the recent

performance of a country in implementing GEF projects is not adequately prioritized. Therefore, there is a case for restricting the time period for including implementation progress ratings used in the calculation of the PPI to more recent years or, alternatively, weighing the performance of recent projects more heavily. Table 3.5 presents a comparison of country coverage through projects that have implementation progress ratings based on the time period under consideration. It shows that although the number of projects in the pool decreases when the time period is restricted to the past 10 or 6 years, the decrease is not substantial. The advantages of focusing on more recent data outweigh the benefits of including data from projects that were completed a long time ago.

The GEF-6 STAR used the GEF IEO data on outcome ratings of completed projects up to December 2013 and PMIS data on implementation progress ratings up to March 2013. While PPI calculations for the GEF-5 and GEF-6 STAR were made based on a thinly populated terminal evaluation review data set, coverage of countries in the data set has improved substantially (table 3.6). So far, all completed GEF projects for which outcome ratings are

**TABLE 3.5** Availability of implementation progress ratings for PPI calculations for GEF-7

Category	Project under implementation at any time from:		
	Inception to 2015	2006–15	2010–15
Single-country projects with IP ratings	1,425	1,288	1,117
Number of countries eligible for STAR allocations	144	144	144
Countries with at least one project with IP rating	137	133	133
Countries with at least two projects with IP ratings	123	123	120
Countries with at least three projects with IP ratings	115	114	111
Countries with at least four projects with IP ratings	108	106	101
Countries with at least five projects with IP ratings	98	90	85
Countries with at least 10 projects with IP ratings	57	51	40
Countries with at least 20 projects with IP ratings	14	11	8

SOURCE: GEF PMIS 2017.

NOTE: IP = implementation progress.

**TABLE 3.6** Availability of GEF IEO outcome ratings for completed projects in recipient countries

Category	Terminal evaluation review data up to:			
	GEF-5	GEF-6	GEF-7	GEF-7 <sup>a</sup>
	2008	2013	2016	2007–16
Number of countries eligible for STAR allocations	144	143	144 <sup>b</sup>	144 <sup>b</sup>
Countries with at least one outcome rating	64	101	121	117
Countries with at least two outcome ratings	29	73	106	94
Countries with at least three outcome ratings	17	49	94	73
Countries with at least four outcome ratings	12	37	75	58
Countries with at least five outcome ratings	6	26	60	48
Countries with at least 10 outcome ratings	0	7	17	10

**NOTE:** Data presented pertain only to ratings on a six-point scale.

a. Considering only those projects that were completed during the 2007–16 period.

b. By the time calculations are undertaken for GEF-7 STAR, an additional year of data (2017) will be available. This will change the numbers.

available have been accounted for in PPI calculation. This includes a sizable number of projects that were completed more than 10 years back.

The GEF STAR GPI exponent of 1.00 is higher than its GBI exponent of 0.80 and GDPI exponent of (-)0.08. This means that, other things remaining the same, the country score for a focal area is more sensitive to changes in the GPI than in the GBI and GDPI. However, given that the variation of scores is much higher for the GBI than for the GPI, and the GDPI exponent is too low, it is the GBI that drives country allocations.

### FLOORS AND CEILINGS

The purpose of establishing floors is to provide recipient countries a minimum level of funding for programming GEF activities, whereas that of establishing ceilings is to prevent concentration of GEF resources in a GEF recipient country. Therefore, while use of an absolute value makes sense for prescribing floors, a percentage is more appropriate for prescribing a ceiling. The GEF STAR practice for using an absolute threshold for

floors and a percentage for ceilings is, therefore, well-reasoned.

From GEF-5 to GEF-6, the focal area country allocation floors (i.e., the minimum amount that a country may be allocated) remained unchanged for most countries. However, there was an increase in floors for LDCs. Simulations show that the increase in floors accounted for a 7.6 percent increase in the allocations for LDCs. Overall, it led to an aggregate increase of \$37 million in allocations for LDCs. The increase in floors also had the effect of increasing average allocations for SIDS by 5.1 percent, as several SIDS are also LDCs.<sup>1</sup>

The GEF-6 STAR imposed a uniform 10 percent ceiling of the total resources of a focal area for determining the maximum country allocation for the focal area. The total focal area resources

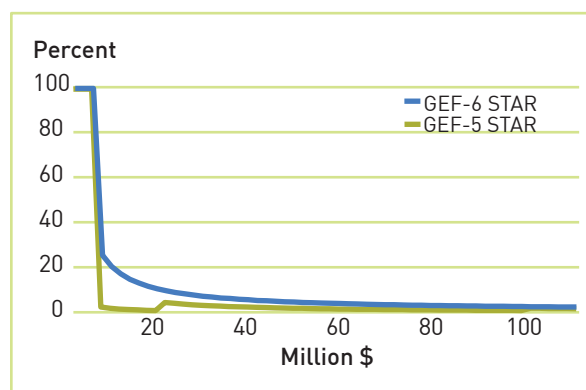
<sup>1</sup> GEF recipient countries that are both LDCs and SIDS are Comoros, Guinea-Bissau, Haiti, Kiribati, São Tomé and Príncipe, the Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu. Two SIDS, Maldives and Samoa, were LDCs when calculations for the GEF-6 STAR were carried out, but they have now graduated from the LDC list.

include set-asides along with the resources allotted for country allocations. Once the focal set-asides are excluded, ceilings—as a percentage of focal area resources available for country allocation—are in the 12–13 percent range. Although country allocation ceilings have been prescribed for all three focal areas covered by the STAR, in practice the prescribed ceiling is applicable only to the climate change focal area allocation of China. For biodiversity and land degradation focal areas, the gross allocation of the country with the highest allocation was much lower than the ceiling.

### FLEXIBILITY

The GEF-4 STAR did not provide countries any flexibility for cross-focal use of their allocations. The GEF-5 STAR provided full flexibility for countries that had a total allocation of \$7 million or less, and marginal adjustments of up to \$200,000 for countries with allocations in the range of \$7 million to \$20 million, up to \$1 million for countries with allocations in the \$20 million to \$100 million range, and \$2 million for countries with allocations greater than \$100 million. Based on the recommendation of the midterm evaluation of the STAR (GEF IEO 2014b), for GEF-6 a uniform marginal adjustment of \$2 million was provided for countries with allocations greater than \$7 million. Countries with allocations up to \$7 million continue to have full flexibility. Compared to the GEF-5 baseline, during GEF-6 this change provided greater flexibility to 91 countries. Figure 3.1 plots total permissible use of resources across focal areas as a percentage of total country allocations for the GEF-5 and GEF-6 periods. It clearly shows that, compared to the GEF-5 STAR, the level of marginal adjustments provided in the GEF-6 STAR design showed a greater increase for the countries with allocations in the \$7 million to \$20 million range.

