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Agenda Item 7

Mid-Term Evaluation of the System of Transparent Allocation of Resources

(Prepared by the GEF Evaluation Office)

Recommended Council Decision

The Council, having reviewed document GEF/ME/C.45/04, "*Mid-Term Evaluation of the System of Transparent Allocation of Resources (STAR),"* and document GEF/ME/C.45/05, "*Management Response to the Mid-Term Evaluation of STAR*," notes the contribution of STAR to increased country ownership and country led programming in the GEF and requests the Secretariat to prepare STAR for GEF-6, taking the following issues into account:

1) Limits for flexible use of focal area allocations for activities should be increased for countries with marginal flexibility.

2) The STAR index should be improved through specification of better indicators and updating of data.

3) The implementation of STAR can be fine-tuned on several aspects, most notably a more thorough calculation of the allocations with sufficient quality control, and improvements in the process for STAR calculation and database management.

Given the moderate and relatively slow utilization of Sustainable Forest Management in GEF-5 the Council requests the Secretariat to ensure that the development of new programs should give attention to efforts that would be required to make the GEF partnership aware of the operational rules and procedures of these programs.

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EXECUTIVE SUMMARY

The System for Transparent Allocation of Resources (STAR) is a framework adopted by the GEF for allocation of its GEF-5 replenishment resources to eligible countries to support activities to generate global environmental benefits in the biodiversity, climate change and land degradation focal areas. The implementation of STAR began in July 2010.

The GEF Council requested the GEF Evaluation Office to conduct a mid-term evaluation of STAR to provide feedback on its design and implementation. This evaluation assesses STAR design, its implementation, the extent it has met its objectives, and the areas for further improvement. It also indicates whether the changes adopted in STAR vis-à-vis the previous Resource Allocation Framework (RAF) have been successful.

The main conclusions of the Mid-Term Evaluation of STAR are as follows:

1) STAR indices are scientifically and technically valid, although minor fine-tuning needs to take place.

2) The market exchange rate based GDP indicator was effective in directing additional resources to least developed countries (LDCs). Nonetheless, use of a purchasing power parity (PPP) based indicator would have been more appropriate for capturing socio-economic conditions in recipient countries.

3) Removal of the 50 percent rule from RAF to STAR was an unqualified success.

4) A significant proportion of countries that had full flexibility were able to use focal area resources across focal areas. However, countries that had marginal flexibility did not benefit as much because of the low limits set for permissible flexibility.

5) The Sustainable Forest Management (SFM/REDD+[1]) set aside has been effective in directing resources to SFM activities. However, overall utilization of the scheme has been moderate due to a slow start in disseminating information and low ceilings.

6) Compared to RAF, implementation of STAR was much smoother. The STAR related communications from the GEF Secretariat – with some exceptions – were clear and timely. The actual calculations were in general done correctly, again with some exceptions.

7) The utilization of STAR resources is in line with expectations and similar to that achieved under RAF at the same time in the replenishment period.

8) STAR is perceived to have increased transparency and country ownership, and has facilitated smaller countries in accessing GEF resources.

9) Both RAF and STAR have led to countries having greater control of programming at the pre-PIF stage. Consequently, the aggregate amount requested through PIF

[1] REDD+ refers to Reducing Emissions from Deforestation and (Forest) Degradation. In this report SFM/REDD+ is identified as SFM for brevity's sake.

submissions is in sync with allocations. This has reduced clogging of the project cycle in the pre-Council approval stages.

The evaluation has three recommendations:

1) Limits for flexible use of focal area allocations for activities should be increased for countries with marginal flexibility.

2) The STAR index should be improved through specification of better indicators and updating of data.

3) The implementation of STAR can be fine-tuned on several aspects, most notably a more thorough calculation of the allocations with sufficient quality control, and improvements in the process for STAR calculation and database management.

The report notes as issue for the future that the experience with SFM shows that developing a new integrative program across focal areas is possible. However, it also requires considerable time for the GEF partnership, especially project proponents at the national level, to fully understand how they may participate in the new program. The development of new programs as discussed for GEF-6 should give attention to efforts that would be required to make the GEF partnership aware of the operational rules and procedures of these programs.

BACKGROUND

1. The policy recommendations of the third replenishment identified the need to establish "a system for allocating scarce GEF resources within and among focal areas with a view towards maximizing the impact of these resources on global environmental improvements and promoting sound environmental policies and practices worldwide."[2] In September 2005, the GEF Council agreed to implement "a resource allocation framework based on an index of 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.[3]

2. The mid-term review of the RAF (RAF MTR), conducted by the GEF Evaluation Office in 2009, noted several concerns related to design and implementation of RAF. It found that: the RAF provided limited incentives for improved performance; the ceiling on the level of resource utilization by the mid-term of GEF-5 resulted in lower levels of resource utilization; unclear guidelines limited the access of the group allocation countries to GEF resources; rules for RAF's implementation were complex and did not encourage flexibility and dynamism; and, although RAF increased country ownership in countries with individual allocations it had negligible or negative effect on ownership in the countries with group allocations.

3. The mid-term review of RAF recommended: reallocation of unused funds during the last year of the GEF-4; the implementation of the resource allocation framework during remaining period of GEF-4 with full public disclosure, transparency, participation, and clear responsibilities; simplification of implementation rules; and, improvement in the design and indexes to be used for the period covered by the next replenishment.[4] Other than the recommendation on simplification of implementation rules, the Council adopted all of the recommendations. The Council decided not to adopt the recommendation on simplification because of the risk that any change at that late stage in GEF-4 would not have been practical.

4. The preliminary proposals for the revised resource allocation framework, now rechristened as STAR – the System for Transparent Allocation of Resources – were presented at the Council's meeting in June 2009. In its November 2009 meeting the Council reviewed the revised proposals and decided to extend the STAR to the land degradation focal area and adopted new design features that provided greater flexibility in utilization of allocated resources.[5] In its June 2010 meeting the GEF Council reviewed the document on operational procedures for STAR (GEF/C.38/9/Rev.1).

[2] Summary of Negotiations on the Third Replenishment of the GEF Trust Fund (GEF/C.20/4), Annex C, page 50, para 16.
[3] Joint Summary of Chairs – Special Meetings of the Council, August 31 – September 1, 2005 (GEF/C.26/Joint Summary).
[4] Mid Term Review of the Resource Allocation Framework, GEF EO. July 2009.
[5] Joint Summary of Chairs – GEF Council Meeting, November 10-12, 2009.

