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Midterm Evaluation of the System of Transparent Allocation of Resources

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Midterm Evaluation of the System of Transparent Allocation of Resources

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Foreword

At its June 2010 meeting, the Council of the Global Environment Facility (GEF) asked the GEF Evaluation Office to conduct an evaluation of the System for Transparent Allocation of Resources (STAR) for GEF-5 (2010–14) at its midterm. The Midterm Evaluation of the STAR was undertaken to respond to this request. The purpose of the evaluation is to assess the extent to which the STAR is meeting its objectives. The evaluation also provides recommendations for improvements to the GEF's resource allocation approach for the GEF-6 (2014–18) period.

The evaluation process started in September 2012. The data-gathering phase of the evaluation was implemented from February to July 2013. The Council Working Paper on the STAR midterm evaluation was presented to the GEF Council in November 2013. The Council made three decisions based on the information provided in the working paper and management's response to it. The Council's decisions called for increasing country flexibility in using STAR resources across focal areas, specification of better indicators and updating of data, and fine-tuning STAR implementation processes.

The proposals for the STAR for the GEF-6 period reflect several of the recommendations presented in the STAR midterm evaluation. These include proposals to increase flexibility limits, improvements in indicators, data updates, better data management for greater transparency, and adoption of measures to reduce the potential for errors in calculation. Through this report, the Independent Evaluation Office intends to share the detailed lessons from implementation of the STAR with a wider group of stakeholders.

The evaluation was conducted and completed when Rob D. van den Berg was Director of the GEF Independent Evaluation Office. Final responsibility for this report remains firmly with the Office.

Juha I. Uitto
Director, GEF Independent Evaluation Office

Acknowledgments

Neeraj Kumar Negi, Senior Evaluation Officer in the Independent Evaluation Office of the Global Environment Facility (GEF), served as the team leader of the evaluation and wrote this report. Adria Llach Mila, Consultant, carried out the quantitative analysis presented in the report. Other members of the evaluation team include Sandra Romboli, Evaluation Officer; John Frederick Swartzendruber, Joshua Schneck, and Jae Kyun Kim, Consultants; and Shanna Edberg, Junior Professional Associate.

The assessment of the design of the focal area GEF Benefit Indexes was carried out by three different expert panels, whose members included Brian J. Huntley and Jeffrey A. McNeely (biodiversity), Ralph E. H. Sims and Christine Woerlen (climate change), and Michael Stocking and Douglas Taylor (land degradation). Peer feedback on the reports prepared by the expert panels was provided by Patricia Balvanera, Mark J. Costello, Melodie Alyce McGeoch, and Brian William van Wilgen (biodiversity); Neeraj Kumar Negi and Steve Thorne (climate change); and Christine Fürst and Anna Tengberg (land degradation).

The GEF Independent Evaluation Office appreciates the time and input provided by various GEF stakeholders including the GEF Secretariat, the GEF operational focal points, the GEF Agencies, the GEF Scientific and Technical Advisory Panel, civil society organizations, and independent experts during the course of this evaluation.

Abbreviations

CBO	community-based organization
CEO	Chief Executive Officer
CEPIA	Country Environmental Policy and Institutional Assessment
CPIA	Country Policy and Institutional Assessment
CSO	civil society organization
GDP	gross domestic product
GEF	Global Environment Facility
ICR	implementation completion report
IDA	International Development Association
LDC	least developed country
LULUCF	land use, land use change, and forestry
MTR	midterm review
NGO	nongovernmental organization
NPFE	National Portfolio Formulation Exercise
PBA	performance-based allocation
PIF	project identification form
PIR	project implementation report
PMIS	Project Management Information System
PPI	Portfolio Performance Indicator
PPP	purchasing power parity
RAF	Resource Allocation Framework
SFM	sustainable forest management
SIDS	small island developing states
STAR	System for Transparent Allocation of Resources
TER	terminal evaluation report

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

1. Background, Key Findings, and Recommendations

1.1 Background

The policy recommendations of the third replenishment of the Global Environment Facility (GEF) 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 (GEF 2002).

In September 2005, the 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 (GEF 2005)

for the GEF-4 (2006–10) replenishment period.

The midterm review (MTR) of the Resource Allocation Framework (RAF), conducted by the GEF Evaluation Office in 2009, noted several concerns related to the RAF's design and implementation. It found the RAF provided limited incentives for improved performance; the ceiling on the level of resource utilization by the midterm of GEF-5 (2010–14) resulted in lower levels of resource utilization; unclear guidelines limited access of group allocation countries to GEF resources; rules for the RAF's implementation were complex and did not encourage flexibility and dynamism; and, although the RAF increased country ownership in countries with individual allocations, it had negligible or negative effects on ownership in countries with group allocations (GEF EO 2009).

The RAF MTR recommended the reallocation of unused funds during the last year of GEF-4; implementation of the RAF during the 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 (GEF EO 2009). Other than the recommendation on simplification of the implementation rules, the Council adopted all of the evaluation's recommendations. The Council decided not to adopt the recommendation on simplification as it felt any change at that late stage in GEF-4 would not have been practical.

The preliminary proposals for the revised RAF, now renamed the System for Transparent Allocation of Resources (STAR), were presented at the Council's meeting in June 2009. At its November meeting later that year, the Council reviewed the revised proposals and decided to extend the STAR to the land degradation focal area and adopt new design features that provided greater flexibility in utilization of allocated resources (GEF 2009a). At its June 2010 meeting, the GEF Council reviewed

the document on operational procedures for the STAR (GEF 2010b) and approved the procedures described in the document (GEF 2010c). The document also included a provision for the GEF Evaluation Office to conduct a midterm evaluation of the STAR after two years of implementation.

The total commitment 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.[1] The availability of higher levels of resources for the GEF-5 period led to an increase in the aggregate allocations for focal areas and to average country allocations under the STAR. Implementation of the STAR began in July 2010.

The STAR midterm evaluation was undertaken in response to the Council's request. The evaluation assesses the STAR's design, its implementation, the extent to which it has met its objectives, and areas for further improvement. The key questions of the evaluation are as follows:

- To what extent does the design of the STAR facilitate the allocation and utilization of scarce GEF resources to enhance global environmental benefits?
- To what extent does the STAR promote transparency and predictability in the allocation of GEF resources and strengthen country-driven approaches?
- To what extent does the STAR provide flexibility in the allocation and utilization of GEF resources?
- To what extent has the STAR's implementation process been effective?
- To what extent has the RAF MTR been followed up on in the STAR through relevant Council decisions and general lessons learned?

The evaluation drew on 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 indexes by expert panels; portfolio reviews and statistical modeling to assess the STAR's effect on resource flows and utilization patterns; interviews of key stakeholders to gather information on their perspectives on STAR design and implementation; and an online survey of the perspectives of a wider set of stakeholders on STAR design and implementation.

The evaluation, along with management's response (annex D) to the evaluation, was presented to the GEF Council at its November 2013 meeting.

1.2 Key Findings and Conclusions

STAR DESIGN

GEF Benefits Index

CONCLUSION 1: **STAR indexes are scientifically and technically valid, although minor fine-tuning needs to take place.**

Overall 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. In the 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 several areas exist in which there is scope for improvement, the suggested improvements are incremental in nature and do not require a complete redesign.

[1] Both totals include the unspent amount from earlier replenishment periods. Actual materialization of the GEF-5 commitments has been lower than $4.34 billion. Nonetheless, the available amount for programming is still higher than that for GEF-4.

As was the case under the RAF, country allocations under the STAR are determined primarily by a given country's potential for generating global environmental benefits, although the GEF Benefits Index 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 the GEF Benefits Index, it ends up playing a much greater role in determining allocations across countries. Given the GEF's overall mandate, this focus is appropriate.

The **GEF Benefits Index for Biodiversity** is assessed as being conceptually simple and based on scientific evidence. The index gives a lot of weight to species-level data. However, GEF investments in this focal area are primarily directed at ecosystem-scale interventions, indicating a minor disconnect between GEF priorities and weights in the GEF Benefits Index.

Data richness (i.e., data availability) is uneven across GEF recipient countries. Thus, countries that might have rich biodiversity but poor documentation receive lower allocations.

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 marine biodiversity–related national projects are focused in onshore or near-shore activities. Further, the GEF provides support to areas beyond national jurisdictions through set-asides for regional and global projects.

The scientific and technical validity of the GEF Benefits Index for Biodiversity could be improved and strengthened by giving greater attention to ecosystem functions and freshwater species. Although measures of ecosystem services and quantification of the value of biodiversity and ecosystem services are difficult to determine, this area needs to be explored further. Finer scale measures than those that have been used in the STAR are available for at least some dimensions of species distribution. Wherever possible, incorporation of finer scale data will help strengthen the biodiversity Benefits Index. Inclusion of only fish species data for the index's marine component 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.

The **GEF Benefits Index for Climate Change** consists of two components. The first component, which accounts for 95 percent of the index's weight, is based on countries' emissions of greenhouse gases in tons of carbon dioxide–equivalent in the year 2007 multiplied by an adjustment factor which rewards countries that show a decrease in the amount of carbon dioxide emissions relative to gross domestic product (GDP), or "carbon intensity." The adjustment factor is expressed as a country's carbon intensity in 1990 divided by its carbon intensity in 2007. The second component, which accounts for 5 percent of the index's weight, uses forest cover as a proxy for land use, land use change, and forestry (LULUCF) –related climate change mitigation benefits potential. It incentivizes increase in forest cover between 1990 and 2000.