**FIGURE 3.1** Permissible marginal adjustment for cross-focal utilization under STAR as percentage of total country allocation



### SET-ASIDES

Of the total resource envelope for the three focal areas, \$2.338 billion (78.3 percent) was allotted for country allocations and \$649 million (21.7 percent) was allotted to set-asides (table 3.7). There were minor differences across focal areas in terms of share of set-asides in total focal area resources. The share of set-asides in total focal area resources ranged from 18.9 percent for the biodiversity focal area to 25.3 percent for the climate change focal area. The variation in the share of set-asides during GEF-6 for the focal areas is a departure from the GEF-5 and GEF-4 practice of uniform sharing of set-asides: During GEF-4 the set-asides were 5 percent, and during GEF-5 20 percent, of the focal area resources covered under the STAR. Table 3.7 provides details on how focal area set-asides were allotted to different activities such as the sustainable forest management (SFM) incentive scheme; obligations to the conventions on biodiversity, climate change, and land degradation; integrated approach pilots (IAPs); and global and regional initiatives. From this point on, the term “set-asides” will be restricted to resources for global and regional



TABLE 3.7 Set-asides for focal areas covered by the STAR

Focal area	Total resources		Country allocations		Set-asides															
					Total		Global/regional		Convention obligations		SFM		Allocation of focal area set-asides to IAPs							
	Total		Com-modities										Cities		Food					
	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%	Mil. \$	%
BD	1,296	100	1,051	81.1	245	18.9	37	2.9	13	1.0	150	11.6	45	3.5	35	2.7	0	0.0	10	0.8
CC	1,260	100	941	74.7	319	25.3	59	4.7	130	10.3	80	6.3	50	4.0	0	0.0	40	3.2	10	0.8
LD	431	100	346	80.3	85	19.7	10	2.3	15	3.5	20	4.6	40	9.3	0	0.0	0	0.0	40	9.3
Total	2,987	100	2,338	78.3	649	21.7	106	3.5	158	5.3	250	8.4	135	4.5	35	1.2	40	1.3	60	2.0

SOURCE: Based on GEF 2014e, Annex A: Detailed Table of Programming Targets for GEF-6.

NOTE: BD = biodiversity; CC = climate change; LD = land degradation.

projects and resources to meet the convention obligations.<sup>2</sup>

Of the focal area set-asides, \$106 million was allotted to global and regional initiatives, and \$158 million for convention obligations. Among the focal areas, \$37 million of biodiversity, \$59 million of climate change, and \$10 million of land degradation focal area resources were provided for global and regional initiatives. While the GEF-6 programming document does not provide a further breakdown, it discusses the types of activities the set-aside will support. The biodiversity set-aside for regional and global initiatives is aimed at supporting complementary biodiversity investments at the national level for countries that participate in priority global, regional, or multi-country projects. Support for enhancing global conservation knowledge through experimental or quasi-experimental design-based field evaluations was listed among the priorities. The climate

change set-aside for regional and global initiatives is designed to incentivize countries to participate in global, regional, or multicountry projects. The land degradation focal area set-aside for regional and global projects is aimed at supporting cross-cutting initiatives that are regionally integrated, promote knowledge sharing, and advance sustainable land management globally.

Of the total focal area resources, \$130 million of climate change, \$13 million of biodiversity, and \$15 million of land degradation were allotted to support the obligations to the respective conventions. The climate change focal area set-aside for convention obligations is substantially higher than that for other focal areas. The climate change set-aside provides all GEF-eligible countries support for preparation of the biennial update reports. It also provides support to SIDS and LDCs to undertake technology needs assessments. The biodiversity focal area set-aside for convention obligations provides support to recipient countries to prepare the sixth national report to the Convention on Biodiversity, along with national reporting obligations under the Cartagena Protocol and Nagoya Protocol that need to be met during the GEF-6 period. The land degradation set-aside is aimed at supporting enabling activities consistent

<sup>2</sup> Although the distribution provided in table 3.7 is also presented in the annex of GEF (2014e), in subsequent reporting by the GEF Secretariat only country allocations and set-asides for global and regional projects and for convention obligations have been considered part of the focal area resources. The approach used in this evaluation is consistent with the GEF Secretariat's practice.



with the United Nations Convention to Combat Desertification's guidance.

### 3.2 Implementation

The negotiations for the GEF-6 replenishment were completed in April 2014. Subsequently, in May 2014 the GEF Council endorsed the programming directions and policy recommendations for the GEF-6 period. The Council also adopted all the elements of the revised STAR for GEF-6 as detailed in the "Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6" (GEF 2014d).

#### CALCULATION OF STAR COUNTRY ALLOCATIONS

The programming allocations for the GEF-6 period were determined based on replenishment commitments valued at \$4.43 billion at the start of the GEF-6 period. The data available as of April 1, 2014, were used to calculate country shares (GEF 2014b). In July 2014, the GEF Secretariat published the indicative country allocations for the three focal areas covered under the STAR for the GEF-6 period.

While underlying data for GBI indicators for the climate change focal area were updated, those for biodiversity and land degradation remained unchanged, as the updated data on the relevant indicators were not readily available. The GBI data update for the climate change focal area led to an increase in allocations for some countries, such as Brazil and Myanmar, that had improved scores in the underlying indicators.

The exchange rate-based per capita GDP data for 2012 from the World Bank was used for calculation of the GDPI. Because exchange rates fluctuate, several countries may experience sharp changes in their per capita GDP figures in dollars without

a corresponding change in the underlying real GDP. For example, if per capita GDP data for 2011, instead of 2012, had been used for GEF-6 STAR calculations, changes in country allocations would have ranged from a 3.5 percent increase to a 16.5 percent decrease in calculations.

In response to the recommendations of the GEF-5 STAR midterm review, the GEF Secretariat made several improvements in the calculations processes for GEF-6. In general, calculations of STAR allocations were carried out correctly. However, errors were observed in some of the calculations. The overall effect of the errors was not substantial. The STAR midterm evaluation (GEF IEO 2014b) had identified similar errors in the calculation of country allocations. It made a case for an iterative approach that includes "independent calculations followed by reconciliation to facilitate identification and rectification of mistakes." Had this process been followed, it is likely that the errors could have been avoided.

#### NATIONAL PORTFOLIO FORMULATION EXERCISES

The national portfolio formulation exercise (NPFE) program was first initiated by the GEF during the GEF-5 period to help recipient countries plan their portfolio of GEF-supported activities. A grant of \$30,000 is provided to a recipient country that requests such support to conduct an NPFE. A request for an NPFE for the GEF-6 period could be submitted by a GEF recipient country from March through September 2014. During the GEF-6 period, 25 countries accessed a GEF grant for an NPFE, compared to 32 countries during the GEF-5 period. The uptake during the GEF-6 period was lower than the target of 80 recipient countries (GEF 2014a). The profile of recipient countries shows an interesting pattern: Of the 25 countries that received grants, 22 are from Africa. During the GEF-5 period, too, 22 countries from Africa had

accessed the GEF grant to conduct NPFEs. However, the number of countries from other regions that accessed an NPFE grant decreased from 10 countries during GEF-5 to 3 countries during GEF-6.

Of the countries that accessed the grant during the GEF-6 period, 19 (76 percent) are LDCs and/or SIDS, which shows that demand for the program remains high among countries with capacity constraints. The Midterm Evaluation of the National Portfolio Formulation Exercise (GEF IEO 2014a) reported that during the GEF-5 period, at least 10 countries conducted NPFEs entirely from non-GEF resources. While the extent to which this took place during the GEF-6 period is difficult to determine, several countries may have conducted these exercises through their own resources.