CHARACTERISTICS OF STAR

5. The objective of GEF's resource allocation framework is to function as "…a system for allocating resources to countries in a transparent and consistent manner based on global environmental priorities and country capacities, policies and practices relevant to successful implementation of GEF projects" (GEF/C.27/Inf.8/Rev.1). Under STAR, the procedure to determine a country's allocation for a focal area involves the following steps:

- Calculate the **country's score** for a given focal area using a composite formula that combines a focal area specific GEF Benefits Index (GBI), a GEF Performance Index (GPI), and a GDP-based Index.[6]

$$\text{Gross Score} = \mathbf{GBI}^{0.8} * \left(\frac{\mathbf{GDP}}{\mathbf{capita}}\right)^{-0.04} \quad \mathbf{X} \quad (0.65\mathbf{CEPIA} + 0.15\mathbf{CPIA_D} + 0.2\mathbf{Portfolio})$$

- Calculate the **country's share** for each focal area by dividing the country's score for the focal area by the sum of the country scores for all countries eligible to receive STAR allocation for that focal area.
- Compute the **preliminary allocation** for the country for a given focal area by multiplying the country share with the total amount of GEF resources available for that focal area after deducting the set asides.
- Determine the **adjusted allocation** for the country after application of ceilings and floors.

6. Compared to RAF where a benefits index and a performance index had been used for calculation of a country score, under STAR, in addition to these indices, a GDP-based index with a preference for countries with lower per capita income is also part of the composite index. The benefits indices and the performance index under STAR are also different from those used under RAF in terms of the weights and indicators used for composing these indices. While the STAR's approach to calculating a country's share and preliminary allocation is identical to that used by RAF, the floors and ceilings have changed (see Table 1), while there was also a slight shift in the relative share of the climate change and biodiversity focal areas. Of the ceilings for different focal areas, only ceiling for the climate change focal area was relevant as for other focal areas the gross country allocations were lower than the ceiling. The floors had the effect of transferring resources to LDCs and SIDS. The aggregate allocations for LDCs and SIDS, compared to the without ceilings and floors scenario, on average increased by 16 percent and 41 percent, respectively.

[6] The document, "System for Transparent Allocation of Resources (STAR)" (PL/RA/01; 2012) provides details on calculation of these indices. The document is available online at: http://www.thegef.org/gef/sites/thegef.org/files/documents/document/PL.RA_.01.System%20for%20Transparent%20Allocation%20of%20Resources.doc%20.pdf

Table 1: Floors and Ceilings under RAF and STAR

	RAF		STAR		
	Biodiversity	Climate Change	Biodiversity	Climate Change	Land Degradation
Minimum allocation (floor)	US $ 1.0 m	US $ 1.0 m	US $ 1.5 m	US $ 2.0 m	US $ 0.5 m
Maximum allocation (ceiling)	10 % of total	15 % of total	10 % of total	11% of total	10 % of total

7. The mid-term review on RAF found that utilization of GEF resources among group allocation countries was lower than among countries with individual allocations. It also found that while RAF had increased country ownership in individual allocation countries, it had a negligible or detrimental effect in countries with a group allocation. As a response to these findings, group allocations were eliminated in the STAR's design – under STAR all eligible countries have an individual country allocation.

8. A major criticism of RAF was that it provided limited flexibility in the design of the allocation system. The STAR's design introduced greater flexibility in the usage of resources across focal areas by removing the rule that restricted the utilization of a country's focal area allocation to 50 percent by the end of the second year, and by allowing use of allocations across focal areas.

9. The total commitments made by the donor countries for the GEF-5 replenishment was $ 4.34 billion. This is considerably higher than the $ 3.14 billion replenishment for the GEF-4 period. Availability of higher levels of resources for the GEF-5 period led to an increase in the aggregate allocations for focal areas and to increased average country allocations under STAR.

KEY QUESTIONS AND METHODOLOGY

10. The key questions of the mid-term evaluation were:

- To what extent does the design of STAR facilitate allocation and utilization of scarce GEF resources to enhance global environmental benefits?
- To what extent does the STAR promotes transparency and predictability in allocation of GEF resources and strengthens country-driven approaches?
- To what extent does the STAR provide flexibility in allocation and utilization of GEF resources?
- To what extent has the implementation process of STAR been effective?
- To what extent to which the RAF Mid-Term Review has been followed up on in STAR through relevant Council decisions and general lessons learned.

11. More details on the issues covered and the approach taken are provided in the approach paper for the STAR Mid Term Evaluation. The evaluation drew upon a mix of quantitative and qualitative tools and methods, which included:

- Desk review of the relevant documents;

- Assessment of appropriateness, adequacy, and scientific validity of resource allocation indices by expert panels, and feedback on the expert panel reports by independent peer reviewers;
- Portfolio review and statistical modeling to assess STAR's effect on the resource flows and utilization patterns;
- Interviews of the key stakeholders to gather information on their perspectives on STAR design and implementation;
- Online survey of the perspectives of a wider set of stakeholders on STAR design and implementation.

STAR DESIGN

GEF BENEFITS INDEX

Conclusion 1: STAR indices are scientifically and technically valid, although minor fine-tuning needs to take place.

12. Over all indicators included in the STAR index were assessed to be scientifically and technically valid. In general indicators for biodiversity and climate change are directly linked with global environmental benefits pursued by the GEF. Although in absence of better alternatives proxy indicators have been used for the land degradation focal area, their validity has been confirmed in research linking the proxy indicators to land degradation issues of global relevance observed in countries. Although there are several areas where there is scope for improvement, the suggested improvements are incremental in nature and do not require a complete redrawing.

13. As was the case under RAF, country allocations under STAR are determined primarily by a given country's potential for generating global environmental benefits. Although the GBI component has an exponential weight of 0.8 compared to 1.0 for performance, due to larger variations in the observed values on the indicators that constitute GBI it ends up playing a much larger role in determining allocations across countries. Given the overall mandate of the GEF, this focus is appropriate. STAR being driven by the GBI is in line with the trends in other multilateral organizations. STAR being driven by the GBI is in line with the trends in other multilateral organizations to align their performance based allocation (PBA) system more closely with their mandate. IFAD and the Caribbean Development Bank have recently updated their PBA systems to include indicators that are more effective in capturing their allocation priorities and mandate.

BIODIVERSITY GBI

14. The Biodiversity global environmental benefit index is assessed to be conceptually simple and based on scientific evidence. The index gives a lot of weight to species-level data. However, GEF investments in the focal area are primarily directed to

ecosystem scale interventions indicating a minor disconnect between the GEF priorities and weights in GBI index.

15. The coverage of GEF-eligible countries in terms of data richness is uneven across recipient countries. This creates a situation where countries that may have rich biodiversity but poor documentation of it receive lower allocation. For example, Angola which is widely regarded to be among the countries with rich biodiversity is assessed to have received a lower allocation due to poor documentation of its biodiversity.

16. The present split of 75 percent weight to terrestrial biodiversity and 25 percent to marine biodiversity is assessed to be appropriate. While it is true that marine areas account for 70 percent of the global surface, much of the marine biodiversity related national projects are focused on shore or near shore activities. Further, GEF provides support to areas beyond national jurisdiction through set-asides for regional and global projects.