Since 95 percent of the GEF Benefits Index for Climate Change is accounted for by the emissions-related factor, despite the adjustment factor, the index leads to high allocations in countries with high greenhouse gas emissions. However, it is also true that the potential of climate change mitigation is greater in such countries, which makes concentrating resources in them more cost-effective for 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 leading to increased carbon emissions.

The indicators used for determination of global environmental benefits potential are linked with

the overall objective of the GEF-5 strategies for climate change mitigation. Linkages with each of the climate change mitigation strategies pursued in GEF-5 is not as clear. Strengthening linkages with the climate change mitigation focal area strategies may remain a challenge, as increasing linkages also increases the risk of making the index too complicated. Nonetheless, the STAR index may be further improved by strengthening the adjustment factor to provide greater allocation to countries with a good record of reducing their greenhouse gas emissions in recent years.

With regard to the **GEF Benefits Index for Land Degradation**, the index's 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)—are appropriate. However, 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 GEF (2013b), which consolidates all Council decisions regarding the STAR, 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 the core interests of the United Nations Convention to Combat Desertification and directly reflects each country's opportunity regarding dry lands, the 60 percent weight accorded is too high. Given the high weight, countries with a larger 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.

GDP-Based Index

CONCLUSION 2: **The market exchange rate–based GDP indicator was effective in directing additional resources to least developed countries. Nonetheless, use of a purchasing power parity–based indicator would have been more appropriate for capturing socioeconomic conditions in recipient countries.**

Simulations show that inclusion of the market exchange rate–based GDP indicator has led to some changes in allocations. On average, allocations to the least developed countries (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, small island developing states (SIDS)—where per capita income tends to be higher—experienced a marginal decline of 0.6 percent.

There seems to be a consensus among scholars that compared to a market exchange rate–based GDP per capita, GDP per capita based on purchasing power parity (PPP) is better at capturing socioeconomic conditions and facilitating comparisons across countries. PPP-based GDP per capita is less volatile than the market exchange rate and is based on a comparison of production of similar goods and services across countries (Deaton and Heston 2010; Ravallion 2010; Vachris and Thomas 1999). 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 the extent to which their standards of living are understated. This limits the effectiveness of the market exchange rate–based GDP per capita indicator in capturing country socioeconomic conditions. PPP measures are often used as a basis for comparing incidence of poverty across countries.

GEF Performance Index

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

The inclusion of CPIA indicators in the GEF Performance Index is in line with a trend across multilateral institutions to harmonize their performance-based allocation (PBA) systems through use of these indicators from the International Development Association (IDA). Specifically, the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the International Fund for Agricultural Development, and the Inter-American Development Bank use CPIA indicators or indicators harmonized with those. This harmonization is intended to reduce the burden on recipient countries, in line with the Paris Declaration on Aid Effectiveness, and to reduce costs. (See annex C for details on Agencies' allocation frameworks.)

In the STAR GEF Performance Index, two subcomponents of the CPIA have been used: the Country Environmental Policy and Institutional Assessment (CEPIA) Indicator, which has a weight of 65 percent in the Performance Index; and the Broad Framework Indicator, which has a weight of 15 percent. Given that GEF activities relate more to environmental concerns, greater weight to the CEPIA is appropriate. There is no scientific reason for the CEPIA to be weighted at 65 percent rather than 50 or 70 percent, but this weight was arrived at after deliberation, which provides it with wider acceptance. Nonetheless, it may be difficult to establish an empirical link between the CEPIA and Broad Framework Indicator and the policy and institutional changes these indicators are aimed at rewarding and incentivizing.

The PPI of the STAR GEF Performance Index has an aggregate weight of 20 percent. Twelve percent of this is accounted for by the GEF Evaluation Office's outcome ratings based on terminal evaluation reports (TERs) and 8 percent by the project implementation report (PIR) ratings for progress of projects under implementation. In comparison, in the formula for the RAF, a 10 percent weight had been provided for the PPI: 5 percent each for the GEF PIR-based rating and the World Bank's Independent Evaluation Group's implementation completion report (ICR) review ratings for completed projects in recipient countries.

The retention of PIR ratings for projects under implementation poses a major challenge. The intent in using the indicator is to measure implementation progress. Therefore, it is more a reflection of the performance of Implementing Agencies 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 necessary to incentivize country performance. Most importantly, it may create disincentives for candid reporting through PIRs.

The RAF MTR suggested the GEF Evaluation Office's TER-based outcome ratings for completed projects should be used in the PPI instead of the World Bank's Independent Evaluation Group's ICR review ratings, noting that a sufficient number of terminal evaluations was available for most of the recipient countries. While the GEF Evaluation Office ratings have indeed replaced the ICR ratings, it is not clear whether this has actually strengthened the PPI. Due to major gaps in data coverage, the utility of GEF Evaluation Office ratings in the STAR for GEF-5 is assessed to have been limited.

The Annual Performance Report 2008 TER data (prepared in fiscal year 2009) were used to determine the country-specific values for the TER rating–based component of the PPI. In the

given data set, there were 205 listed projects. After regional and global projects were excluded, 147 projects in 72 countries remained. Due to the graduation of countries that became members 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 of countries eligible for STAR allocations covered through these projects dropped to 65. Of these 65 countries, only 12 had at least four completed national projects.

To some extent, this weakness will be mitigated for the GEF-6 (2014–18) period because a greater number of TER-based outcome ratings are now available. Several problems will continue to persist. For example, for a majority of recipient countries, reliance on the global portfolio average may have to continue.

The 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 (up to $7 million, $7–$20 million, $20–$100 million, and more than $100 million) ranges from 1.1 percent to 1.3 percent of the allocation for the respective category.

Simulations also show that, because of lower variance in country PPI scores, inclusion of the PPI in the GEF Performance Index has an effect of increasing allocations to the country categories with lower PPI ratings. Although the CPIA indicator–based score and the PPI score for countries are positively correlated (0.23[2]), the level of variation among country scores on the CPIA indicators is considerably higher than that for the PPI scores. When the PPI is removed from the GEF Performance Index, the CPIA indicators take the entire value of the GEF Performance Index. On the other hand, when the PPI is included, it has the effect of moderating differences across country categories.

Flexibility Features

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

Based on the recommendation of the RAF MTR, the STAR design included features that provided greater flexibility. These included removal of the constraint that only up to 50 percent of focal area resources might be used by the midpoint of the replenishment period and scope for use of country allocations for activities across focal areas based on aggregate allocation size.

If the rule limiting utilization of a country's focal area allocation to only 50 percent had been applicable under the STAR, countries that utilized more than 50 percent of their allocated resources for a focal area by the end of the second year of GEF-5 would not have been able to do so. Consequently, the GEF's global utilization rate for the focal areas covered under the STAR at the halfway mark (June 30, 2012) would have fallen from 48 percent (actual utilization) to 35 percent (simulated utilization using the 50 percent utilization ceiling constraint).

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

Of the recipient countries, those with allocations of up to $7 million had full flexibility in using their STAR allocations across focal areas covered by the STAR; countries with allocations from $7 million to $20 million had flexibility in using up to $0.2 million; those with allocations from $20 million to $100 million could use up to $1 million; and

[2] The correlation coefficient is 0.39 if the analysis is restricted to countries that have actual observations.

those with allocations over $100 million could use up to $2 million. The provision for flexibility was an unqualified success for countries that had full flexibility. It had limited success in countries with marginal flexibility.

The utility of flexibility for countries with full flexibility (for focal areas under the STAR) is borne out by empirical data. Of the 63 countries that had full flexibility to use resources across focal areas, 38 (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. For countries with marginal flexibility, utilization across focal areas was at a much lower level.

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

The approach adopted for determining flexibility penalized countries that had allocations slightly over the $7 million threshold. This led to a situation where countries—especially those in the $7–$20 million range—had residual amounts left in the focal areas that they found difficult to use for other activities.

Set-Asides

Set-asides are an important instrument for the GEF to provide resources for activities that require coordinated transboundary actions at regional and global scales. The RAF MTR indicated that the set-aside for focal areas covered under the RAF was low and that this limited the GEF's flexibility in directing resources toward activities that need coordinated transboundary action. Set-asides were increased significantly under the STAR—from 5 percent under the RAF to 20 percent under the STAR.

As with the RAF, the STAR adopted a uniform approach to set-asides—an equal share of resources for each focal area was set aside. 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 set-aside, sustainable forest management (SFM) accounted for $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 differed for the three focal areas.

CONCLUSION 5: **The 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.**

In 2007, the GEF launched a pilot financial incentive scheme promoting country investments in multifocal 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 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 $30 million from their combined allocations for GEF-5, which means that the maximum a country may access through the SFM incentive scheme is $10 million.

At the end of the third year of GEF-5, total utilization of the SFM set-aside was $125.6 million (50.2 percent) in 66 projects with activities spread over 79 countries. Of the $662.7 million in GEF funds invested in SFM projects, funds from the GEF Trust Fund accounted for 94 percent; the remainder is accounted for by other GEF-managed trust funds such as the Least Developed Countries Fund, the Special Climate Change Fund, and the Nagoya Protocol Implementation Fund.