**MANAGING CHANGES IN REPLENISHMENT PROJECTIONS**

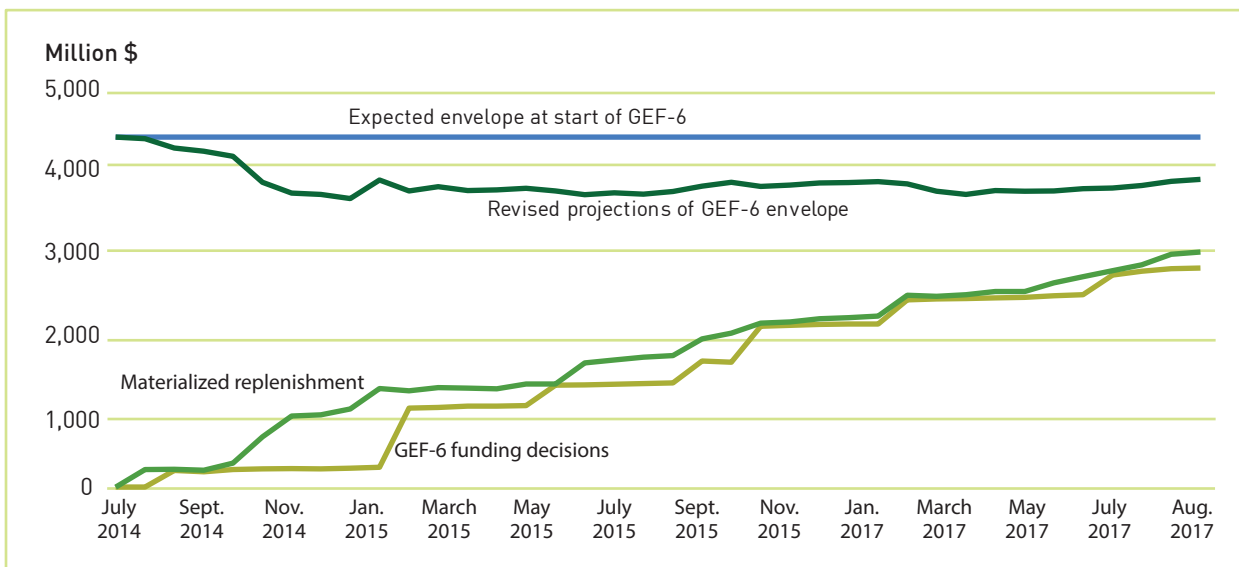
The projected funding envelope of the equivalent of \$4.433 billion at the start of GEF-6 included the equivalent of \$3.716 billion from new pledges,

the equivalent of \$583 million carried over from previous replenishments, and the equivalent of \$134 million of expected investment income during the GEF-6 period (GEF 2015).

The GEF Trustee prepares monthly status reports on availability of GEF Trust Fund funding. Figure 3.2 is based on the information presented in these monthly reports. It compares the GEF-6 replenishment envelope expected at the start of the period, revised projections of the GEF-6 replenishment envelope, realized replenishment, and cumulative GEF-6 funding decisions. The Trustee also presents a GEF Trust Fund financial report to the GEF Council on a biannual basis.

A substantial shortfall of more than \$500 million was projected from December 2014 onward. However, at that point, most of the replenishment commitments—most of which were in non-dollar denominations—were yet to materialize, and future currency fluctuations could substantially alter shortfall projections. As the replenishment period progresses, and as more of the replenishment pledges are realized, the

**FIGURE 3.2** GEF-6 envelope projections by the GEF Trustee (million \$)



level of certainty with which the shortfall may be predicted increases. In its June 2016 meeting, when discussing the Work Program for GEF Trust Fund (GEF 2016c), the GEF Council took cognizance of the “Trustee’s estimate of the potential resource shortfall of the GEF-6 envelope” and requested that the Secretariat prepare “an update on GEF-6 resource availability” and present it at the next meeting of the Council. In response to the Council’s request, the GEF Secretariat presented “Update on GEF-6 Resource Availability” (GEF 2014f). The update provided information on net resource availability and the Secretariat’s recommendations to address the shortfall. The update recommended that country allocations for SIDS and LDCs, and focal area set-asides, remain unchanged. It also recommended that the original GEF-6 balance among the focal areas be maintained and that for the remaining countries (non-LDC/non-SIDS) the STAR country allocations be decreased proportionately. The measures outlined by the GEF Secretariat are consistent with the Council decision in November 2012, when a shortfall had been projected for the GEF-5 replenishment (GEF 2012). The Council endorsed the Secretariat’s recommendations for addressing the GEF-6 replenishment shortfall (GEF 2016b).

During the October 2016 Council meeting, several Council members requested that the Secretariat work with recipient countries on the operationalization of the consequences of the potential shortfall and proactively engage recipient countries in their programming activities (GEF 2016a). The GEF Secretariat operationalized the Council decision on the shortfall consistent with the request of the Council members. The Secretariat informed the countries of their revised resource envelope and discussed options to help them program their remaining unutilized resources. In the interim, it put project identification form submissions on hold for several affected countries

to allow them to design their response. Several countries dropped or resized projects or needed to utilize marginal adjustments allowed to them.<sup>3</sup> These measures, along with the need to align the GEF work program with available resources, increased the time taken from a project information form’s submission to its approval.

Several non-SIDS and non-LDC countries felt that they would have been better prepared had the effect of the GEF Secretariat’s recommendations on non-LDC and non-SIDS countries been clarified during the October 2016 Council meeting. Although recipient countries would have liked to know their updated allocation as a fixed number, it was difficult for the Secretariat to provide a fixed number, as shortfall projections change with fluctuations in the currency exchange rate and available resources are difficult to ascertain with finality until all pledges materialize or the replenishment period ends.

The effect of the replenishment shortfall on resource availability for programming has not been uniform. The allocations for corporate budgets, country support programs, IAPs, Small Grants Programme, and focal area set-asides have been maintained at original levels. Only a small percentage of the decrease in overall resources could be passed to the SFM incentive scheme and to the Nongrant Instruments Pilot because their utilization levels already exceeded the revised proportionate share.

For focal areas under the STAR, maintaining funding for the set-asides at the original level, while decreasing the level of support for focal area country allocations at the same rate as that for

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<sup>3</sup> In such instances, marginal adjustments are unlikely to be reflected in the PMIS data, as it tracks these adjustments based on the ex ante allocation targets that were determined at the start of the GEF-6 replenishment period.

focal areas outside the STAR, reduces the GEF's ability to maintain the focal area balance, as it disadvantages the focal areas that are outside the STAR. This is so because it reduces the total resources available to focal areas outside the STAR at a higher rate than the reduction in the total resources of the focal areas under the STAR. This said, an overall difference in reduction of 1–2 percent is not substantial. Moreover, it has the effect of mitigating the decrease in STAR allocations of non-LDC and non-SIDS countries.

Among the three focal areas covered by the STAR, the land degradation focal area allocations of the non-LDC and non-SIDS countries were affected more, as LDCs and SIDS account for a higher share of the country focal area allocations. On average, the non-LDC and non-SIDS countries experienced a decline in the 27–32 percent range for the land degradation focal area, compared to 22–27 percent for biodiversity and 21–26 percent for climate change.

Among the non-LDC and non-SIDS countries, 22 countries had already utilized more than 80 percent of their allocation. Consequently, their allocations may not decrease to the extent a proportionate sharing of the shortfall warrants. When this is considered, the decrease in allocations for remaining (slow-programming) non-SIDS and non-LDCs is in the 25–37 percent range, based on the point when the assessment was made.

Among the GEF regions, countries in Africa on average face a decrease of 7–8 percent, whereas other regions face a decline in the 20–24 percent range. This skew is primarily due to LDCs and SIDS accounting for 63 percent of the original allocation share of countries in Africa. Countries in Europe and the Central Asia region, where none of the recipient countries is an LDC or a SIDS, on average face the highest level of decline. For the Latin America and Caribbean region and the Asia region,

the effects are moderate, given that the LDCs and SIDS account for 17 percent and 25 percent of the original GEF-6 country allocation targets for these countries.

Figure 3.3 translates the effect of the Council's decision on addressing the shortfall and the Trustee's projections into GEF-6 resource availability projections for various categories vis-à-vis ex ante allocations. The analysis shows that non-LDC and non-SIDS countries that were slow to program experienced a greater decrease in available resources than the average for non-LDC and non-SIDS countries. It also shows that the projected shortfall is accentuated for some categories of recipient countries.