17. The scientific and technical validity of the biodiversity GEB index could be improved and strengthened by giving greater attention to ecosystem functions and freshwater species. Although measures of ecosystem services and the quantification of the value of biodiversity and ecosystem services are difficult, this needs to be explored further. Finer-scale measures, than those that have been used in STAR, are also available for at least some dimensions of species distribution. Wherever possible incorporation of the finer scale data will help in strengthening the biodiversity GEB index. Inclusion of only fish species data for the marine component of the biodiversity index is another area for improvement. Incorporation of data on other aspects of marine biodiversity will strengthen the index, although it will require considerable effort to ensure equitable and transparent treatment of all GEF-eligible coastal countries.

CLIMATE CHANGE GBI

18. The STAR GBI for climate change focal area is composed of two components. The first component, which accounts for 95 percent of the GBI weight, is based on countries' emissions of greenhouse gases in tons of CO2 equivalents in the year 2007 multiplied by an adjustment factor, which rewards countries that show a decrease in the amount of emissions of CO2 relative to GDP or "Carbon Intensity." The adjustment factor is expressed as a country's Carbon Intensity in 1990 divided by the country's Carbon Intensity in 2007. The second component, which accounts for 5 percent of the GBI weight, uses forest cover as a proxy for LULUCF related climate change mitigation benefits potential. It incentivizes increase in forest cover between 1990 and 2000.

19. Since 95 percent of GBI is accounted for by the emissions related factor, despite the adjustment factor, the index leads to high allocations to countries with high GHG emissions. However, it is also true that potential of climate change mitigation is also higher in such countries. Therefore, concentrating resource in these countries for activities that reduce GHG emissions is likely to lead to generation of greater amount of global environmental benefits (i.e. carbon emissions reduction). Moreover, the scale of GEF support to these countries is relatively small and moderated through an adjustment

factor that encourages reduction in carbon intensity for a given level of production. Consequently, it is unlikely that greater GEF support to countries that have high carbon emissions will create negative incentives that lead to increased carbon emissions.

20. The indicators used for determination of the GEB potential are linked with the overall objective of the GEF-5 strategies for climate change mitigation. However, linkage with each of the climate change mitigation strategies pursued in GEF-5 is not as clear. For example, while GEF strategies may focus on sectors such as transportation or renewable energy for climate change mitigation, the index does not incorporate direct indicators from these areas. Strengthening linkages with the climate change mitigation focal area strategies may remain a challenge as increasing linkages also increases the risk of making the GEB index too complicated. Nonetheless, the STAR GEB index may be further improved by strengthening the adjustment factor to provide greater allocation to countries that have a good record of reducing their GHG emissions in recent years.

LAND DEGRADATION GBI

21. The three proxy indicators – land area affected by land degradation (20 percent weight), proportion of dry land area in a country (60 percent weight), and vulnerable population (20 percent weight) – that have been used to determine the global environmental benefits potential for land degradation are valid. Due to data availability related concerns, proxy indicators were used. Therefore, the validity may be verified in statistical terms based on results that these indicators provide.

22. A weakness in the index in its present form is a weight of 60 percent given to the proportion of dry land area in countries. The rationale provided in the STAR paper that consolidates the Council decisions (PL/RA/01) is that "dry-lands are an important indicator because they are predisposed to desertification and are a major factor influencing livelihoods of nearly a third of the world's population." Although the use of this proxy indicator is aligned with UNCCD's core interests and directly reflects each country's opportunity regarding dry-lands, the 60 percent weightage accorded to it is probably too high. Given the high weightage, countries with higher proportion of dry lands tend to obtain superior allocation weighting, compared to countries with a significant land degradation record but lower proportion of dry land. Indeed, it has been argued that investments in semi-arid zones especially bring lowest returns because of the limited options for sustainable land management and because the degradation processes are naturally far greater than in, say, humid areas. Comparing similar sized African countries, one comprising almost entirely dryland adjacent to another which has a high percentage of humid degraded forest, yet has a low percentage of dry land, the former attracts almost double the allocation in spite of the likelihood that the latter country can deliver more GEBs.

GDP BASED INDEX

Conclusion 2. The market exchange rate based GDP indicator was effective in directing additional resources to least developed countries (LDCs). Nonetheless, use of a purchasing power parity (PPP) based indicator would have been more appropriate for capturing socio-economic conditions in recipient countries.

23. During the STAR ad hoc committee meeting in March 2009 in Paris and GEF replenishment meeting in June 2009 in Washington DC, several participants requested inclusion of a socio-economic indicator for resource allocation. Given that there are large variations among the recipient countries in terms of GDP per capita, and the intent that this indicator should not drive the allocations, based on simulations -0.04 was chosen as the exponent for this indicator. For this exponent value, plugging the values of GDP per capita countries for the year 2008, there is a premium for countries that had a GDP per capita of less than US$ 3000 per annum. The premium is considerably higher for countries whose per capita GDP is much below US$ 3000. However, the premium decreases as GDP per capita (current prices) approaches US$ 3000. For countries with GDP per capita higher than US$ 3000 this leads to lower than business as usual allocations. Simulations show that inclusion of this indicator has led to some changes in the allocations. On average allocations to the LDCs and Heavily Indebted Poor Countries increased by roughly 5 percent compared to their allocations in a scenario without a GDP based index. In comparison, SIDS where per capita income tends to be higher experienced a marginal decline of 0.6 percent.

24. Compared to market exchange rate based GDP per capita, GDP per capita based on purchasing power parity (PPP) is better at capturing socio-economic conditions as they are less volatile than the market exchange rate and are based on a comparison of production of similar goods and services across countries. In general exchange rate based GDP understates the standard of living in developing countries and, based on country specific circumstances, there are wide variations across countries in terms of the extent their standard of living is under stated. This limits the effectiveness of the market exchange rate based GDP per capita indicator in capturing socio-economic conditions in the countries. PPP measures are often used as a basis for comparing incidence of poverty across countries.

GEF PERFORMANCE INDEX

25. The performance index used during GEF-4 was revised taking into account the recommendations by the RAF MTR. The aggregate weight for GPI component based on the two indicators from the World Bank's Country Policy and Institutional Assessment (CPIA) was decreased from 90 percent to 80 percent. The weight of GEF Portfolio Performance Index (PPI) increased from 10 percent to 20 percent. The exponent for the index remained the same at 1.

26. Inclusion of CPIA indices in GEF Performance Index is in line with the trend across the multi-lateral institutions to harmonize their PBA systems through use of IDA's

CPIA indicators. Multilateral organizations such as the African Development Bank, Asian Development Bank, Caribbean Development Bank, International Fund for Agricultural Development and Inter-American Development Bank use CIPA indicators or indicators harmonized with CIPA indicators. This is has been done with an intent to reduce the burden upon recipient countries, in-line with the Paris Declaration on Aid Effectiveness, and to reduce costs.