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

Since the GEF-5 period is still under implementation as of this writing, the utilization figures for the period are not final. However, the GEF resources provided for SFM have already exceeded the amounts provided during GEF-4, even when the larger replenishment for GEF-5 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 GEF-4. Despite these achievements, overall utilization of SFM resources is likely to be lower than the total set-aside envelope of $250 million. Current SFM project identification form (PIF) submissions point to a total commitment in GEF-5 in the range of $150–$180 million.

While it is 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 the GEF. Considerable effort may be required up front 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 GEF Agencies—had little knowledge and understanding of how this incentive scheme was 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, total utilization of the SFM set-aside might increase to about 60–65 percent.

A $10 million ceiling for individual countries prevented countries with large STAR allocations from accessing more resources. The 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 with higher allocations. It also seems that the ceiling has been set rather conservatively, and there is a case for increasing it somewhat.

In countries with smaller aggregate allocations, utilization of resources for SFM faced a different barrier. By the time recipient countries and agencies fully understood how SFM resources might 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.

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

under the RAF, the utilization rate was 47 percent ($163.2 million) under the STAR.[3] In absolute terms, utilization of STAR set-asides has increased. In percentage terms, utilization levels are much lower than during GEF-4. Thus, resources available through set-asides for regional and global projects are sufficient.

STAR IMPLEMENTATION

CONCLUSION 6: **Compared to the RAF, implementation of the STAR was much smoother. Compared to communications in GEF-4 for the RAF, STAR-related communications from the GEF Secretariat—with some exceptions—were clear and timely. Actual calculations of allocations were, in general, carried out correctly with some exceptions.**

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

Compared to the RAF, where stakeholders had many complaints regarding communications and guidance from the GEF Secretariat, communications and guidance on issues related to the STAR are perceived to have been relatively clear and timely. There were some instances when communications from the Secretariat were inconsistent and created confusion. For example, the GEF Chief Executive Officer (CEO) issued a letter in October 2010 that informed the operational focal points that PIFs from countries that were undertaking a National Portfolio Formulation Exercise (NPFE) would not be accepted until they completed their NPFE. This was in contrast with Council guidance on the matter,[4] and led to some confusion and frustration among project proponents and GEF Agencies.

Some concerns were noted in the approach adopted for making calculations related to the STAR. Although the amount of work that went into assembling and updating data sets, preparing scenarios, and calculating allocations was impressive, equal attention has not been paid to managing the data sets so results are easily replicable. Some minor mistakes crept into application 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 was used. Since the average rating for regional and global projects is lower than that for national projects, when the average for a composite portfolio is used to fill in missing values for portfolios of national projects, it introduces a downward bias. Including global and regional projects in the average rating meant that countries without TERs received slightly lower allocations. Furthermore, the average outcome rating was reduced to the last decimal without rounding. The two errors together led to an average rating of 4.2 being used as an estimate instead of 4.4.

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 GEF Performance Index. For countries for which very few observations were available, an

[3] The set-aside utilization under the STAR for other activities was $163.2 million (47 percent) for all three focal areas and $147.4 million (52 percent) in total for the climate change and biodiversity focal areas, which had been covered under the RAF.

[4] "It will be possible for countries to submit PIF requests to the GEF while the NPFE is being conducted and prior to NPFD [National Portfolio Formulation Document] finalization" (GEF 2010d, 14).

approach that combines actual observations with the portfolio average is more appropriate.

The implementation of the STAR index requires multiple calculations. Therefore, there is scope for error when only one team or person carries out the calculations. Given the importance of STAR-related calculations, there is room for improving the calculation process. A case can be made for an iterative approach that includes independent calculations followed by reconciliation to facilitate identification and rectification of mistakes.

STAR EFFECTIVENESS

CONCLUSION 7: **Actual utilization of STAR resources so far is in line with expectations and similar to that achieved under the RAF at the same point in the replenishment period.**

As of June 30, 2013, the utilization of GEF resources for focal areas covered under the STAR was $2.05 billion. The utilization was 74 percent for programming through country allocations, 50 percent for the SFM set-aside, and 47 percent for other set-asides. Compared to the RAF, the level of cumulative utilization under the STAR was higher 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.

The countries that conducted an NPFE with GEF support had utilized 66 percent of their STAR resources by June 30, 2013. In comparison, the utilization was considerably higher—at 85 percent—for countries that conducted an NPFE with their own resources, and 73 percent for countries that did not undertake an NPFE. There is, however, a difference in characteristics of the countries included in these three NPFE status–based categories, which makes it difficult to draw overarching conclusions on the effect of the NPFE on resource utilization patterns.

The comparisons do show that for countries where an NPFE was conducted during GEF-5 with GEF support, progress of resource utilization at the end of the third year was lower than that during GEF-4. The countries that conducted an NPFE with their own resources showed faster progress in utilization during GEF-5 than during GEF-4, whereas countries that did not undertake an NPFE had comparable progress in GEF-5 and GEF-4. The NPFEs had a slow start in countries that used GEF resources for it. Consequently, it took a long time in these countries for utilization to pick up.

Country circumstances play an important role in determining level of resource utilization. For example, beginning from the winter of 2010–11, the Arab Republic of Egypt, Libya, the Syrian Arab Republic, Tunisia, and the Republic of Yemen faced political turmoil. Projects from these countries stalled in the project cycle (especially the pre-PIF and pre–Council approval stages). When conditions in Egypt, Tunisia, and the Republic of Yemen improved, utilization in the three countries spiked. In contrast, utilization remained at a standstill in countries such as Libya and Syria where political turmoil has continued.

STAR EFFECTS

CONCLUSION 8: **The STAR is perceived to have increased transparency and country ownership and has helped smaller countries in accessing GEF resources.**

The STAR is generally perceived as having contributed toward making GEF operations more relevant to country needs and priorities; having led to greater transparency in GEF operations; and having promoted country ownership of GEF activities, including activities in focal areas not covered under the STAR. It is also generally perceived to have made the GEF Agencies more accountable to countries and has helped speed project preparation through countries' greater control over the pre-PIF stage.

A major effect of the STAR (and the RAF) has been an increased level of certainty for small

countries in being able to access GEF funds. This increased certainty has encouraged countries to program GEF resources for activities in their countries. In comparing utilization patterns during GEF-2 (1999–2002) and GEF-3 (2003–06) with GEF-4 and GEF-5, there has been a decrease in the number of countries utilizing GEF grants (from 155 to 145) and in the average size of GEF grants (from $6.9 million to $5.3 million). However, there has been an increase in the number of countries that have received funding for full-size projects (from 104 to 132 countries).

CONCLUSION 9: **Both the RAF and the 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.**

Another major effect of the 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 the GEF than could have been supported for the given level of the GEF replenishment for those periods. Since there was no policy for controlling submissions or for rejection of submitted proposals, an increasing number of proposals were stuck in the project cycle in the pre–Council work program stages. The adoption of the 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 less likelihood of submissions clogging the pre–Council work program stages of the project cycle. Analysis of project cycle–related data shows that this is indeed the case.

Equitable sharing of GEF resources across countries has the effect of fragmenting GEF resources among countries with smaller allocations. Earlier on, fewer full-size projects would get approved for these countries, but the size of the projects was comparatively larger. Since smaller projects (even if they are full-size projects) are costlier to implement, this 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 World Bank's share in the GEF project portfolio after GEF-3.

The majority (63 percent) of the respondents to the online survey—which was administered to operational focal points, GEF Agencies, national agencies, and civil society organizations (CSOs) including nongovernmental organizations (NGOs) and community-based organizations (CBOs)—agreed that the STAR has indeed increased, or at least slightly increased, the participation of government agencies. This finding is borne out by data on the lead executing agencies of GEF projects. For the focal areas covered under the RAF/STAR, the share of government departments and entities receiving GEF funding as executing agencies increased from 63 percent in GEF-3 to 81 percent in GEF-4; their share was 85 percent in GEF-5 (up to February 2013). Much of this increase was at the cost of multilateral institutions. For the focal areas covered under the RAF/STAR, the share for multilateral institutions acting as executing agencies declined from 26 percent in GEF-3, to 10 percent in GEF-4, and 9 percent in GEF-5.

Exactly half of the respondents felt that the STAR has led to greater participation by national NGOs and CBOs as lead executing agencies in GEF activities. This perception contrasts with the actual data, which show that for the focal areas covered by the RAF/STAR, the share of NGOs and CBOs acting as lead executing agencies 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 acting as lead executing agencies was 12 percent in GEF-3, 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 the capacities to manage resources for full-size projects. With GEF Agencies not as eager to undertake smaller size projects due to their higher implementation costs, opportunities for NGO participation may have been reduced. Also, with the advent of the RAF/STAR, national governments play a key role in determining how their allocations may be programmed. In determining the allocations, several pressures come into play, and NGOs and CBOs may face a barrier in this context.

The decline in the share of GEF funding for projects with an NGO/CBO as a lead executing agency does not, however, mean that NGO/CBO participation has declined. Data show that NGOs/CBOs are now more likely to be involved as a secondary executing agency (from 3 percent of projects in GEF-3 to 11 percent in GEF-5), and are more likely to collaborate in execution (from 62 percent of projects in GEF-3 to 73 percent in GEF-5). While the likelihood of their contributing cofinancing and being beneficiaries of GEF activities has dropped, the decline is not substantial.

1.3 Recommendations

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

The GEF should increase the flexibility limits for countries whose aggregate STAR allocation for GEF-6 would be in the range of $7–$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.**

Several areas for improvement in the design of the STAR have been identified in this document. These include relatively greater attention to ecosystem-level indicators and freshwater species in the biodiversity GEF Benefits Index and rationalization of the weights across the proxy indicators in the land degradation GEF Benefits Index. Use of PPP-based indicators is recommended for use in the socioeconomic index.