A major result of protecting the country allocations of LDCs and SIDS and passing on the shortfall in resource availability to other countries was an increase in the share of LDCs and SIDS in STAR country allocations (figure 3.4). Their shares increased from 22 percent to 26–28 percent, and from 11 percent to 13–14 percent, respectively. On the other hand, the share of non-LDC and non-SIDS countries in STAR country allocations decreased from 70 percent to 62–64 percent.

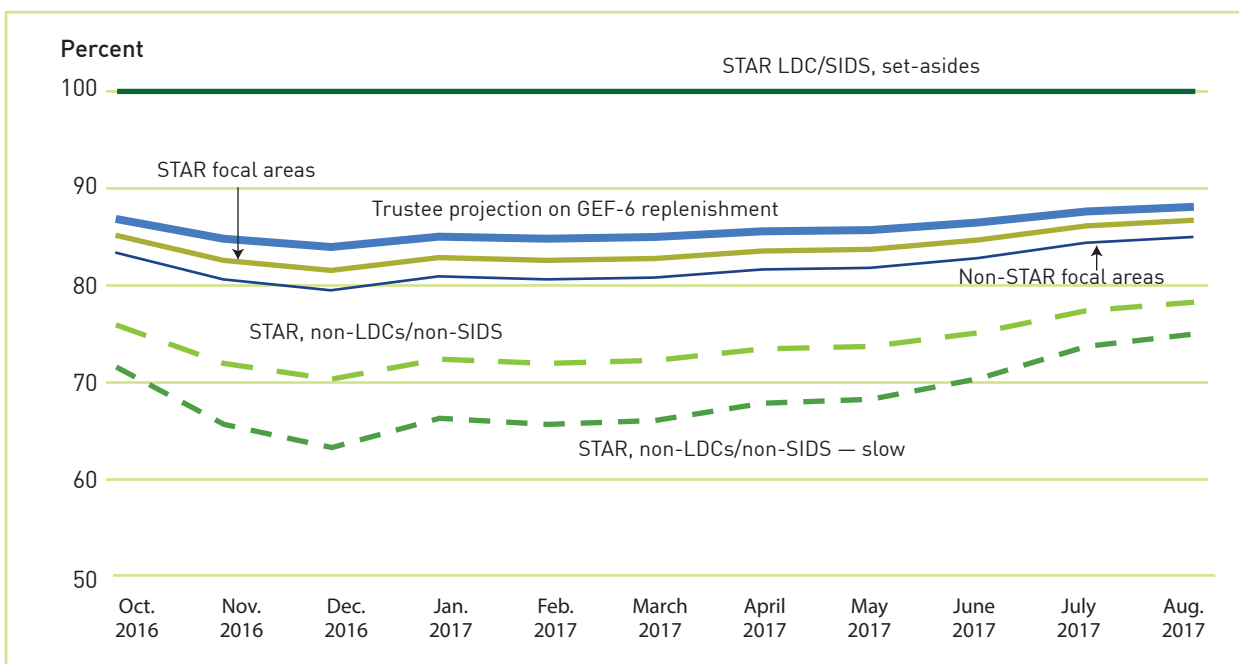
### 3.3 Utilization

#### STAR RESOURCES

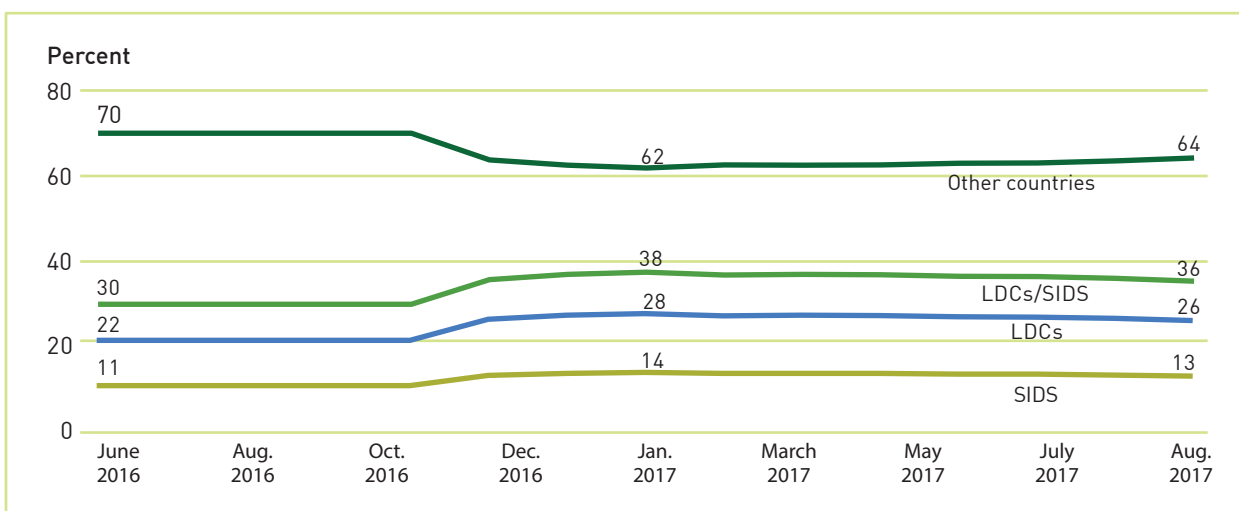
For focal areas covered under the STAR, compared to the projected availability of resources for GEF-6, overall utilization of resources, including set-asides, was 64 percent (table 3.8). Overall utilization of focal area resources was higher for land degradation (69 percent) and biodiversity (67 percent) than for climate change (61 percent).

Within the focal area resources, overall utilization was 66 percent for the revised country allocations. The rate of utilization of country allocations was 70 percent for land degradation, 66 percent for

**FIGURE 3.3** Resource availability projections for GEF-6 programming



**FIGURE 3.4** Projected share of LDCs and SIDS in GEF-6 STAR country allocations after October 2016 GEF Council decision



biodiversity, and 64 percent for climate change. Although the overall utilization of set-asides is 53 percent, there are wide variations among focal areas. While utilization of the biodiversity focal area set-aside was at 83 percent, it was

substantially lower for climate change at 46 percent and land degradation at 50 percent.

The overall utilization rate for focal areas outside the STAR is slightly higher than for those

TABLE 3.8 GEF-6 replenishment targets, updated targets, and utilization of available resources