27. In STAR GPI two sub-components of the CPIA index have been used: The Country Environmental Policy and Institutional Assessment Index (CEPIA) that has a weight of 65 percent in the GPI, and The Broad Framework Indicator (BFI) that has a weight of 15 percent. Given that GEF activities relate more to environmental concerns greater weightage to CEPIA is appropriate. There is no scientific reason for the weightage for CEPIA at 65 percent and not 50 percent or 70 percent – however, given that this has been arrived at after deliberations provides it wider acceptance. Nonetheless, it may be difficult to establish an empirical link between the CEPIA and BFI indicators and the policy and institutional change that these indicators are aimed at rewarding and incentivizing.

28. The Project Performance Index (PPI) of STAR GPI has an aggregate weightage of 20 percent. Out of this 12 percent is accounted for by the index on GEF EO terminal evaluation review (TER) based Outcome ratings and 8 percent by the index on PIR ratings for implementation progress for projects under implementation. In comparison, in the formula for RAF a 10 percent weightage had been provided for the PPI: 5 percent each for the GEF PIR based rating and IEG ICR review ratings for completed projects in recipient countries.

29. Retention of PIR ratings on implementation progress for projects under implementation poses a major challenge. The intent of the indicator used is to measure implementation progress; therefore it is more a reflection of the performance of implementing and executing agencies than of recipient countries. While agency performance and project implementation progress may be linked with and affected by country ownership and capacities, the link is not as direct as might be required for it to incentivize country performance. Most importantly, it may create disincentives for candid reporting through PIRs.

30. The RAF Mid Term Review suggested that inclusion of GEF EO's TER based Outcome rating for completed projects in the PPI instead of IEG ICR review ratings should be considered for STAR. The RAF MTR had suggested that sufficient number of terminal evaluations were available for most of the recipient countries. While GEF EO rating indeed replaced the ICR ratings, it is not clear whether it strengthened the PPI index. Due to major gaps in data coverage the utility of GEF EO ratings in STAR for GEF-5 is assessed to have been limited.

31. The APR 2008 TER data (prepared in FY 2009) was used to determine the country specific values for the TER rating based component of PPI. In the given dataset there were 205 listed projects. However, after regional and global projects are excluded from the list 147 projects in 72 countries remained. Furthermore, due to the graduation of

countries that became member of the European Union or had no GEF activity in the preceding five years, several countries became ineligible for GEF grants for the GEF-5 period. When this was taken into account, the number of completed national projects with ratings dropped to 134 and the number countries that were eligible for STAR allocation covered through these projects reduced to 65. Of these 65 countries only 12 had at least four completed national projects.

32. To some extent this weakness will be mitigated for the GEF-6 period because a greater number of terminal evaluation review based outcome ratings are now available. For example, the TER 2012 dataset includes 486 completed projects that have received TER outcome ratings. When global and regional projects, and projects in countries that are no longer eligible for GEF grants or have graduated, are excluded, the number reduces to 314. When the updated data would be taken into account, there would still be no observation for 50 countries and for 32 there would be only one observation (table 2). This underscores the point that despite improvements in the dataset for the GEF-6 period, it would still form a weak basis to provide information of performance of completed projects in the recipient countries and reliance on global portfolio average may have to continue.

Table 2: Availability of GEF EO TER Outcome Ratings for Completed Projects

Country category based on number of terminal evaluation review with outcome ratings (of countries eligible for GEF grants through STAR in GEF-5)	Based on TER 2008 dataset (for GEF-5)	Based on TER 2012 dataset (for GEF-6)
Countries without any TER with outcome rating	80	50
Countries with only one TER with outcome rating	35	32
Countries with two TERs with outcome rating	12	19
Countries with three TERs with outcome rating	5	11
Countries with Four TERs with outcome ratings	6	10
Countries with Five or more TERs with outcome ratings	6	22
Total number of eligible countries	144	144[7]

33. Effect of the PPI on country allocations is marginal. Simulations show that if the allocations were provided after dropping the entire PPI component of the STAR, the change in allocations for various country groups based on the size of STAR allocations (i.e. up to US $7 million; US $ 7 million to 20 million; US $ 20 million to 100 million; and more than US $ 100 million) range from - 1.1 percent to 1.3 percent of the allocation for that respective category.

34. Simulations show that because of its lower weight within GPI and lower variance in scores across countries, inclusion of PPI in the GPI has an effect of increasing the allocations to the country categories with lower PPI ratings. Although CPIA indicator based score and PPI score for countries are positively correlated (0.23[8]), the level of variation among country scores on CPIA indicators is considerably higher than that on PPI score. When PPI is removed from the GPI, the CPIA indicators take the entire value of the GPI and their weight increases from 80 percent (65 percent for CEPIA and 15

[7] The number of eligible countries for GEF-6 might be different than that for GEF-5. The TER 2012 data has been used to give an indication of the TER outcome rating data coverage for likely eligible countries for the GEF-6 period.
[8] The correlation coefficient is 0.39 if the analysis is restricted to countries that have actual observations.

percent for BFI indicator) to 100 percent (81.25 percent CEPIA and 18.75 percent for BFI). This amplifies the effect of the CPIA. On the other hand when PPI is included, it has the effect of moderating the differences across country categories.

FLEXIBILITY FEATURES

Conclusion 3. Removal of the 50 percent rule from RAF to STAR was an unqualified success.

35. Based on the recommendation of RAF MTR greater flexibility was introduced in the STAR design. This included removal of the constraint that only up to 50 percent of the focal area resources might be used up to the mid-point of the replenishment period; scope for usage of country allocations for activities across focal areas based on aggregate allocation size. Both these features have worked well – abolishment of the 50 percent rule more so than the provision for flexibility in use of resources across focal area.

36. If the rule limiting utilization of a country's focal area allocation to only 50 percent was applicable under STAR, countries that utilized more than 50 percent of their allocated resources for a focal area by the end of second year of GEF-5 would not have been able to do so. Consequently, GEF's global utilization rate for the focal areas covered under STAR at the half-period mark (i.e. June 30th 2012) would have fallen from the 48 percent (actual utilization) to 35 percent (simulated utilization using the 50 percent utilization ceiling constraint). Abolishment of the 50 percent rule allowed 67 countries to use more than 50 percent of their allocation for the biodiversity, 37 countries for climate change, and 62 countries for land degradation focal area.

Conclusion 4: A significant proportion of countries that had full flexibility were able to use focal area resources across focal areas. However, countries that had marginal flexibility did not benefit as much because of the low limits set for permissible flexibility.