RECOMMENDATION 3: **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.**

As noted earlier, several minor mistakes crept into the calculations related to the STAR index-based scores. Fortunately, the effects of these mistakes were not substantial. Nonetheless, their existence calls attention to the need to establish processes that minimize the chances for such mistakes. Similarly, it was difficult to replicate the results of some of the calculations made for the STAR because the parent data set of the processed information used for calculations had not been maintained. Although the values used for calculating the LULUCF index of the climate change GEF Benefits Index were available, the data set used to derive the adjustment factor was not maintained or available. There is thus scope for improving the process of STAR calculations through provisions for independent calculations and reconciliation and through better managing and maintaining data sets.

1.4 Issues for the Future

Several stakeholders have argued for the extension of the STAR to cover all GEF focal areas. Of the focal areas that are outside the STAR, the international waters focal area is not conducive for inclusion, given the nature of activities undertaken. Activities regarding ozone-depleting substances, which used to be a focal area, have declined and are presently negligible. The chemicals focal area

may hold some promise. However, in addition to the identification of acceptable indicators, it faces two key constraints. First, the allocation for the chemicals focal area is likely to be low, and spreading it among all eligible countries would lead to fragmentation. Second, if the past trend is an indicator, very few multifocal area projects include chemicals as one of the addressed concerns. A small envelope at the country level might mean a need for greater flexibility in using the allocation for activities in other focal areas, as use in multifocal projects might not be readily available. This situation would lessen the control the GEF might 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 the extension of the STAR to chemicals will need to consider these issues.

Experience gained from implementation of the SFM set-aside 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. Discussion on the development of new programs should address the efforts that would be required to make the GEF partnership aware of the operational rules and procedures of these programs in a timely manner.

2. Key Questions and Methodology

2.1 Key Questions

The evaluation assessed the performance of the STAR in meeting main key objectives and assessed its performance using the RAF as a benchmark. The evaluation also appraised the extent to which Council decisions based on RAF MTR experiences have been addressed in the STAR. The key questions of the evaluation are as follows:

- To what extent does the design of the STAR facilitate the allocation and utilization of scarce GEF resources to enhance global environmental benefits?
- To what extent does the STAR promote transparency and predictability in the allocation of GEF resources and strengthen country-driven approaches?
- To what extent does the STAR provide flexibility in the allocation and utilization of GEF resources?
- To what extent has the STAR's implementation process been effective?
- To what extent has the RAF MTR been followed up on in the STAR through relevant Council decisions and general lessons learned?

TO WHAT EXTENT DOES THE DESIGN OF THE STAR FACILITATE THE ALLOCATION AND UTILIZATION OF SCARCE GEF RESOURCES TO ENHANCE GLOBAL ENVIRONMENTAL BENEFITS?

The midterm evaluation assessed the STAR's design features. The design of the STAR was compared with that of resource allocation frameworks used by other multilateral organizations. The evaluation assessed the quality of the design based on the relative importance given to benefits potential, past performance, socioeconomic factors, and the technical merits of these within the framework of the composite index used for determining the unadjusted share in country allocations. It assessed the merits of other design features such as floors, ceilings, and set-asides. More details on the methodology regarding STAR design are provided in chapter 3.

TO WHAT EXTENT DOES THE STAR PROMOTE TRANSPARENCY AND PREDICTABILITY IN THE ALLOCATION OF GEF RESOURCES AND STRENGTHEN COUNTRY-DRIVEN APPROACHES?

The GEF moved toward a resource allocation framework to promote country-driven approaches, bring about greater transparency in the allocation of scarce resources, and provide greater

predictability for recipient countries and other stakeholders within the GEF partnership. The evaluation assessed the extent to which the STAR has been delivering on these fronts. More specifically, it assessed the extent to which the implementation of the STAR is perceived to be transparent, the STAR has led to increased predictability in the resources received by recipient countries, and the STAR has led to greater country ownership and promoted country-driven approaches. For more on these topics, see chapter 4.

TO WHAT EXTENT DOES THE STAR PROVIDE FLEXIBILITY IN THE ALLOCATION AND UTILIZATION OF GEF RESOURCES?

The RAF MTR identified lack of flexibility as one of the key weaknesses of the RAF. In response to this critique, several design features and procedures were included in the STAR to enhance its level of flexibility. The evaluation assessed the extent to which these new features have been effective at enhancing the level of flexibility. More details on the methodology regarding STAR allocation and utilization are provided in chapter 5.

TO WHAT EXTENT HAS THE STAR'S IMPLEMENTATION PROCESS BEEN EFFECTIVE?

The RAF MTR noted several weaknesses in the RAF implementation process, including weaknesses related to communications from the GEF Secretariat and constraints faced by the countries in programming their allocations. The evaluation assessed the manner in which the STAR has been implemented, including aspects of information dissemination and the role that complementary initiatives such as NPFEs have played in facilitating implementation. For more on these topics, see chapter 6.

TO WHAT EXTENT HAS THE RAF MTR BEEN FOLLOWED UP ON IN THE STAR THROUGH RELEVANT COUNCIL DECISIONS AND GENERAL LESSONS LEARNED?

The Council decisions based on the RAF MTR were to be addressed in STAR design, procedures, and implementation. The evaluation tracked the extent to which these decisions are reflected in the design and implementation of the STAR.

2.2 Methods and Tools

The evaluation drew on a variety of methods and tools to respond to the key questions of the STAR midterm evaluation; these include the following:

- Desk review of relevant documents
- Assessment of the appropriateness, adequacy, and scientific validity of the GEF Benefit Indexes by expert panels and peer reviewers
- Portfolio review and statistical modeling to assess the STAR's effect on resource flows and on the GEF portfolio
- Interview of key stakeholders to gain information on their perspectives on STAR design and implementation
- Survey of perspectives of a wider set of stakeholders on STAR design and implementation

DOCUMENT REVIEW

The document review covered relevant Council documents on the STAR and the GEF project cycle, including Assembly documents, the RAF MTR report (GEF EO 2009), various versions of the STAR proposals and comments received from stakeholders on these proposals, Secretariat circulars on STAR implementation, and country

portfolio evaluations undertaken in GEF-5. Evaluations and publications from other multilateral organizations that focused on their resource allocation frameworks were also reviewed to facilitate an assessment of trends in the design of these frameworks and to draw from the experiences of other organizations.

PANEL REVIEW OF INDEXES FOR RESOURCE ALLOCATION

Three expert panels—one per focal area covered by the STAR—were constituted to assess the technical and scientific merits of the resource allocation indexes. Each of the panels had two experts, who were identified through consultations with the GEF's Scientific and Technical Advisory Panel. The reports prepared by these panels were peer reviewed by independent experts. Both the reports prepared by the panels and the feedback on these reports by the peer reviewers were taken into account in assessing the quality of the indexes for estimation of global environmental benefits. The assessment of the effects of the GDP-based index and the GEF Performance Index was primarily based on simulations.

PORTFOLIO ANALYSIS AND STATISTICAL MODELING

A detailed analysis was undertaken to provide information on the resource flow patterns during GEF-5 for different country groups, focal areas, sets of activities, agencies, and involvement of CSOs. The Project Management Information System (PMIS) database was the main source of information for these analyses. Simulations based on statistical modeling were undertaken to assess the effect of the STAR. Comparisons were made assuming a non-STAR scenario (RAF indexes, e.g.) and making minor changes to the STAR indexes. The evaluation also independently carried out the STAR calculations to replicate the results achieved by the Secretariat so that errors in calculation might be discovered.

INTERVIEWS WITH STAKEHOLDERS

Key stakeholders—including relevant staff at the Secretariat and the Agencies, GEF operational focal points, private sector organizations, and members of the GEF NGO Network—were interviewed (see annex B) to better understand their perspectives on the STAR. The focus of the interviews was on gathering information on both STAR design and implementation. Most of the interviews with the national-level stakeholders, including in-country Agency staff, were conducted during country visits to Cambodia, Colombia, Democratic Republic of Congo, Republic of Congo, Georgia, Indonesia, Jordan, Maldives, Mexico, Mozambique, Nepal, Nicaragua, the Philippines, Swaziland, Thailand, and Turkey. The Secretariat staff were interviewed to learn more about the implementation of the STAR and the NPFEs. The Agency staff based at their headquarters were interviewed in face-to-face meetings or via telephone. Interviews were conducted from May to July 2014.

ONLINE SURVEY

A targeted online survey was administered to GEF stakeholders that included operational focal points, Agency staff at the national level, agencies executing GEF projects, and CSOs. The survey was administered as part of a larger survey effort that also covered issues related to the project cycle, NPFEs, and cofinancing. The survey was administered from June to July 2013. In all, 84 respondents participated in the survey. However, not all respondents answered all questions. The STAR-relevant questions of the survey are presented in annex A of this report.

2.3 Limitations and Challenges

Much of the analysis on the STAR's effects on actual and projected allocations is based on information contained in the GEF PMIS. Any errors in the data downloaded from the PMIS are likely to be reflected in the analysis. Distinguishing the effects of the framework design from those due to efficiency and effectiveness of implementation is challenging. Reporting on some issues, such as influence on country ownership and transparency, is based primarily on synthesis of stakeholder perceptions.