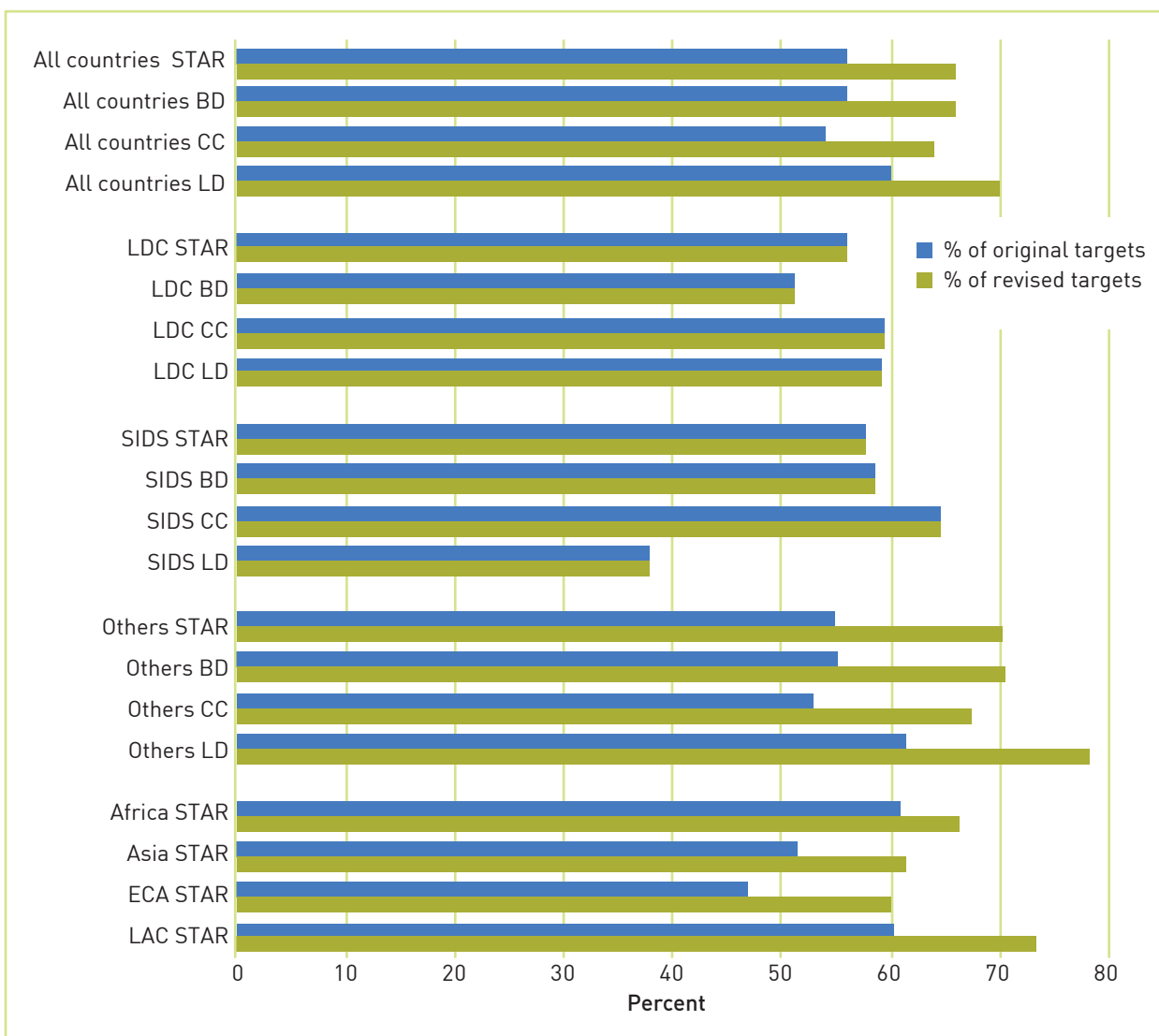
Focal area/theme	Original GEF-6 targets (million \$)	Projected GEF-6 resource availability (million \$)	Percentage reduction of GEF-6 targets	GEF-6 utilization (as of Sept. 30, 2017)		
				Amount (million \$)	Percentage of original targets	Percentage of revised targets
Biodiversity	1,101	942	14	628	57	67
Country allocations	1,051	892	15	586	56	66
Set-asides	50	50	0	41	83	83
Climate change	1,130	987	13	598	53	61
Country allocations	941	798	15	512	54	64
Set-asides	189	189	0	86	46	46
Land degradation	371	319	14	219	59	69
Country allocations	346	294	15	206	60	70
Set-asides	25	25	0	13	50	50
Focal areas under STAR	2,602	2,248	14	1,444	56	64
Country allocations	2,338	1,984	15	1,304	56	66
Focal area set-asides	264	264	0	140	53	53
Focal areas not under STAR	1,010	857	15	586	58	68
SFM	230	217	6	217	94	100
IAPs	160	160	0	160	100	100
Nongrant pilots	110	100	9	100	91	100
Small Grants Programme	140	140	0	140	100	100

under the STAR (68 percent versus 64 percent). Utilization of funds in terms of funding decisions made by the GEF Council or CEO for IAPs, SFM, the Small Grants Programme, and the Nongrant Instruments Pilot was close to 100 percent and substantially higher than that for focal areas covered under the STAR. This is primarily because utilization for these activities tends to be front-loaded.

Figure 3.5 presents utilization of GEF-6 STAR country allocations as a percentage of the original GEF-6 targets, and of revised targets as of September 30, 2017, by different groups of countries and by recipient countries in different regions. In general, the level of STAR country allocation utilization for SIDS and LDCs is very close to that of other countries when utilization is calculated as a

percentage of the original GEF-6 targets. However, when utilization is calculated as a percentage of revised targets—considering the GEF-6 replenishment projections by the Trustee through August 2017—the picture changes. While utilization of country allocations was 70 percent, that of LDCs at 56 percent and of SIDS at 58 percent was substantially lower. Another evident pattern was low utilization (38 percent) of allocations for the land degradation focal area by SIDS.

Among GEF regions, utilization of country allocations as a percentage of revised targets was substantially higher for countries in Latin America and the Caribbean (73 percent). For other regions, utilization was in the 60–66 percent range. STAR country allocations for SIDS and LDCs have been unaffected by the shortfall in GEF-6

**FIGURE 3.5** Rate of utilization of GEF-6 STAR country allocations as of September 30, 2017

**NOTE:** BD = biodiversity; CC = climate change; LD = land degradation; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean.

replenishment. However, so far programming of the country allocations has been slow for these countries. With less than a year remaining in the GEF-6 period, more efforts may be required to facilitate programming of the STAR resources in these countries.

### UTILIZATION OF MARGINAL ADJUSTMENT

Utilization of marginal adjustment may be assessed by analyzing PMIS data STAR allocation utilization. As utilization of the flexibility feature tends to be back-loaded, it is still too early to assess the extent to which this feature will be utilized for the entire GEF-6 period. However, some trends are evident. Table 3.9 presents data

**TABLE 3.9** Cross-focal utilization of STAR country allocations during GEF-6—through September 2017

Country category	Total		Cross-focal utilization		Recipient focal area					
					Biodiversity		Climate change		Land degradation	
	No. of countries	Allocation (mil. \$)	No. of countries	Allocation (mil. \$)	No. of countries	Allocation (mil. \$)	No. of countries	Allocation (mil. \$)	No. of countries	Allocation (mil. \$)
Full flexibility < \$7 mil.	49	271.3	23	36.2	11	12.0	11	16.0	9	8.2
Marginal adjust. > \$7 mil.	94	2,066.7	33	23.9	9	5.0	14	9.7	13	9.2
Allocation \$7–\$20 mil.	68	741.6	29	23.3	9	5.0	12	9.7	11	8.6
Allocation \$20–\$100 mil.	23	876.2	4	0.6	0	0.0	2	0.0	2	0.6
Allocation > \$100 mil.	3	449.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>143</b>	<b>2,338.0</b>	<b>56</b>	<b>60.1</b>	<b>20</b>	<b>17.0</b>	<b>25</b>	<b>25.7</b>	<b>22</b>	<b>17.4</b>

on cross-focal utilization of country allocations during the GEF-6 period through September 2017. Of the 143 countries that have a country allocation during GEF-6, 56 have utilized the flexibility feature so far. Countries with lower levels of aggregate allocations are more likely to have used marginal adjustments. In all, \$60.1 million has been utilized across focal areas. Of this, \$25.7 million was received from other focal areas for activities in climate change, \$17.0 million for activities in biodiversity, and \$17.4 million for activities in land degradation. Considering the original share of the three focal areas in the STAR country allocation, this amounts to an indicative net transfer of \$10.0 million from the biodiversity focal area. Of this amount, land degradation received \$8.5 million and climate change \$1.5 million. During GEF-5, the land degradation focal area was a net recipient (of \$21.1 million) and the climate change focal area was the primary contributor for cross-focal area utilization of resources (\$20.4 million) with a minor net contribution from the biodiversity focal area (\$0.8 million).