37. Of the recipient countries, those with allocation up to 7 million dollars had full flexibility in using their STAR allocation across focal areas covered by STAR; countries with allocations from US $7 million to 20 million had flexibility of using up to US $ 0.2 million; those with allocations from US $ 20 million to 100 million could use up to US $ 1 million; and, those with allocations over 100 million could use up to US $ 2 million. The Secretariat was expected to manage the global utilization in such a manner that at the global level at least 90 percent of the allocations for a focal area were used for activities within that focal area. The provision for flexibility was an unqualified success for countries that had full flexibility. It had limited success in countries that had marginal flexibility.

38. Utility of the flexibility for countries with full flexibility (for focal areas under STAR) is borne out by empirical data. Of 63 countries that had full flexibility to use resources across focal areas, 38 countries (60 percent) had used 21 percent of their aggregate focal area allocations across focal areas by the end of the third year of GEF-5

(Table 3). For countries with marginal flexibility, the utilization across focal areas was at a much lower level.

Table 3: Utilization of country focal area allocation for activities in other focal areas

Category	Total number of Countries (Allocation)	Utilized cross-focal resources (utilization)	Recipient focal areas: Number of Countries (utilized through funds from other focal area)		
			Biodiversity	Climate Change	Land Degradation
Countries with Full Flexibility	63 ($334.42 m)	38 ($ 70.84 m)	19 ($ 30.67 m)	11 (20.17 m)	17 ($ 22.00 m)
Countries with Marginal Flexibility	81 ($ 2045.57 m)	15 ($ 2.26m)	5 ($ 1.26 m)	3 ($ 0.33m)	9 ($ 0.67m)
Flexibility: $ 0.2 m Allocation $ 7-20 m	*53 ($ 589.53 m)*	*10 ($ 1.08 m)*	*3 ($ 0.29 m)*	*3 ($ 0.33 m)*	*6 ($ 0.46 m)*
Flexibility: $ 1.0 m Allocation: $ 20-100 m	*24 ($ 861.29 m)*	*5 ($ 1.18 m)*	*2 ($ 0.97 m)*	*0 ($ 0.0 m)*	*3 ($ 0.21 m)*
Flexibility: $ 2.0 m Allocation: > $ 100 m	*4 ($ 589.99 m)*	*0 ($ 0.0 m)*	*0 ($ 0.0 m)*	*0 ($ 0.0 m)*	*0 ($ 0.0 m)*

39. Of the 53 countries that had aggregate STAR allocations in the range of $ 7 m to 20 m, 10 countries (19 percent) used the option to use allocations across focal areas and used about 0.2 percent of their STAR resources across focal areas. Similarly, of the other countries that had marginal flexibility very few made use of the flexibility feature by the end of the third year of GEF-5. While lower levels of utilization of this provision is understandable for countries with higher aggregate allocations, for countries that had aggregate allocations in the range of US $ 7 to 20 million this was primarily because the allowed flexibility of US $ 0.2 million was too low. Lower level of flexibility is one of the factors that has led the countries with aggregate allocation ranging from US $ 7 to 20 million to use their STAR allocations for multi-focal area projects – for the countries that belong to this category, of the total STAR resources used by them in national projects, multi focal national projects accounted for 57 percent of the share compared to 34 percent for the other country categories together.

40. A country with low aggregate allocations may need flexibility to use its allocations across focal areas because its allocation for a given focal area may be too low to allow development of a viable project in that focal area. For countries with larger allocation, after it has programmed most of its allocation for a given focal area, they may be left with residual amounts that are not sufficiently large to allow it to program another viable project in that given focal area. Therefore, the need to pool resources from a focal area with that of another focal area. In both these cases, the level of marginal flexibility should have, therefore, been based on the some notion of the funds required for a full size project (say half the amount of a median full size project). The actual approach adopted for determining flexibility based on aggregate country allocation was quite the opposite. It penalized the countries that had allocations that were slightly over the US $ 7 m threshold. This led to a situation where countries, especially those in US $ 7 million to 20 million range had residual amounts in the focal areas left that they found difficult to use for other activities as the flexibility was limited to US $ 0.2 million.

SET ASIDES

41. Set asides are an important instrument for the GEF to provide resources for activities that required coordinated transboundary actions at regional and global scale. The RAF MTR indicated that the set side for focal areas covered under RAF was low and that this limited GEF's flexibility in directing resources towards activities that need coordinated transboundary action. Set asides were increased significantly under STAR – i.e. from 5 percent under RAF to 20 percent under STAR. This increase was in line with the trend seen across multi-lateral organizations – the African Development Bank and the Asian Development Bank increased the size of their set asides for regional projects due to increased demand. However, the mandate of these organizations is quite different from that of the GEF. Given the GEF's mandate for global environmental benefits it has an even stronger reason for set asides.

42. As was the case with RAF, STAR also adopted a uniform approach to set asides – an equal share of resources for each focal area was set aside. Of the total allocation of US $ 2,975 million for the three focal areas under STAR, US $ 595 million (20 percent) was set aside of which Sustainable Forest Management accounted for US $ 250 million (8.4 percent) and other activities for $ 345 million (11.6 percent). However, the share of the SFM set aside, and the set aside for other activities was different for the three focal areas.

SUSTAINABLE FOREST MANAGEMENT SET ASIDE

Conclusion 5. The Sustainable Forest Management (SFM) set aside has been effective in directing resources to SFM activities. However, overall utilization of the scheme has been moderate due to a slow start in disseminating information and low ceilings.

43. In 2007, the GEF launched a pilot financial incentive scheme promoting country investments in multi-focal area projects with a focus on forests in Amazonia, the Congo and Papua New Guinea/Borneo. During GEF-5 the financial incentive scheme was expanded to cover all the forests of global importance. The $ 250 million set aside for SFM is being operated as an incentive mechanism for recipient countries willing to undertake SFM projects using their STAR allocations for biodiversity, climate change and land degradation focal areas. To access a dollar from the SFM set aside a beneficiary country is required to allocate three dollars from its STAR allocations to a project that addresses SFM related concerns. Individual countries are allowed to invest a maximum of US $ 30 million from their combined allocations for GEF-5, which means that the maximum a country may access through the SFM incentive scheme is US $ 10 million.

44. At the end of the third year of GEF-5 total utilization of the SFM set-aside was US $ 125.6 million (50.2 percent) through 66 projects with activities spread over 79 countries. Of the US $ 662.7 million in GEF funds invested in SFM projects, funds from the GEF Trust Fund accounted for 94 percent whereas the remainder is accounted for by other trust funds such as LDCF, SCCF and NPIF that are managed by the GEF.

45. Countries from Africa and Latin America and Caribbean have been able to utilize a relatively higher percentage of SFM set aside funding than their share in STAR allocations and the STAR resources utilized by them so far. A key achievement has been the utilization of the SFM set aside funding by countries in Europe and Central Asia region, which had not been able to access these incentives during the GEF-4 period. Countries that have total STAR allocation of less than US $ 10 million are accessing relatively more SFM set aside resources. Similarly, LDCs and land locked countries have accessed a relatively higher percentage of SFM resources.