2.4 Stakeholder Consultations

The evaluation took in stakeholder feedback, including from the GEF Secretariat, GEF Agencies, and the Scientific and Technical Advisory Panel, at critical junctures. The GEF Independent Evaluation Office shared the draft of the approach paper with stakeholders and addressed their inputs in finalizing it. Both the final approach paper and the audit trail of how the feedback received from the stakeholders was addressed in finalization of the approach are available on the GEF Independent Evaluation Office website.

2.5 Duration of the Evaluation

The evaluation process started in September 2012 with preliminary work to prepare an approach paper. The data-gathering phase was implemented from February to July 2013. The draft of the Council working paper based on the evaluation was shared within the GEF partnership to solicit feedback. The technical papers that formed the basis of the evidence, findings, and conclusions presented in the Council working paper were published online to make this information available to GEF stakeholders. The Council working paper on the STAR midterm evaluation was presented to the Council at its November 2013 meeting.

3. STAR Design

The assessment of STAR design was undertaken to determine the extent to which the STAR's design facilitates allocation and utilization of scarce GEF resources to enhance global environmental benefits and the extent to which the design is flexible and addresses weaknesses noted in the RAF MTR. The evaluation assessed the scientific and technical validity of the STAR's GEF Benefits Indexes, the rationale for choosing the specified indicators, and the trade-offs that have been made in designing the indexes. The evaluation assessed the manner and extent to which the Performance Index actually influences resource flows and creates incentives for improved performance. It also addressed the extent to which the GDP-based index is technically sound and a good proxy for socioeconomic conditions. The assessment also took stock of the interactions among the various STAR subindexes, and determined the drivers of the allocations. It assessed the effectiveness of design features such as set-asides, floors, and ceilings that determine a country's share.

The RAF MTR identified the lack of flexibility as one of the RAF's key weaknesses. In response to the critique, two major design features and procedures were included in the STAR. These were to drop the 50 percent rule, which limited the level of a country's utilization for a focal area to 50 percent of its focal area allocation; and inclusion of a provision to use a country's focal area allocation for activities in other focal areas. The evaluation assessed the extent to which these additions have been effective.

The evaluation found the following:

- The STAR's design has addressed most of the weaknesses of the RAF's design.
- As was the case under the RAF, country allocations under the STAR continue to be driven by the GEF Benefits Indexes, which is appropriate given the GEF mandate.
- The STAR indexes are scientifically and technically valid, although there is scope for improvement.
- The market exchange rate–based GDP indicator is effective in directing additional resources to LDCs. Nonetheless, use of a PPP-based indicator is more appropriate for capturing socioeconomic conditions and for comparisons across recipient countries.
- Removal of the 50 percent rule increased the level of utilization under the STAR at its midpoint for several countries. The countries that had full flexibility to STAR resources across STAR focal areas greatly benefited from it. However, more countries could have benefited, as the adopted approach was fairly conservative.
- Incentive schemes may be effective in directing resources from country allocations to specific GEF priorities.

3.1 Characteristics of STAR Design

Under the STAR, the procedure to determine a country's allocation for a focal area involves the following steps:

1. Calculate the **country's score** for a given focal area using a composite formula (box 3.1) that combines a focal area–specific GEF Benefits Index, a GEF Performance Index, and a GDP-based index.[1]
2. 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 a STAR allocation for that focal area.
3. 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.
4. Determine the **adjusted allocation** for the country after the application of ceilings and floors.

Compared to the RAF, where a benefits index and a performance index had been used to calculate the country score, the STAR uses, in addition to these indexes, a GDP-based index with a preference for countries with lower per capita income as part of the composite index. The Benefits Indexes and the Performance Index under the STAR differ from those used under the RAF in terms of the weights and indicators used for composing them. While the STAR's approach to calculating a country's share and preliminary allocation is identical to that used by the RAF, the floors and ceilings have changed; there was also a slight shift in the relative share of the climate change and biodiversity focal areas.

[1] GEF (2013b) provides details on calculation of these indexes.

BOX 3.1 The GEF STAR PBA Formula

The GEF Benefits Index is calculated separately for the three focal areas under the STAR: biodiversity, climate change, and land degradation. CEPIA factor is Criterion #11, "Policies and Institutions for Environmental Sustainability," of the World Bank's CPIA indicators. $CPIA_D$ is a simple average of the five criteria comprising cluster D (Public Sector Management and Institutions) of the CPIA indicators. Portfolio factor is a weighted average of a country's GEF portfolio ratings of projects under implementation between 2005 and 2008 (for GEF-5). For a more detailed description of how these indexes are calculated, see GEF (2013b).

The RAF MTR found that the utilization of GEF resources among group allocation countries was lower than among countries with individual allocations. It also found that while the RAF had increased country ownership in individual allocation countries, it had negligible or negative effects in countries with a group allocation. In response to these findings, group allocations were eliminated in the STAR's design—all eligible countries now have a separate allocation.

A major criticism of the RAF was that it provided limited flexibility on how and when allocations may be utilized within the replenishment period. The STAR's design introduced greater flexibility by removing the rule that restricted utilization of a country's focal area allocation to 50 percent at the end of the second year and by allowing the use of allocations across focal areas.

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

3.2 Methodology

A variety of methodological approaches were used to gather information to assess STAR design. The methods and tools used included desk review of relevant documents, review of the three GEF Benefit Indexes by expert panels, and statistical analysis and simulations.

Three expert panels—one for each focal area covered under the STAR—were constituted to assess the technical and scientific merits of the respective focal area GEF Benefits Index. Each panel had two experts, who were identified in consultations with the GEF's Scientific and Technical Advisory Panel. Other independent experts or evaluators reviewed the reports prepared by the expert panels. The findings and conclusions on the quality of the respective GEF Benefits Index reflect the opinions of the expert panels and independent reviewers. The evaluation's core team conducted the review of the GEF Performance Index and the GDP Index.

Simulations were carried out to assess the effects of STAR indexes, floors and ceilings, and flexibility features. Comparisons were made assuming a non-STAR scenario and by manipulating formulas and conducting simulations.

3.3 Findings

THE STAR COMPARED TO OTHER INDEXES

The World Bank's IDA fund pioneered the use of a PBA system beginning in 1977. Within the past 10 years or so, several major multilateral development institutions have adopted a PBA system. Table 3.1 provides a list of these organizations, along with key system attributes. While the GEF is unique in its focus on achieving global environmental benefits, all of the institutions employing a PBA system have addressed, in one way or another, a set of core issues. These include the choice of indexes to measure needs and performance and relative weights, setting aside funds, frequency of allocations, use of floors and/or ceilings, and use of measures to limit volatility and ensure predictability of funding.

Table 3.2 presents the current resource allocation formulas used by the seven institutions/funds covered. The formulas tend to be similar with respect to the choice of indexes used to measure needs and performance, their algebraic form, and assigned weights and exponents. In particular, nearly all of the funds now employ some portion of IDA's CPIA indicators. This consistency largely reflects both a desire to reduce the burden on recipient countries, in line with the Paris Declaration on Aid Effectiveness, and an assessment that the marginal gains realized by undertaking customized country assessments are not worth the considerable time and expense involved (ADB 2004; CDB 2007; IDB 2012).

A review of the CPIA by the World Bank's Independent Evaluation Group found its content to be broadly reflective of the determinants of growth and poverty reduction in the economics literature. However, the review also found that it is difficult to establish an empirical link between the CPIA and economic growth outcomes, but that CPIA ratings tend to be positively associated with aid effectiveness and the performance of Bank loans (IEG 2009). The review found little evidence to justify any particular weighting of the four clusters to arrive at an overall CPIA rating.

The Caribbean Development Bank includes a measure of country vulnerability in its PBA system, reflecting risks that hurricanes, flooding, and other natural disasters pose to Caribbean nations. The Caribbean Development Bank also uses a logarithmic transformation of the population variable, which has the effect of moderating the overall influence of a large population size. Similarly, the International Fund for Agricultural Development adjusted its PBA system in 2008 to include a measure of rural population, reflecting the Agency's focus on rural poverty.

TABLE 3.1 **Multilateral Development Institutions/Funds Using a PBA System**

Institution/fund	Funding instruments and objectives	Eligible countries (as of 2013)	Date of system operational effectiveness	Avg. annual disbursement (million $)[a]	Allocation through PBA system (%)
GEF/GEF Trust Fund	Grants covering incremental costs of measures to achieve global environmental benefits	144	2006	1,050	57 (GEF-5)
African Development Bank/African Development Fund	Concessional loans and grants to promote sustainable development and reduce poverty in least developed African countries	41	1999	2,089	67 (ADF-12)
Asian Development Bank/Asian Development Fund	Concessional loans and grants to reduce poverty among the poorest Asian and Pacific region countries	28	2001	2,629	80 (ADF-X)
Caribbean Development Bank/Special Development Fund	Concessional loans and grants to reduce poverty among Caribbean nations	18	2001	98	70 (SDF-7)
International Fund for Agricultural Development	Concessional and nonconcessional loans and grants to improve food and nutrition security and alleviate poverty among rural poor	115 (97 with ongoing programs)	2005	352	100 (IFAD-8)
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[b]	6	2002	248	100 (2011–12)
World Bank/IDA	Concessional loans and grants to reduce poverty within the poorest developing countries	82	1977	16,433 (IDA16)	84 (IDA15)

a. Average annual disbursements calculated as total replenishment resources divided by number of years in the replenishment cycle.
b. A program providing grants to Haiti, financed from income of the Fund for Special Operations, was established in 2007. These resources are not allocated through the fund's PBA system.