Figure 3.6 compares utilization of the marginal adjustments by the recipient countries during the entire GEF-5 period, GEF-5 utilization through June 2013, and GEF-6 utilization through

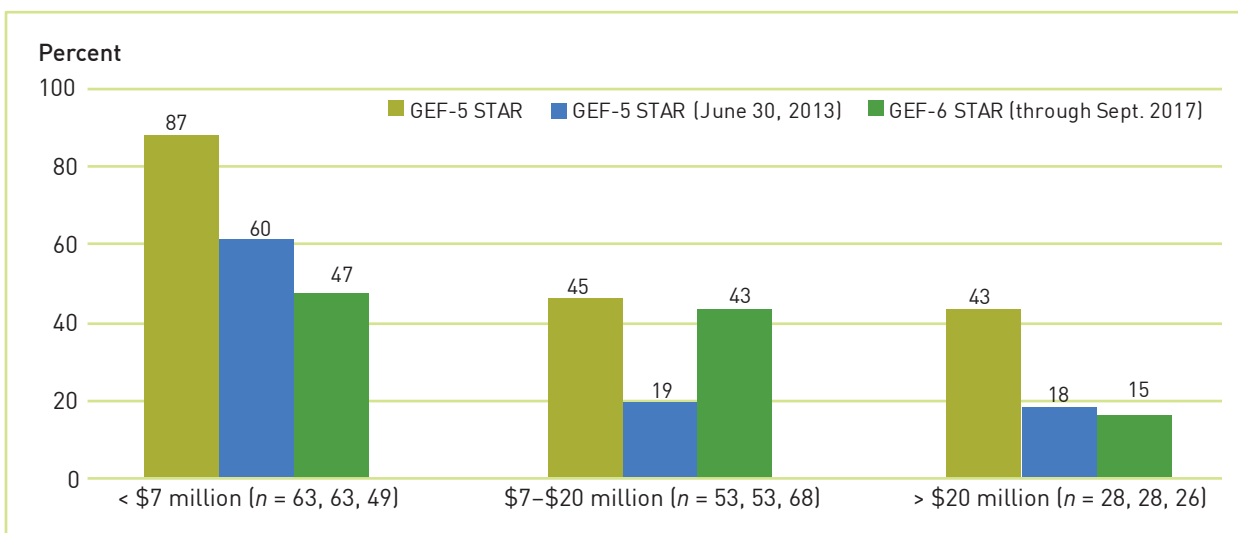
September 2017.<sup>4</sup> Given that most resource utilization decisions are made during the biannual GEF Council meeting, GEF-5 figures through June 2013 may be compared with GEF-6 utilization through September 2017, i.e., at three years after the start of the respective replenishment periods. The data show that the percentage of countries in the \$7.0 million to \$20.0 million allocation range that have used marginal adjustments so far during GEF-6 matches the percentage for the entire GEF-5 period and is substantially higher than the percentage that utilized it during GEF-5 through June 2013. This is consistent with the increased flexibility provided to the countries in the \$7.0 million to \$20 million allocation category (i.e., up to \$0.2 million during GEF-5 versus up to \$2.0 million during GEF-6). The percentage of countries with allocations above \$20.0 million that utilize the flexibility feature is in the same range as the percentage of countries that utilized the feature at the same stage during GEF-5.

The evidence so far supports the assessment of the midterm evaluation of the STAR (GEF-5) that

<sup>4</sup> The figures for GEF-5 utilization through June 2013 are sourced from the midterm evaluation of the STAR (GEF IEO 2014b).



**FIGURE 3.6** Percentage of countries that used their focal area allocation for another focal area



the countries with smaller country allocations have a greater need for cross-focal marginal adjustment and that when sufficient marginal adjustment is provided they are more likely to use it. It also shows that land degradation tends to be the net recipient of the cross-focal utilization of resources and that these transfers may be about 10 percent of the country allocations for the focal area. However, the effect of this net transfer on the biodiversity and climate change focal areas is limited because they have a broader country allocation base than the land degradation focal area.

The analysis of countries that use marginal adjustments by country assessed the extent to which the same countries that used marginal adjustments in GEF-5 also did so in GEF-6. Assuming that there is no pattern to explain use of marginal adjustments across countries, the percentage of the countries that used marginal adjustments during GEF-5 should be the same as the percentage that these countries account for among the countries that

have used marginal adjustments during GEF-6.<sup>5</sup> Table 3.10 presents the result of this analysis. It shows that the observed share of countries that used marginal adjustment during GEF-5, among countries that have used it during GEF-6 so far, is the same as the predicted share, at the 90 percent confidence level. For the biodiversity focal area, a similar result is found. For the land degradation and climate change focal areas, the chi square values are too high to allow a similar conclusion.<sup>6</sup>

As also reported by the STAR midterm evaluation (GEF IEO 2014b), countries use the flexibility feature for preparing viable projects that are

<sup>5</sup> For this analysis, only those 143 countries that were eligible for STAR allocations during both GEF-5 and GEF-6 have been taken into account.

<sup>6</sup> This, however, does not mean that the observed distribution of the marginal adjustment users during GEF-6 for the two focal areas is significantly different from their predicted probability. The chi square statistic is not high enough to indicate a significant difference between observed and predicted shares at a 10 percent significance level contributed by the recipient focal area. Thus, marginal adjustment rarely exceeds \$5 million for countries with full flexibility.

TABLE 3.10 Contingent probability of countries using marginal adjustment in GEF-5 and GEF-6

Focal area	Countries that used marginal adjustment during GEF-5		Countries that have used marginal adjustment during GEF-6 <sup>a</sup>					Chi square statistic ( $\chi^2$ )
			No.	Predicted share of countries that used marginal adjustment during GEF-5		Observed share of countries that used marginal adjustment during GEF-5		
	%	No.		%	No.	%	No.	
Biodiversity	26	37	20	26	5.2	25	5	0.006 <sup>b</sup>
Climate change	24	34	25	24	6.0	16	4	0.667
Land degradation	30	43	22	30	6.6	36	8	0.297
Any focal area	63	91	56	64	35.6	63	35	0.010 <sup>b</sup>

a. Source: PMIS, through September 2017;  $n = 143$ .

b. Same at 90 percent confidence.

consistent with their priorities and that use the residual resources of their country allocations that are left toward the end of the replenishment period. The GEF approach of providing full flexibility for cross-focal use of resources to countries with aggregate allocations of up to \$7 million is appropriate, as these countries may be able to program only one or two full-size projects. The increase in marginal flexibility to \$2 million was especially useful for countries with allocations in the \$7 million to \$20 million range. Evidence so far suggests that net flows across focal areas will not endanger the GEF STAR policy to protect at least 90 percent of the allocations of the biodiversity and climate change focal area. Further, net flows form a small percentage of the total country allocations for focal areas under the STAR (less than 1 percent for GEF-6 so far). GEF funding for a typical stand-alone full-size GEF project is about \$7 million to \$8 million, inclusive of the preparation grant and Agency fees. If a recipient focal area contributes at least half of a project budget, the appropriate level for permissible flexibility is likely to be around half the GEF funding required for a typical GEF full-size project. In comparison, it appears that the \$2 million marginal adjustment provided to countries with allocations above \$7 million is still conservative.