46. Since the GEF-5 period is still under implementation, the utilization figures for the period are not final. However, the GEF resources provided for SFM have already exceeded the amounts provided during the GEF-4 period even when the larger replenishment for the GEF-5 period is taken into account. By the end of the GEF-5 period the funding for SFM projects is likely to be significantly greater than that during the GEF-4 period. Despite these achievements, the overall utilization of SFM resources is highly likely to be lower than the total set-aside envelope of US$ 250 million. Current SMF PIF submissions point to a total commitment in GEF-5 in the range of US$ 150 to 180 million.

47. While it's too early to determine the extent to which the SFM incentive scheme has been effective in generating global environmental benefits, the experience so far does show how an incentive scheme may work in GEF. Considerable effort may be required upfront to bring countries and agencies up to speed as they may require a lot of information before they become familiar with the approach. During the first year of GEF-5 the recipient countries and to some extent key staff of the implementing agencies had little knowledge and understanding of how this incentive scheme is likely to operate. This led to poor utilization during the first year and much of the utilization took place during the second year. It is expected that by the end of GEF-5 the total utilization of the SFM set aside might increase to about 60 to 65 percent.

48. A low ceiling for individual countries at $ 10 million has prevented countries with large STAR allocations from accessing more resources. Application of a ceiling in utilization of funds from the SFM envelope is appropriate as there is a risk that without a ceiling it might lead to a net flow of resources to countries that have higher allocations. However, it also seems that the ceiling has been set on a rather conservative side and there is a case for a slight increase in it. In countries with smaller aggregate allocation, utilization of resources for SFM faced a different barrier. By the time recipient countries and agencies fully understood how resources from SFM may be utilized most countries with smaller allocations had already programmed their STAR allocations. Consequently, they now have little STAR resources left to access funding from the SFM set aside.

OTHER ACTIVITIES

49. Compared to 5 percent (US $ 100 m) of the focal area resources being set aside for other activities under RAF, 11.6 percent (US $ 345 m) was set aside for other activities under STAR. Compared to a utilization rate of 71 percent (US $ 71.3 m) up to the end of the third year of GEF-4 under RAF, the utilization rate was 47 percent (US $

163.2 m) under STAR[9]. In absolute terms the utilization of STAR set aside has increased. However, in percentage terms the utilization levels are much lower than during GEF-4. Thus, resources available from set asides are no more a constraint in terms of programming of regional and global projects from the set asides.

IMPLEMENTATION OF STAR

Conclusion 6. Compared to RAF, implementation of STAR was much smoother. The STAR related communications from the GEF Secretariat – with some exceptions – were clear and timely. The actual calculations of the allocations were in general done correctly – again with some exceptions.

50. In general stakeholders feel that the implementation of STAR was much better than the implementation of RAF. Removal of the rule that countries may use only up to 50 percent utilization, provision for flexibility in usage of allocations across focal areas especially in countries whose allocation was below US $ 7 million, and removal of "group allocations" for countries with smaller allocations, were considered as improvements over the earlier periods.

Table 4: Clarity and timeliness of STAR related communications of GEF Secretariat

Statement: GEF Secretariat's communications on STAR rules and procedures have been timely and clear					
Respondent category	Completely Agree	Generally Agree	Generally Disagree	Completely Disagree	Unable to Assess
OFP & OFP Staff (n=16)	6% (1)	50% (8)	44% (7)	0% (0)	0% (0)
Implementing Agency (n=32)	13% (4)	53% (17)	22% (7)	0% (0)	13% (4)
Executing Agency (n=21)	14% (3)	43% (9)	14% (3)	5% (1)	24% (5)
CSOs (n=14)	29% (4)	29% (4)	29% (4)	0% (0)	14% (2)
All Respondents (n=83)	14% (12)	46% (38)	25% (21)	1% (1)	13% (11)

Source: Online Survey

51. Compared to RAF, where stakeholders had a lot of complaints regarding the communications and guidance from the GEF Secretariat, communications and guidance on issues related to STAR are perceived to have relatively been clear and timely. However, there were some instances where communications from the Secretariat were inconsistent and created confusion. For example, the CEO issued a letter in October 2010 that informed the Operational Focal Points in the countries that PIFs from countries that were undertaking a National Portfolio Formulation Exercise (NPFE) would not be

[9] The set aside utilization under STAR for other activities was US $ 163.2 m (47%) for all three focal areas and US $ 147.4 m (52%) for climate change and biodiversity focal areas – that had been covered under RAF - together.

accepted until they completed their NPFE[10]. This was in contrast with the Council guidance[11] on the matter, and led to some confusion and frustration among the project proponents and GEF agencies. Online survey results show that while a majority felt that the GEF Secretariat's communications related to STAR rules and procedures were timely and clear, a significant proportion of especially Operational Focal Points felt the opposite (see table 4).

52. Some concerns were noted in the approach adopted for making calculations related to STAR. Although the amount of work that went into assembling and updating datasets, preparing scenarios, and calculating allocations was impressive, equal attention has not been paid to the datasets being managed in such a manner that the results are easily replicable. In some instances the data included in the STAR allocation related calculations are difficult to trace to the parent dataset from which they are derived. Some minor mistakes crept in applications of the rules. For countries that did not have any completed national projects the average TER outcome rating for all national, regional and global projects were used. However, this average is lower than the average if only national projects were taken into account, and for other countries only national projects were included. Including global and regional projects in the average rating meant that countries without TERs received slightly lower allocations. Further, the average outcome rating was reduced to the last decimal without rounding off. The two errors together led to an average rating of 4.2 being used as an estimate instead of 4.4.

53. The use of the actual TER outcome rating data for countries that had very few observations, e.g. three or less, made calculations for these countries sensitive to the few observations that were available. The overall impact of this was low as the TER based rating only had a 12 percent weight in the GPI. For countries for which very few observations were available an approach where the actual observations are combined with the portfolio average is more appropriate.

54. The implementation of STAR index requires multiple calculations. Therefore, there is scope for errors when only one team or person is carrying out calculations. Given the importance of STAR related calculations, there is scope for improving the calculation process. There is a case for consideration of an iterative approach that includes independent calculations followed by reconciliation to facilitate identification and rectification of mistakes in calculations.

EFFECTIVENESS OF STAR

UTILIZATION OF RESOURCES UNDER STAR

Conclusion 7: The utilization of STAR resources is in line with expectations and similar to that achieved under RAF in the same time of the replenishment period.

[10] CEO letter to the OFPs from Monique Barbut, CEO of the GEF, October 2010.