All of the funds considered include a measure of country or household income, with the negative exponent on these factors signifying that as country income rises, overall scores for "needs" will be proportionally lower. The GEF's adoption of a GDP-based indicator in its PBA system is consistent with practices in other organizations.

The overall balance between needs and performance is determined in part by the exponential weight given to these two clusters of factors and the observed relative variance in the measurements. Other factors remaining the same, the larger the value of the exponent, the greater the weight given to that cluster. Similarly, the greater the variance in observed values—in a multiplicative formula—the more weight that component will carry in practice.

All of the funds considered give relatively more weight to performance than to needs and potential. The balance between performance and needs indicated by the PBA formulas is moderated by the use of ceilings, floors, and set-asides; these are employed by all the multilateral funding institutions.

The Inter-American Development Bank is unique among funders in that it allocates a portion of its funding resources using an additive rather than multiplicative PBA formula. Instead

TABLE 3.2 **Formulas Used by Multilateral Development Institutions/Funds to Determine Allocation Share**

Institution/fund	Needs factors		Performance factors
GEF/GEF Trust Fund	$GBI^{0.8} * \left(\frac{GDP}{capita}\right)^{-0.04}$	×	$(0.65CEPIA + 0.15CPIA_D + 0.2Portfolio)$
African Development Bank/African Development Fund	$Population^{1} * \left(\frac{GNI}{capita}\right)^{-0.125}$	×	$(0.26CPIA_{A-C} + 0.58CPIA_D + 0.16Portfolio)^4$
Asian Development Bank/Asian Development Fund	$Population^{0.6} * \left(\frac{GNI}{capita}\right)^{-0.25}$	×	$[(ADB\_CPIA_{A-C})^{0.7} * (ADB\_CPIA_D) * Portfolio^{0.3}]^2$
Caribbean Development Bank/Special Development Fund	$LogPop. * \left(\frac{GNI}{capita}\right)^{-0.9} * Vulnerability^2$	×	$(0.7D + CDB\_CPIA + 0.3Portfolio)^2$
International Fund for Agricultural Development	$Rural\_Population^{0.45} * \left(\frac{GNI}{capita}\right)^{-0.25}$	×	$(0.2CPIA + 0.35Portfolio + 0.45RuralCPIA)^2$
Inter-American Development Bank/ Fund for Special Operations	$Population^{0.5} * \left(\frac{GNI}{capita}\right)^{-0.25}$	×	$(0.3Portfolio + 0.7CIPE)^2$
	$0.22FUND * \left(\frac{Population}{\sum Population}\right) + 0.133Fund * \left[\frac{\left(\frac{GNI}{capita}\right)^{-1}}{\sum\left(\frac{GNI}{capita}\right)^{-1}}\right]$	+	$(0.6FUND) * \left[\frac{0.7CIPE + 0.3Portfolio}{\sum(0.7CIPE + 0.3Portfolio)}\right]$
World Bank/IDA	$Population^{1} * \left(\frac{GNI}{capita}\right)^{-0.125}$	×	$(0.24CPIA_{A-C} + 0.68CPIA_D + 0.08Portfolio)^5$

NOTE: *African Development Bank (AfDB) allocation formula:* CPIAA-C is a simple average of a country's CPIA ratings in clusters A (Macroeconomic Management), B (Structural Policies), and C (Policies for Social Inclusion/Equity). The AfDB Portfolio factor is based on percentage of actual "problem" projects in a country's active AfDB portfolio using quarterly data. *Asian Development Bank (ADB) allocation formula:* ADB_CPIAA-C is the ADB's assessment of a country's economic management, structural policies, and policies for social inclusion and equity. ADB_CPIAA-C is constructed using IDA's questionnaire and guidelines for CPIA clusters A–C, but assessed through an independent ADB rating process. Similarly, ADB_CPIAD uses IDA's CPIA questionnaire and guidelines for Cluster D to arrive at ADB's independent rating of governance. ADB's Portfolio factor is based on the percentage of actual "problem" projects in a country's active Asian Development Fund portfolio, and adjusted to reflect the relative age of a country's portfolio to all other IDA portfolios, similar to IDA. *Caribbean Development Bank (CDB) allocation formula:* Vulnerability factor (VUL) is based on CDB's Vulnerability Index, which combines vulnerability to natural disasters with vulnerability to economic shocks. CDB_CPIA uses CPIA criteria, data, and questionnaire, but is weighted according to CDB priorities. CDB's Portfolio factor is a loan size–weighted average that considers the performance of all active projects in a country's Special Development Fund portfolio except technical assistance projects (which tend to be smaller in size). *International Fund for Agricultural Development (IFAD) allocation formula:* Rural_Population is a measure of rural population based on World Bank World Development Indicator data. CPIA is a simple average of World Bank CPIA scores in clusters A–D. Rural CPIA is IFAD's rating of country performance on policies and institutions for rural development. IFAD's Portfolio factor is based on the percentage of projects at risk (actual and potential) in a country's active IFAD portfolio. *Inter-American Development Bank (IDB) allocation formulas:* CIPE is IDB's Country Institutional and Policy Evaluation assessment indicator, which was harmonized with the World Bank's CPIA in 2010. Fund is the resources available through the Fund for Special Operations. Portfolio is a measure of portfolio performance, based on the percentage of undisbursed funds represented by projects classified as "problem" or "on alert." *World Bank IDA allocation formula:* CPIAA-C is a simple average of a country's CPIA ratings in clusters A, B and C; and $CPIA_D$ is the rating of CPIA cluster D. Portfolio is a measure of portfolio performance based on the percentage of actual at-risk projects in each country averaged over four quarters and adjusted for the average age of the portfolio. For each year that a country's portfolio is younger than the average age, the percentage of projects at risk is increased by 5 percent.

of a single pot of funds allocated according to a single composite score, there are separate funding pots assigned to individual variables. A country's total allocation is the sum of its separate allocations from each pot. The advantage of this type of system is its simplicity: stakeholders can clearly see how changes in factors lead to higher or lower allocation of funds. The trade-off is that additive formulas are less responsive to changes in one variable or another, and so are less affected by changes in performance. Further, they give less attention to the criticality of both performance- and need-related variables.

GEF BENEFITS INDEX

The three focal areas covered by the STAR have separate indexes to calculate the benefits potential of a country for the given focal area. Overall, indexes were assessed to be scientifically and technically valid. The indicators for biodiversity and climate change are directly linked with global environmental benefits pursued by the GEF. In the 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. There are several areas where there is scope for improvement. Nonetheless, the suggested improvements are incremental in nature and do not require a complete revision.

As was the case under the RAF, country allocations under the STAR are determined primarily by a given country's potential for generating global environmental benefits. Although the GEF Benefits Index component has an exponential weight of 0.8 compared to 1.0 for performance, due to the multiplicative structure of the index and larger variations in the observed values on the GEF Benefits Index indicators than on GEF Performance Index indicators, the former has more influence on country allocations.

In light of the overall mandate of the GEF, it is appropriate that country allocations are driven by the GEF Benefits Index. This is in line with trends in other multilateral organizations to align their PBA system more closely with their mandate. For example, the Caribbean Development Bank and the International Fund for Agricultural Development recently updated their PBA systems to include indicators that are more effective in capturing their allocation priorities and mandates (CDB 2011; IFAD 2011).

Biodiversity GEF Benefits Index

The biodiversity GEF Benefits Index has two components: terrestrial biodiversity (with a weight of 75 percent) and marine biodiversity (with a weight of 25 percent). The terrestrial score of a country is determined through several steps. First, all components of distinct terrestrial ecoregions within a country (country-ecoregion components) are identified. Then, each country-ecoregion component is scored using four characteristics—represented species (55 percent weight), threatened species (20 percent weight), ecoregion representation (15 percent weight), and threatened ecoregions (10 percent weight). The composite score for each terrestrial country-ecoregion component is calculated using a weighted average of the four characteristics' scores. The scores for all the components are added to calculate the GEF Benefits Index score for a country.

The marine score of a country is based solely on represented fish species. Each species has a uniform credit of 1. This credit is distributed across countries proportional to the estimated habitat within the respective country. The marine score for a country is calculated by adding up the credits from all of the fish species located in the territorial waters of the country.

The GEF Benefits Index for Biodiversity is assessed as being conceptually simple and based on scientific evidence. The index gives a lot of weight to species-level data. However, GEF investments in

this focal area are primarily directed at ecosystem-scale interventions, indicating a minor disconnect between GEF priorities and weights in the GEF Benefits Index.

Data richness (i.e., data availability) is uneven across GEF recipient countries. Thus, countries that might have rich biodiversity but poor documentation receive lower allocations. For example, Angola—widely regarded to be among the countries that have rich biodiversity—is assessed to have received a lower allocation due to poor documentation of its biodiversity.

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 marine biodiversity–related national projects are focused in onshore or near-shore activities. Further, the GEF provides support to areas beyond national jurisdictions through set-asides for regional and global projects.

The scientific and technical validity of the GEF Benefits Index for Biodiversity could be improved and strengthened by giving greater attention to ecosystem functions and freshwater species. Although measures of ecosystem services and quantification of the value of biodiversity and ecosystem services are difficult to determine, this area needs to be explored further. Finer scale measures than those that have been used in the STAR are available for at least some dimensions of species distribution.[2] Wherever possible, incorporation of finer scale data will help strengthen the biodiversity benefits index. Inclusion of only fish species data for the index's marine component 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.