A marginal adjustment of higher than \$5 million, on the other hand, may not be effective and poses a greater risk of focal area imbalance. Even for countries with full flexibility, the actual marginal adjustment is never \$7 million, as one would need to deduct the amount contributed by the recipient focal area. Thus, marginal adjustment rarely exceeds \$5 million for countries with full flexibility.

### 3.4 The SFM incentive scheme

The SFM incentive scheme is supported through upstream transfer of resources from the biodiversity, climate change, and land degradation focal areas. The scheme was allotted \$230 million for the GEF-6 period.<sup>7</sup> To access \$1 from the scheme during GEF-6, a recipient country needs to provide a minimum of \$2 from its STAR country allocation. The maximum that a country may access through the incentive scheme for national projects is \$10 million. This cap excludes resources accessed

<sup>7</sup> In all, \$250 million, of which \$150 million was allocated from biodiversity, \$80 million from climate change, and \$20 million from land degradation, has been provided for the incentive scheme for the GEF-6 period. However, of the total, \$20 million was redirected from the SFM incentive scheme to IAPs, leaving the incentive scheme with a balance of \$230 million.

for regional or global initiatives in SFM in which the country may participate during the GEF-6 period. However, the participating countries need to provide contributions from their STAR country allocations at a 2:1 ratio for the regional and global initiatives as well. Of the allocation, \$217 million (94 percent) had been utilized through September 2017. SFM incentives attracted \$456 million from STAR country allocations and set-asides, as well as contributions of \$11 million from focal areas outside the STAR. Thus, during GEF-6, GEF has so far invested \$683 million in activities aimed at sustainable forest management. (Numbers do not add up because of rounding.)

In comparison, during GEF-5, when \$250 million had been allocated to the scheme, countries could access funds from the scheme with a 3:1 contribution from their STAR allocations. This meant that only countries that had an allocation of \$30 million or more had the potential to max out the cap of \$10 million from the incentive scheme. The rate at which contributions from the STAR were required decreased to 2:1 during GEF-6, allowing 26 recipient countries a chance to max out the cap. The measure made resources from the scheme more accessible to countries.

The lower rate at which recipient countries needed to contribute from their STAR allocations facilitated increased utilization of the incentive scheme, but it also resulted in the incentive attracting a lower level of resources from STAR country allocations. The average incentive utilized by participating countries was much larger during GEF-6 than during GEF-5 because of the lower rate at which countries needed to contribute from the STAR and because the number of countries that accessed the sustainable forest management incentive was lower, at 54 for GEF-6 compared to 69 for GEF-5. Nonetheless, total GEF resources guided toward sustainable forest management activities during GEF-6 at \$683 million is in the

same ballpark as the \$699 million invested during the GEF-5 period.

### 3.5 Integrated approach pilots

During the GEF-6 period, the GEF launched three IAPs. These were funded through a combination of STAR set-asides, indirect STAR set-aside contributions through the SFM incentive scheme, and the Nongrant Instruments Pilot. Overall, the three programs were provided \$160 million for the GEF-6 period, of which \$155 million (97 percent) is from the resources of focal areas covered by the STAR.

The IAPs on sustainable cities and food security are designed to attract country STAR resources at a dollar-for-dollar rate for financial incentives from these two pilots. The commodities pilot was implemented in targeted countries through the centralized resources without an expectation of contribution from the STAR country allocations.

The allocated resources for the three IAPs have been fully utilized. Among the three IAPs, the Sustainable Cities and Food security IAPs garnered resources from STAR allocations of participating countries. The Cities IAP raised resources from the STAR country allocations at 1.0:2.1, whereas the Food Security IAP raised resources at 1.0:1.2. This was so because several countries contributed more to their IAP activities than was required by the incentive scheme. Table 3.11 presents how IAPs were supported through the STAR country allocations and through centralized resources of the IAPs.

### 3.6 Effects of the STAR

#### STAKEHOLDER PERCEPTIONS

Interviews conducted by the GEF IEO for the 2017 Evaluation of the Expansion of the GEF partnership and the Sixth Comprehensive Evaluation of the GEF also captured information relevant to stakeholder perceptions on the STAR. There is

**TABLE 3.11** Approved allocations for IAPs (million \$)

Source of funds	Commodities	Cities	Food security	Total
Centralized resources for IAPs	45	55	60	160
STAR country allocations	0	93	58	151
Biodiversity	0	8	15	23
Climate change	0	84	12	95
Land degradation	0	1	32	33
Total GEF amount	45	148	118	310

**NOTE:** Details may not sum to totals due to rounding.

agreement among a varied set of stakeholders that the STAR has strengthened country ownership of GEF programming. The STAR is also perceived to have strengthened the role of OFPs, especially in programming of GEF activities funded through STAR resources. Interviews also indicate that the advent of the STAR, along with the expansion of the GEF partnership, has led to increased competition among the GEF Agencies to access GEF resources.

On the other hand, several multilateral banks felt that the STAR has fragmented GEF resources and has disadvantaged them, as it is difficult for them to meet the demand for projects that involve a smaller scale of investments.

An online survey was conducted to gather perceptions of the GEF stakeholders. It was administered to GEF Agencies, GEF Secretariat staff, GEF OFPs, the conventions, the Scientific and Technical Advisory Panel, and Council members. The survey gathered information on a wide range of topics, including the GEF's comparative advantage, donor funding, expansion of the GEF partnership, and the STAR. Given that the online survey was broadly focused, stakeholder perceptions on only a few topics related to the STAR were captured. In all, 87 respondents provided their responses on questions related to the STAR. The [annex](#) presents the distribution of the stakeholder responses in terms of their agreement with each statement.

The online survey indicates a broad agreement among key GEF stakeholders that the STAR supports environmental activities in a wide range of countries, is important in helping the GEF meet country objectives, and ensures equitable resource allocation to recipient countries. On several parameters, there is no obvious pattern. On some parameters, however, there are wide variations in perceptions. For example, most OFPs (71 percent) agree with the statement that the STAR enables delivery of regional projects, whereas a majority of respondents from GEF Agencies (59 percent) and the GEF Secretariat (53 percent) disagree with it. Similarly, while the majority of OFPs (54 percent) assess that the STAR enables partnership between the public and private sector, an overwhelming majority of the GEF Agency and GEF Secretariat staff disagree with the assessment, neither agree or disagree, or are unable to assess. In general, OFP responses on the STAR's performance are more optimistic, whereas other stakeholders are more circumspect.

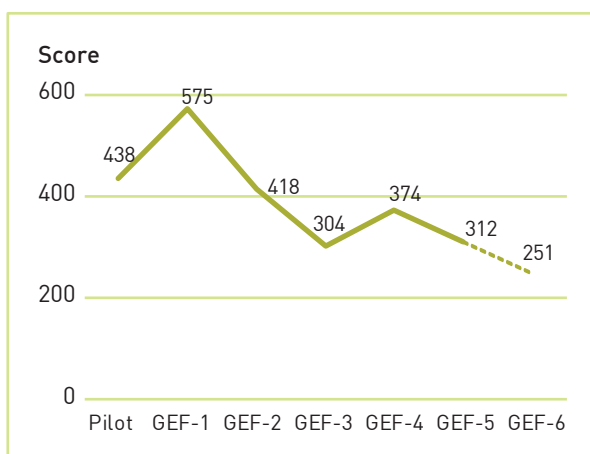
Two-thirds of the respondents to the online survey for the GEF-6 STAR agree with the statement that the STAR is a key component of the GEF's ability to meet country objectives. This finding is consistent with the finding of the online survey for the midterm evaluation of the STAR (GEF IEO 2014b), wherein 75 percent of the respondents agreed with the statement that the STAR has made GEF

operations more relevant to country needs and priorities. These two surveys also show that the STAR is perceived to be ineffective in supporting regional projects, which is understandable, as the STAR is primarily designed to help countries program activities at the national level, whereas regional and global activities are supported through set-asides and regional and global programs.