[11] Council document GEF/C.38/7, pg 14: "*It will be possible for countries to submit PIF requests to the GEF while the NFPE is being conducted and prior to NPFD finalization*"

55. At the end of June 30th 2013 the utilization of GEF resources for focal areas covered under STAR was US $ 2,046 million (69 percent). The utilization was 74 percent for programming through country allocations, 50 percent for SFM set aside, and 47 percent for other set asides. The overall level of utilization under STAR (table 5) is quite comparable to the utilization under RAF (table 6) at the end of the third year of GEF5 and GEF4, respectively.

Table 5: STAR - Utilization of Resources by the end of the third year (in US $ million up to June 30, 2013)

Focal Area	Country Allocations (Individual)	Set Aside		Total utilization
		SFM	Other activities	
Biodiversity	761.8 (79%)	65.3 (50%)	56.7 (51%)	883.8 (73%)
Climate Change	748.8 (69%)	50.2 (50%)	90.7 (53%)	889.7 (65%)
Land Degradation	246.4 (76%)	10.0 (50%)	15.8 (26%)	272.2 (67%)
Total STAR	**1,757.0 (74%)**	**125.6 (50%)**	**163.1 (47%)**	**2045.7 (69%)**

Table 6: RAF – Utilization of Resources by the end of the third year (in US $ million up to June 30, 2013)

Focal Area	Country Allocations		Set Aside for Other Activities	Total
	Individual country Allocation	Group Allocation		
Biodiversity	572.2 (76%)	111.0 (75%)	34.7 (69%)	717.8 (76%)
Climate Change	513.3 (68%)	54.4 (37%)	36.7 (73.3%)	604.4 (64%)
Total RAF	**1085.5 (72%)**	**165.3 (56%)**	**71.3 (71.3%)**	**1322.2 (70%)**

56. Compared to RAF, the level of cumulative utilization was higher for STAR at the end of the first year and second year. At the end of the third year, however, there was convergence in the level of cumulative utilization. During RAF there was a rapid increase in utilization during the first half of its third year. Such abrupt spikes are not as evident for STAR.

57. The countries that conducted a National Portfolio Formulation Exercise (NPFE) with GEF support had utilized 66 percent of their STAR resources by June 30th 2013. In comparison the utilization was considerably higher at 85 percent for countries that conducted NPFE with their own resources, and 73 percent for countries that did not undertake an NPFE (table 7). There is, however, a difference in characteristics of the countries included in these three NPFE status based categories. For example, compared to other countries, those from Africa and LDCs are more likely to have undertaken NPFEs with GEF support. Therefore, to draw inferences on how NPFE may have affected utilization of STAR resources, comparisons need to be made with the patterns for the GEF-4 period. The comparison shows that for countries where NPFE was conducted during GEF-5 with GEF support, progress of resource utilization has been more or less

similar to that during GEF 4 period. Although at the end of the third year overall utilization was slightly lower than during GEF-4. The countries that conducted NPFE with their own resources showed faster progress in utilization during GEF-5 than during GEF-4, whereas countries that did not undertake NPFEs had comparable progress in GEF-5 than during GEF-4. The NPFE exercise had a slow start in countries that used GEF resources for it. Consequently, it took lot of time in these countries for the utilization to pick up.

Table 7: Utilization of STAR Resources by countries based on NPFE Status (in US $ m up to June 30, 2013)

Focal Area	GEF Funded NPFE	Self-Funded NPFE	No NPFE
Biodiversity	78%	87%	77%
Climate Change	46%	86%	69%
Land Degradation	76%	67%	78%
Total STAR	**66%**	**85%**	**73%**

58. Country circumstances also play an important role in determining level of resource utilization. For example, starting from winter of 2010-11 Egypt, Tunisia, Yemen, Syria and Libya, faced political turmoil. Projects from these countries stalled in the project cycle (especially the pre PIF and pre-Council Approval stages). When conditions in Tunisia, Egypt, and Yemen improved the utilization in these three countries spiked. Whereas utilization has stayed at a standstill in countries such as Syria and Libya where political turmoil has continued to be extant.

EFFECTS OF STAR

Conclusion 8. STAR is perceived to have increased transparency and country ownership, and has helped smaller countries in accessing GEF resources.

59. STAR is generally perceived as having contributed to making GEF operations more relevant to country needs and priorities, has led to greater transparency in GEF operations, and has promoted country ownership of GEF activities including activities that are from focal areas that are not covered under STAR. It is also generally perceived to have made implementing agencies more accountable to countries and has helped in speeding up project preparation through greater control of the countries over the pre-PIF stage of project preparation. Although there is support for the notion that a PBA system such as STAR may not give adequate attention to regional and global projects, half of the respondents disagreed that STAR gives less attention to global environmental benefits.

60. A major effect of STAR (and RAF) has been that it has increased the level of certainty for the small countries on being able to access GEF funds. This increased certainty has encouraged the countries to program GEF resources for activities in their country. Table 9 compares the seven years after adoption of RAF/STAR with the period before it. It clearly shows that although the number of countries that are utilizing GEF grants and the average size of GEF grants has decreased, there has been an increase in the number of countries that received funding for full size projects.

Table 8: Level of agreement with various statements on STAR – stakeholder responses

Statement	Agree	Disagree	Unable to Assess	Number of Responses
STAR has made GEF operations more relevant to country needs and priorities	75%	8%	17%	84
STAR has led to greater transparency in GEF operations	75%	8%	17%	84
STAR has led to greater country ownership of GEF supported activities	75%	13%	12%	83
STAR has made agencies more accountable to countries	68%	18%	14%	84
STAR has helped countries in speeding up project preparation	62%	24%	13%	82
STAR gives less attention to global environmental benefits	31%	50%	19%	80
STAR does not give adequate attention to regional and global projects	43%	32%	25%	83

Table 9: Number of countries that used GEF support for national projects

Country category based on level of activities funded through the GEF Trust Fund	During GEF-2 and GEF-3	During GEF-4 and GEF-5
Countries with at least one GEF activity	155	145
Countries with at least one FSP	104	132
Countries with at least two FSPs	72	94
Countries with at least five FSPs	23	39
Countries with at least ten FSPs	6	16
Average size of FSPs	$ 6.9 m	$ 5.3 m

Conclusion 9: Both RAF and STAR have led to countries having greater control of programming at the pre-PIF stage. Consequently, the aggregate amount requested through PIF submissions is in sync with allocations. This has reduced clogging of the project cycle in the pre-Council approval stages.

61. Another major effect of STAR has been more controlled programming of GEF resources. In the pre-RAF/STAR period incentives for the GEF agencies were structured in such a manner that they submitted proposals that required considerably higher aggregate funding amounts from GEF than could have been supported for the given level of GEF replenishment for those periods. Since there was no policy for rejection of submitted proposals, an increasing number of proposals were stuck in the project cycle in the pre-Council work program stages. Adoption of RAF/STAR has meant that for the focal areas covered, countries are submitting PIFs that request amounts that are linked to their respective allocations, and there is a lower likelihood of submissions clogging the pre-Council work program stages of the project cycle. Analysis of the project cycle related data shows that this indeed is the case.

