

Midterm Evaluation of the System for Transparent Allocation of Resources (STAR)



The Global Environment Facility (GEF) piloted a Resource Allocation Framework (RAF) during its GEF-4 (2006–10) replenishment period to allocate resources to countries in a transparent and

consistent manner based on global environmental priorities and country capacities. Indicative country allocations under the RAF covered activities in the climate change and biodiversity focal areas. In 2009, the GEF Independent Evaluation Office conducted a midterm review of the RAF, and identified several areas for improvement; this resulted in the design of a new System for Transparent Allocation of Resources (STAR), implemented beginning July 2010.

The STAR underwent substantive revisions for the GEF-5 (2010–14) replenishment period, including expansion to cover the land degradation focal area, elimination of group allocations for countries with smaller allocations, elimination of constraints on access to funding during the first two years of a replenishment cycle, and incorporation of a factor based on gross domestic product (GDP) in the allocation formula (to benefit countries with lower per capita income).

The midterm evaluation of the STAR was completed in October 2013. The evaluation assessed the extent to which the STAR facilitates utilization of GEF resources; promotes transparency, flexibility, and predictability in allocation; and strengthens country ownership. The evaluative information was gathered through desk reviews, assessments by expert panels, portfolio reviews, interviews with key stakeholders, and online surveys.

Findings

Design

STAR indexes are scientifically and technically valid, although some small modifications are needed going forward. **The market exchange rate–based GDP indicator**

was effective in directing additional resources to least developed countries. However, evaluators found that a purchasing power parity–based indicator would be more appropriate in capturing socioeconomic conditions.

Following the recommendation of the RAF midterm review, the constraint that only up to 50 percent of focal area resources might be used by recipient countries up to the midpoint of the replenishment period was removed.

Removal of the 50 percent rule in the STAR was an unqualified success, as it provided greater flexibility to countries. Consequently, many countries were able to use more than 50 percent of their allocations within the first two years of GEF-5.

Additional changes in GEF-5 under the STAR allowed for flexibility and marginal adjustments of allocated resources across focal areas. Sixty percent of the countries with full flexibility took advantage of this provision and shifted their funding across focal areas. However, for countries with marginal flexibility—especially those with aggregate allocations in the \$7–\$20 million range—only 19 percent utilized their allocations across focal areas, even though their need for flexibility was comparable to that for countries with full flexibility. It was determined that **the flexibility ceiling for those countries with marginal flexibility was too low**.

Starting in GEF-5, the GEF has provided set-aside funding for projects involving sustainable forest management (SFM) as an incentive scheme for recipient countries. Of the total allocation of \$2.98 billion for the three focal areas under the STAR, \$595 million (20 percent) was set aside; of this, SFM funding accounted for \$250 million (8.4 percent) and other activities for the remaining \$345 million (11.6 percent). At the end of the third year of GEF-5, total utilization of the SFM set-aside was \$125.6 million (50 percent) through 66 projects with activities spread over 79 countries. **The SFM set-aside was effective in directing resources to SFM activities**. However, overall utilization of the scheme

has been moderate due to a slow start in dissemination of information and low ceilings.

Implementation

In general, **stakeholders believed that implementation of the STAR was much smoother than that of the RAF.** Removal of the 50 percent rule, flexibility in usage of allocations across focal areas especially for countries with allocations below \$7 million, and removal of group allocations for countries with smaller allocations eliminated several barriers for recipient countries in utilizing GEF resources.

Compared to the RAF, **the communications and guidance from the GEF Secretariat related to the STAR were assessed to be clearer and timelier.** Some weaknesses were noted in the management of STAR index-related data sets, and some minor mistakes were identified in STAR calculations.

Effectiveness

By the end of the third replenishment year, **overall utilization of STAR focal area resources is in line with expectations** and nearly identical to that of the RAF at the same point in the replenishment period. Countries that previously received a group allocation of resources show substantially higher levels of resource utilization under the STAR, particularly in the climate change focal area.

As of June 30, 2013, utilization of GEF resources for focal areas covered under the STAR was \$2.046 billion (69 percent). Utilization was 74 percent for programming through country allocations, 50 percent for the SFM set-aside, and 47 percent for other set-asides.

The STAR is perceived to have **increased transparency and country ownership** and has helped smaller countries in accessing GEF resources.

The STAR has led to reduced clogging in the pre-Council approval stages of the project cycle. This is because **countries now have greater control of programming at the pre-project identification form (PIF) stage.**

Recommendations

The evaluation makes three recommendations to improve the STAR:

- Limits for flexible use of focal area allocations for activities should be increased for countries with marginal flexibility.
- The STAR index should be improved through specification of better indicators and updating of data.
- STAR implementation can be fine-tuned on several aspects, most notably through a more thorough calculation of the allocations with sufficient quality control and improvements in the process for STAR calculation and database management.

Follow-Up

On reviewing the STAR midterm evaluation, the GEF Council noted the contribution of the STAR to increased country ownership and country-led programming in the GEF. The Council requested the Secretariat to prepare the STAR for GEF-6 (2014–18), taking into account the recommendations mentioned above.

Additionally, given the moderate and relatively slow utilization of SFM set-asides in GEF-5, the Council requested the Secretariat to ensure that the development of new programs gives attention to efforts that would be required to make the GEF partnership aware of the operational rules and procedures of these programs.

The GEF Independent Evaluation Office is an independent entity reporting directly to the GEF Council, mandated to evaluate the focal area programs and priorities of the GEF. The full version of *Midterm Evaluation of the System for Transparent Allocation of Resources* (Evaluation Report No. 94) is available on the GEF Independent Evaluation Office website, www.gefeo.org. For more information, please contact the Office at gefevaluation@thegef.org.