[2] See GEF EO (2013) for more details.

Climate Change GEF Benefits Index

The GEF Benefits Index for Climate Change consists of two components. The first component, which accounts for 95 percent of the index's weight, is based on countries' emissions of greenhouse gases in tons of carbon dioxide–equivalent in the year 2007 multiplied by an adjustment factor which rewards countries that show a decrease in the amount of carbon dioxide emissions relative to GDP, or "carbon intensity." The adjustment factor is expressed as a country's carbon intensity in 1990 divided by its carbon intensity in 2007. The second component, which accounts for 5 percent of the index's 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.

Since 95 percent of the GEF Benefits Index for Climate Change is accounted for by the emissions-related factor, despite the adjustment factor, the index leads to high allocations in countries with high greenhouse gas emissions. However, it is also true that the potential of climate change mitigation is greater in such countries, which makes concentrating resources in them more cost-effective for 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 leading to increased carbon emissions.

The indicators used for determination of global environmental benefits potential are linked with the overall objective of the GEF-5 strategies for climate change mitigation. Linkages 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 index too complicated. Nonetheless, the STAR index may be further improved by strengthening the adjustment factor to provide greater allocation to countries with a good record of reducing their greenhouse gas emissions in recent years.

Land Degradation GEF Benefits Index

Of the three focal areas, the GEF Benefits Index for Land Degradation is probably the simplest. 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, validity may be verified in statistical terms based on results that these indicators provide.

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 GEF (2013b), which consolidates all Council decisions regarding the STAR, 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 the core interests of the United Nations Convention to Combat Desertification and directly reflects each country's opportunity regarding dry lands, the 60 percent weight accorded is too high. Given the high weight, countries with a larger 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. Given the high weight, countries with a larger proportion of dry land 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 especially semi-arid zones bring the lowest returns because of the limited options for sustainable land management and because the degradation processes are naturally far greater than in humid areas. Comparing similar-size African countries, one comprising almost entirely dry land adjacent to another with a high percentage of humid degraded forest yet with 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 global environmental benefits.

More than the other factors, the choice of the weight accorded to the indicator on the proportion of dry land seems to have been driven by precedent. The allocation share derived using the land degradation GEF Benefits Index formulas closely follows the respective shares of countries in different regions during GEF-3, especially for Africa. During GEF-4, when the land degradation focal area was not covered under the STAR, the share of African countries was nearly two-thirds of the total utilization for the focal area. Thus, when compared to actual utilization during GEF-4, the land degradation GEF Benefits Index for GEF-5 has the effect of allocating resources more evenly across regions.

GDP-BASED INDEX

During the STAR ad hoc committee meeting in March 2009 in Paris and the GEF replenishment meeting in June 2009 in Washington, D.C., several participants requested the inclusion of a socioeconomic 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, –0.04 was chosen as the exponent for this indicator based on simulations. For this exponent

value, plugging in the values of countries' GDP per capita for the year 2008, there is a premium for countries that had an annual GDP per capita of less than $3,000. The premium is considerably higher for countries whose per capita GDP is much below $3,000. However, the premium decreases as GDP per capita (current prices) approaches $3,000. For countries with a GDP per capita higher than $3,000, this leads to lower than business-as-usual allocations. Simulations show that inclusion of this indicator has led to some changes in allocations. On average, allocations to countries classified as LDCs or heavily indebted poor countries increased by 5 percent due to inclusion of the GDP index. These shifts were primarily on account of "other countries" and SIDS (table 3.3).

GDP per capita based on PPP is better at capturing socioeconomic conditions than market exchange rate–based GDP per capita, as it is less volatile than the market exchange rate and is based on a comparison of the production of similar goods and services across countries. Although there are several limitations in the PPP-based approach in comparing living standards, there is sufficient agreement among scholars that, compared to an exchange rate–based approach, a PPP-based approach provides a proper basis for comparing per capita real output and welfare across countries (Deaton and Heston 2010; Vachris and Thomas 1999). In general, exchange rate–based GDP understates the standards of living in developing countries; and, based on country-specific circumstances, there are wide variations across countries in terms of the extent to which their standards of living are understated. This limits the effectiveness of the market exchange rate–based GDP per capita indicator in capturing socioeconomic conditions in countries for comparison. PPP measures are often used as a basis for comparing incidence of poverty across countries. Also, the commonly used one- and two-dollar per day poverty thresholds are based on PPP estimates.

Presently, the single most important source of information on PPP data is the International Comparison Program, a global statistical partnership to collect price and expenditure data across countries to estimate the PPPs of the world's economies (Deaton and Heston 2010; Ravallion 2010).[3] PPP data sourced from the International Comparison Program are presented in the Penn World Table, the World Bank's World Development Indicators, Eurostat, and the Organisation for Economic Co-operation and Development's data sets.

Deaton (2013), in discussing price comparisons across countries in *The Great Escape*, highlights some of the problems with PPP. He points out that economies differ on several aspects such as quality

[3] More information on the International Comparison Program is available at http://icp.worldbank.org/.

TABLE 3.3 **Effect of GDP-Based Index on STAR Country Allocations (percentages)**

Country grouping	Share in actual STAR allocations	Simulated share without GDP-based index	Net change in share due to GDP-based index	% change in share due to GDP-based index
Fragile	9.3	8.9	0.4	4.0
LDC	18.1	17.2	0.9	5.1
SIDS	9.9	9.9	–0.1	–0.6
Landlocked	12.5	12.2	0.3	2.3
HIPC	16.4	15.6	0.8	5.0
Other[a]	63.5	64.4	–0.9	–1.3

SOURCE: PMIS.
NOTE: HIPC = heavily indebted poor country.
a."Other" comprises those countries that have not been classified as any of the preceding categories.

and availability of goods and services. Further, there are significant differences in the preferences of people in different countries; these lead to different baskets of goods and services even when the same goods are available and are of identical quality. However, despite these weaknesses in PPP measurement, Deaton concludes that to "compare living standards across the world, or calculate global poverty or inequality, PPP exchange rates are always the right ones to use" (Deaton 2013).

Despite the strong case for PPP-based per capita GDP as an indicator for capturing the socioeconomic conditions of recipient countries, it has not yet been used in the allocation frameworks of multilateral organizations, where exchange rate–based per capita GDP is used instead. Most of the PBA systems seem to follow the precedent set by the IDA allocation system, wherein the exchange rate–based GDP indicator has been used. The rationale for its use in the IDA system is that IDA recipient countries tend to be poor, and the differences across the recipient countries, in terms of the relative ratios of their PPP- and exchange rate–based per capita GDP, are small. Thus, for IDA, it is simpler to use exchange rate–based GDP for allocation, as the data for these are more readily available. However, recipients of GEF grants include not only IDA recipients, but middle-income countries as well. Consequently, the ratios of PPP- and exchange rate–based per capita GDP for GEF grant recipient countries show much greater variance. Use of PPP-based per capita GDP as an indicator for socioeconomic conditions may be more appropriate in the GEF's case.

In practical terms, the use of a PPP-based per capita GDP indicator would not have substantially affected allocations for GEF-5 (compared to use of the exchange rate–based GDP index). The reason for this is that the weight of the indicator is too small to lead to major shifts in allocation. Simulations undertaken for this evaluation show that a shift to a PPP-based indicator would have led to a slightly higher gross allocation in SIDS and countries in Latin America. Most SIDS—whose gross allocations were below the floor—would not have gained even with a shift to PPP because their eventual allocations were already higher due to the application of floors. In the future, if the weight for the indicator on the socioeconomic and public welfare–related index is increased, the case for PPP would become stronger.

GEF PERFORMANCE INDEX

The Performance Index used during GEF-4 was revised taking into account the recommendations made by the RAF MTR. The aggregate weight for the GEF Performance Index component, based on two indicators from the World Bank's CPIA, was decreased from 90 percent to 80 percent. The weight of the GEF PPI increased from 10 percent to 20 percent. The exponent for the index remained at 1.

In the STAR GEF Performance Index, two subcomponents of the CPIA have been used: the CEPIA Indicator, which has a weight of 65 percent in the Performance Index; and the Broad Framework Indicator, which has a weight of 15 percent. Given that GEF activities relate more to environmental concerns, greater weight to the CEPIA is appropriate. There is no scientific reason for the CEPIA to be weighted at 65 percent rather than 50 or 70 percent, but this weight was arrived at after deliberation, which provides it with wider acceptance. Nonetheless, it may be difficult to establish an empirical link between the CEPIA and Broad Framework Indicator and the policy and institutional changes these indicators are aimed at rewarding and incentivizing. Simulations show that the inclusion of CPIA indicators affects allocations to country categories such as LDC, fragile, and heavily indebted poor countries where scores on CPIA indicators tend to be lower.

The PPI of the STAR GEF Performance Index has an aggregate weight of 20 percent. Twelve percent of this is accounted for by the GEF Evaluation

Office's TER-based outcome ratings and 8 percent by the PIR ratings for progress of projects under implementation. In comparison, in the formula for the RAF, a 10 percent weight had been provided for the PPI: 5 percent each for the GEF PIR-based rating and the World Bank's Independent Evaluation Group's ICR review ratings for completed projects in recipient countries.