62. Equitable sharing of GEF resources across countries has the effect of fragmentation of GEF resources among countries with smaller allocations. Earlier fewer

full size projects would get approved for these countries but the size of the projects was comparatively larger. Since smaller size projects (even if they are full size projects) are costlier to implement, has created a barrier for agencies that work on a full cost recovery basis. This, along with lower agency fees, has led to some development banks finding it difficult to implement GEF projects in smaller countries. Consequently, there has been a dramatic drop in the share of the World Bank after GEF-3.

63. Table 10 presents data from online survey on perceptions on effect of STAR on participation of various stakeholders in GEF activities. The respondents included OFPs and OFP staff, GEF agencies, and NGOs/CBOs. Most respondents agree that STAR has indeed increased or slightly increased participation of government agencies. This is also borne out from the data on lead executing agencies of the GEF projects. For the focal areas covered under RAF/STAR share of government departments and agencies in GEF funding increased from 63 percent during GEF-3, to 81 percent in GEF-4, and it accounted for 85 percent in GEF-5 (up to Feb 2013). Much of the increase in share of government departments and agencies as lead executing was at the cost of multilateral institutions. For the focal areas covered under RAF/STAR there share declined from 26 percent in GEF-3, to 10 percent in GEF-4 and 9 percent in GEF-5.

Table 10: Stake holder perceptions on effect of STAR on participation of different stakeholders in GEF activities

Effect of STAR on	Increased or slightly increased	No effect	Decreased or slightly decreased	unable to assess	Number of responses
Participation of National NGOs and CBOs	50%	8%	19%	23%	64
Participation of International NGOs	26%	24%	4%	46%	50
Participation of Government Institutions	63%	6%	11%	20%	64
Participation of Private Sector Organizations	28%	32%	6%	34%	50
Participation of GEF Agencies	52%	8%	16%	24%	50
Participation of Bilateral organizations	22%	20%	6%	52%	50

64. Half of the respondents felt that STAR has led to greater participation of GEF agencies, national NGOs and CBOs, in GEF activities. This is in contrast to the actual data on lead executing agencies which shows that for the focal areas covered by RAF/STAR the share of NGOs and CBOs decreased from 7 percent during GEF-3, to 6 percent in GEF-4 and 2 percent in GEF-5. In terms of number of projects a similar trend was evident: the share of NGOs and CBOs decreased from 12 percent in GEF-3, to 7 percent in GEF-4 and 3 percent in GEF-5. A major constraint for NGOs seems to be that very few of them have capacities to manage resources for a full size project. With implementing agencies not as keen to undertake smaller size projects due to higher implementation costs for such projects. Another reason seems to be that with advent of RAF/STAR, national governments play a key role in determining how their allocation may be programmed. In determining the allocations there are several pulls and pressures at play and NGOs and CBOs may face a barrier in this context.

65. Decline in share of GEF funding as a lead executing agency does not, however, mean that participation of NGOs/CBOs has declined. Table 11 presents an analysis of different roles that NGOs and CBOs play in GEF projects based on a review of project documents. It shows that for the focal areas covered under RAF/STAR the NGOs/CBOs are now more likely to be involved as a secondary executing agency, they are more likely to collaborate in execution. While the likelihood of their contributing co-financing and being beneficiaries of GEF activities has dropped, the decline is not substantial. The review shows that they are likely to be involved in GEF projects in one role or the other in a greater percentage of projects.

Table 11: NGO/CBO participation in GEF projects (GEF-5 data up to Feb 2013)

Roles of the NGO/CBO in GEF projects	GEF-3 (BD & CC) projects	GEF-3 percentage	GEF-4 (RAF) projects	GEF-4 percentage	GEF-5 (STAR) projects	GEF-5 percentage
Lead EA	48	12%	38	7%	9	3%
Secondary EA	10	3%	32	6%	32	11%
Collaboration in execution	240	62%	319	61%	217	73%
Co-financing	110	29%	177	34%	76	26%
Beneficiary	90	23%	90	17%	57	19%
Any of above roles	247	64%	349	67%	222	75%
Projects reviewed	385	100%	519	100%	297	100%

RECOMMENDATIONS

Recommendation 1: Limits for flexible use of focal area allocations for activities should be increased for countries with marginal flexibility.

66. GEF should increase the flexibility limits for countries whose aggregate STAR allocation for GEF-6 would be in the range of US $ 7 million to 20 million. This is likely to facilitate development of viable projects in these countries.

Recommendation 2: The STAR index should be improved through specification of better indicators and updating of data.

67. Several areas for improvement in the design of the STAR have been identified in this working paper. These include relatively greater attention to eco-system level indicators and freshwater species in the Biodiversity GBI index, and rationalization of weights across the proxy indicators in the land degradation GBI index. Use of PPP based indicators is recommended for use in the socio-economic index.

Recommendation 3: The implementation of STAR can be fine-tuned on several aspects, most notably a more thorough calculation of the allocations with sufficient quality control, and improvements in the process for STAR calculation and database management.

68. As noted earlier in this report, several minor mistakes crept in calculations. Fortunately, the effect of these mistakes was not substantial. Nonetheless, it calls attention to establishing processes that minimize chances for such mistakes. Similarly, it was difficult to replicate results of some of the calculations made for STAR because the parent dataset of the processed information used for calculations had not been maintained, e.g. although the values used for calculating the LULUCF index of the Climate Change GBI were available, however, the dataset used to derive the adjustment factor was not maintained/available. There is, therefore, scope for improving the process for STAR calculation through provision for independent calculations and reconciliation, and through managing and maintaining datasets in a better manner.

ISSUES FOR THE FUTURE

69. Several stakeholders have argued for extension of STAR to cover all the focal areas. Of the focal areas that are outside STAR, given the nature of activities undertaken the International Waters focal area is not conducive for inclusion. The share of ODS, which used to be a focal area, has declined and is presently negligible. However, the chemicals focal area may hold some promise. Nonetheless, in addition to identification of acceptable indicators it faces two key constraints. First, the allocation for the focal area is likely to be low and spreading it among all eligible countries would lead to fragmentation. Secondly, if the past trend is an indicator, very few multi-focal area projects include chemicals as one of the addressed concerns. A small envelope at the country level may mean that there would be need for greater flexibility in using the allocation for activities in other focal areas as use in multi-focal projects might not be readily available. This would lower the control that the GEF may have in ensuring that at the global level the resources utilized for chemicals are in sync with the intended global share. Any future discussion on extension of STAR to Chemicals will need to consider these issues.

70. Experience gained from the implementation of SFM shows that it requires considerable time for the GEF partnership, especially project proponents at the national level to fully understand how they may participate in a new program. The discussion on development of new programs should give attention to efforts that would be required to make the GEF partnership aware of the operational rules and procedures of these programs in good time.