### COUNTRY COVERAGE

The STAR has helped smaller countries in accessing GEF resources and has reduced concentration of GEF resources among the recipient countries. The Herfindahl-Hirschman Index score measures level of market concentration on a scale of 0 to 10,000, where a score of 0 indicates no perfect competition and 10,000 a perfect monopoly. Figure 3.7 plots the Herfindahl-Hirschman Index score for GEF replenishment periods. It shows that the level of concentration of GEF resources was highest in GEF-1. From that time until GEF-3, there was a decline in the level of concentration. During GEF-4, when the STAR was implemented for the first time, the level of concentration increased. Much of the increase during GEF-4 may

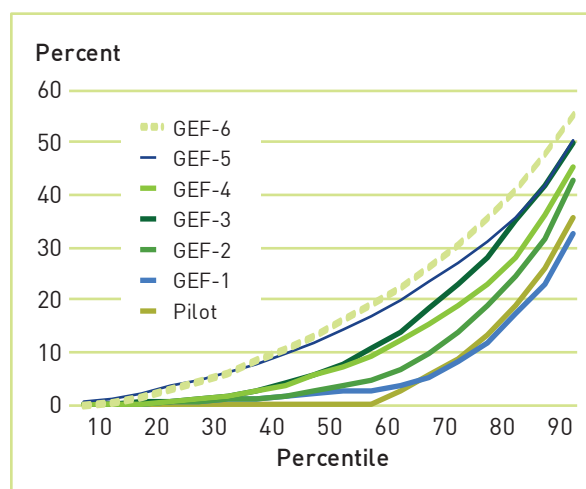
**FIGURE 3.7** Concentration of GEF Trust Fund funding among recipient countries Herfindahl-Hirschman Index



be attributed to inclusion of the group allocation provision, which created a barrier to GEF programming in countries that were covered through group allocation. However, after this weakness was fixed and other corrective design features—such as an increase in floors, full flexibility in cross-focal marginal adjustments for countries with allocations up to \$7 million, and inclusion of the GDPI—were introduced, the trend toward decreasing concentration was restored during GEF-5. Because of the increase in floors for LDCs and greater weight for the GDPI, the concentration is projected to decrease further during GEF-6.

Another way to assess whether the STAR is helping countries access GEF resources is to determine the extent to which countries that account for a lower share in GEF resources individually account for GEF resources as a collective. Figure 3.8 shows that countries that accounted individually for a lower share in GEF resources account for a progressively higher share across different replenishment periods. For most percentile thresholds, the recipient countries below the threshold have a higher share for GEF-6 than it

**FIGURE 3.8** Share of GEF recipient countries in GEF Trust Fund funding for approved national projects



was during previous GEF replenishment periods. The increase in share of the countries that share in GEF resources in the bottom 40–50 percentile is especially noticeable for GEF-5 and GEF-6. This suggests that the STAR has helped smaller countries access a higher share of GEF resources.

### EFFECT ON PROJECT RESULTS

The STAR is perceived to have increased the predictability of GEF resources available for programming at the country level and to have increased country ownership of GEF activities. At the same time, it is also perceived to have led to fragmentation of scarce GEF resources, which may affect their ability to achieve intended outcomes and make progress toward impact. Therefore, it may be useful to know whether the performance of projects that are funded through STAR resources is any different from that of projects that are not.

Most of the projects that have been prepared through resources from STAR country allocations are yet not complete. However, a sizable number of projects from the GEF-4 period in focal areas covered under the STAR (biodiversity and

climate change) have been completed. Ratings of projects that were approved during the first two years of GEF-4 and funded through STAR resources may therefore be compared with those funded from resources outside the STAR (during GEF-4) and those that were approved during GEF-3 before the STAR was implemented. A difference-in-differences-based analysis was undertaken to compare the performance of these different groups of projects. Table 3.12 presents the results of this analysis. The results show that for the focal areas covered under the STAR, the difference-in-differences in the percentage of projects that achieved ratings in the desirable range was –1 percent for outcomes, +1 percent for sustainability, –1 percent for quality of implementation, +14 percent for broader adoption, and +3 percent for environmental stress reduction. The +14 for the STAR focal areas that achieved broader adoption shows an optically noticeable but statistically insignificant difference, whereas for other parameters the difference-in-differences is neither optically noticeable nor substantial. It may be concluded that in general, GEF projects prepared through resources from the STAR perform as well as those prepared through non-STAR resources.

**TABLE 3.12** Difference-in-differences between STAR and non-STAR focal area projects during STAR and non-STAR covered periods

Parameter	STAR focal areas			Non-STAR focal areas			Difference-in-differences (c) – (f) = (g)
	GEF-3 (a)	GEF-4 (b)	Difference (b) – (a) = (c)	GEF-3 (d)	GEF-4 (e)	Difference (e) – (d) = (f)	
Outcome (satisfactory range)	84 (141)	89 (90)	5	75 (67)	81 (72)	6	–1
Sustainability (likely range)	65 (138)	76 (88)	11	58 (67)	68 (66)	10	1
Implementation (satisfactory range)	80 (132)	89 (87)	9	74 (66)	84 (67)	10	–1
Broader adoption (achieved)	58 (59)	72 (65)	14	63 (35)	63 (40)	0	14
Stress reduction (achieved)	59 (59)	71 (65)	12	54 (35)	63 (40)	9	3

**NOTE:** The figures in the table correspond to the percentage of projects that were rated in the satisfactory or likely range. The numbers of rated projects are in parentheses.

# Annex: Stakeholder perceptions of the STAR—online survey results

Statement: STAR...	GEF Agencies (n = 27)			GEF Secretariat (n = 19)			GEF OFP (n = 28)			All respondents (n = 87) <sup>a</sup>		
	Agree (%)	Dis- agree (%)	n.a./ don't know (%)	Agree (%)	Dis- agree (%)	n.a./ don't know (%)	Agree (%)	Dis- agree (%)	n.a./ don't know (%)	Agree (%)	Dis- agree (%)	n.a./ don't know (%)
Supports environmental activities in a wide range of countries (n = 87)	63	15	22	63	11	26	96	0	4	72	8	20
Is a key component of the GEF's ability to meet country objectives (n = 87)	67	15	19	58	21	21	82	0	18	67	8	25
Enables the delivery of regional projects (n = 87)	11	59	30	11	53	37	71	4	25	30	37	33
Limits the GEF's ability to address important environmental concerns at scale (n = 87)	41	22	37	47	16	37	54	25	21	44	24	32
Limits the GEF's ability to prioritize the use of scarce resources (n = 87)	22	48	30	42	26	32	29	32	39	28	38	34
Enables partnerships between the public and private sectors (n = 81)	11	41	48	11	42	47	54	7	39	25	28	47
Ensures an equitable resource allocation overall (n = 87)	52	19	30	68	5	26	71	4	25	57	13	30
Has ensured an equitable resource allocation to my country (n = 28)	0	0	0	0	0	0	57	14	29	0	0	0
Is being implemented efficiently (n = 78)	37	26	37	47	5	47	68	4	29	49	13	38

**NOTE:** n.a. = not applicable. Details may not sum to 100 because of rounding.

a. Very few responses were received from the Scientific and Technical Advisory Panel (6), the GEF Council (4), and the conventions (3); therefore, these are not presented individually in the table but are included in the aggregate figures.



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