The retention of PIR ratings for projects under implementation poses a major challenge. The intent in using the indicator is to measure implementation progress. Therefore, it is more a reflection of the performance of GEF Agencies 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 necessary to incentivize country performance. Most importantly, it may create disincentives for candid reporting through PIRs.

The RAF MTR suggested the GEF Evaluation Office's TER-based outcome ratings for completed projects should be used in the PPI instead of the World Bank's Independent Evaluation Group's ICR review ratings, noting that a sufficient number of terminal evaluations was available for most of the recipient countries. While the GEF Evaluation Office ratings have indeed replaced the ICR ratings, it is not clear whether this has actually strengthened the PPI. Due to major gaps in data coverage, the utility of GEF Evaluation Office ratings in the STAR for GEF-5 is assessed to have been limited.

The Annual Performance Report 2008 TER data (prepared in fiscal year 2009) were used to determine the country-specific values for the TER rating–based component of the PPI. In the given data set, there were 205 listed projects. After regional and global projects were excluded, 147 projects in 72 countries remained. Due to the graduation of countries that became members 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 of countries eligible for STAR allocations covered through these projects dropped to 65. Of these 65 countries, only 12 had at least four completed national projects.

To some extent, this weakness will be mitigated for the GEF-6 period because a greater number of TER-based outcome ratings are now available. For example, the TER 2012 data set 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 that have graduated are excluded, the number drops to 314. When the updated data are taken into account, there would still be no observations for 50 countries; for 32 countries, there would be only one observation (table 3.4). Thus, despite improvements in the data set for GEF-6, it would still be a weak basis to provide information on performance of completed projects in the recipient countries, and reliance on global portfolio averages may need to continue. This said, the countries that account for the bulk of GEF funding tend to be well covered.

The 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 (up to $7 million, $7–$20 million, $20–$100 million, and more than $100 million) ranges from 1.1 percent to 1.3 percent of the allocation for the respective category—although the change in the allocations of individual countries may range from 6 percent to 12 percent.

Simulations show that, because of its lower weight within the GEF Performance Index and lower variance across countries, the effect of the PPI is lower than that of the CPIA-based indicators. Simulations also show that, because of lower variance in country PPI scores, inclusion of the

TABLE 3.4 **Availability of GEF Independent Evaluation Office TER Outcome Ratings for Completed Projects**

Country category	Based on TER 2008 data set (for GEF-5)	Based on TER 2012 data set (for GEF-6)
Countries without any TER with outcome ratings	80	50
Countries with only 1 TER with outcome ratings	35	32
Countries with 2 TERs with outcome ratings	12	19
Countries with 3 TERs with outcome ratings	5	11
Countries with 4 TERs with outcome ratings	6	10
Countries with 5 or more TERs with outcome ratings	6	22
Total number of eligible countries	144	144[a]

a. The number of countries eligible for GEF grants through the STAR for GEF-6 might be different than that for GEF-5. The TER 2012 data have been used to give an indication of the TER outcome ratings data coverage for likely eligible countries for the GEF-6 period.

PPI in the GEF Performance Index has an effect of increasing allocations to the country categories with lower PPI ratings. Although the CPIA indicator–based score and the PPI score for countries are positively correlated (0.23[4]), the level of variation among country scores on the CPIA indicators is considerably higher than that for the PPI scores. When the PPI is removed from the GEF Performance Index, the CPIA indicators take the entire value of the GEF Performance Index and the weight increases from 80 percent (65 percent for the CEPIA and 15 percent for the Broad Framework Indicator) to 100 percent (81.25 percent for the CEPIA and 18.75 percent for the Broad Framework Indicator). This accentuates the effect of the CPIA. On the other hand, when the PPI is included, it has the effect of moderating differences across country categories.

FLOORS AND CEILINGS

Compared to the RAF (GEF-4), the floors and ceilings for country allocations were changed for the STAR (table 3.5). In all, 71 countries had climate change allocations that were equal to the floor (lower bound) of $2 million, 33 countries had allocations for biodiversity, and 7 countries had allocations for land degradation. As discussed earlier, due to a high weight of 60 percent assigned to the proportion of dry land in a country, there is a convergence in the allocations of the countries. As a result, the floor for the land degradation focal area is applicable only in a few instances.

During the interviews conducted for this evaluation, several stakeholders argued against the higher allocations for large economies, which

[4] The correlation coefficient is 0.39 if the analysis is restricted to countries that have actual observations.

TABLE 3.5 **Floors and Ceilings in the RAF and the STAR**

	RAF		STAR		
	Biodiversity	Climate change	Biodiversity	Climate change	Land degradation
Floors	$1.0 million	$1.0 million	$1.5 million	$2.0 million	$0.5 million
Ceilings	10% of total	15% of total	10% of total	11% of total	10% of total

already have relatively greater resources. However, they also felt that the allocations under the STAR were more equitable than those under the RAF. To some extent, this perception may be attributed to the higher level of replenishment for the GEF-5 period. But even when the increased level of replenishment is taken into account, there was an increase in the allocation floors in real terms. In absolute terms, the ceiling remained more or less the same; in percentage terms, it declined for the climate change focal area.

While there is some merit to the argument against greater resources for the larger economies, it is also true that level of overall development in these countries is not yet at a stage where activities supported by the GEF may be considered part of their baselines. The incremental global environmental benefit potential provides a rationale for continued support. Expectations in terms of the level of contributions from the country may be anchored to the ability to mobilize additional resources for GEF-supported activities.

The levels at which the floors were set for the STAR allowed a recipient to undertake at least one full-size project (through the pooling of focal area allocations). This approach seems appropriate. The rationale for setting the ceilings should continue to be based on deliberations across the partnership and the comfort levels of the GEF Council.

FLEXIBILITY

Based on the recommendation of the RAF MTR, the STAR design included features that provided greater flexibility. These included removal of the constraint that only up to 50 percent of focal area resources might be used by the midpoint of the replenishment period and scope for use of country allocations for activities across focal areas based on aggregate allocation size. Both these features have worked well, although the abolishment of the 50 percent rule was more effective than the provision for flexibility in use of resources across focal areas.

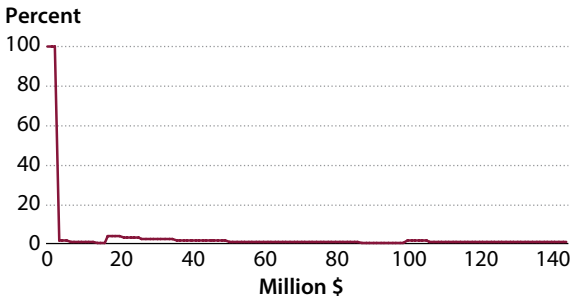
If the rule limiting utilization of a country's focal area allocation to only 50 percent had been applicable under the STAR, countries that utilized more than 50 percent of their allocated resources for a focal area by the end of the second year of GEF-5 would not have been able to do so. Consequently, the GEF's global utilization rate for the focal areas covered under the STAR at the halfway mark (June 30, 2012) would have fallen from 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 biodiversity, 37 countries for climate change, and 62 countries for land degradation.

Of the recipient countries, those with allocations of up to $7 million had full flexibility in using their STAR allocations across focal areas covered by the STAR; countries with allocations from $7 million to $20 million had flexibility in using up to $0.2 million; those with allocations from $20 million to $100 million could use up to $1 million; and those with allocations over $100 million could use up to $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 was used for activities within that area. The provision for flexibility was an unqualified success for countries that had full flexibility. It had limited success in countries with marginal flexibility (figure 3.1).

The utility of flexibility for countries with full flexibility (for focal areas under the STAR) is borne out by empirical data. Of the 63 countries that had full flexibility to use resources across focal areas, 38 (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 3.6). For countries with marginal flexibility, utilization across focal areas was at a much lower level.

The marginal flexibility rule for countries with $7–$20 million in aggregate allocations for GEF-5

FIGURE 3.1 **Flexibility Limit under the STAR as a Percentage of Aggregate Country Allocation**



SOURCE: PMIS.

has resulted in a soft natural experiment, which provides an opportunity to learn more about country response to a lack, or lower levels, of flexibility. Of the 53 countries that had aggregate STAR allocations in the $7–$20 million range, 10 (19 percent) exercised the option to use allocations across focal areas; they used about 0.2 percent of their STAR resources across focal areas by the end of the third year of GEF-5. Thus, countries in this category made much less use of the flexibility-related provision than countries that had allocations in the $4–$7 million range. Similarly, of the other countries with marginal flexibility, very few had made use of the flexibility feature by the end of the third year of GEF-5. While lower levels of utilization of this provision are understandable for countries with higher aggregate allocations, for countries with aggregate allocations in the $7–$20 million range, this low utilization was primarily because the allowed flexibility of $0.2 million was too low. It should be noted that the analysis only takes into account the first three years of the GEF replenishment period. As GEF-5 draws to a close, the percentage of countries with marginal flexibility that exercise the option to use allocations across focal areas will increase.

The lower level of flexibility is one of the factors that has led countries with aggregate allocations ranging from $7 million to $20 million to use their STAR allocations for multifocal area projects. For the countries that belong to this category, multifocal national projects accounted for 57 percent of the total STAR resources used by them in national projects; this is similar to the share for countries that were fully flexible, but considerably higher than that for other flexibility categories (table 3.7). Stakeholder interviews revealed that in countries that had aggregate allocations of $7–$20 million, marginal flexibility was not really effective and led them to prefer multifocal area projects so resources from different focal areas could be pooled to design viable projects.

TABLE 3.6 **Utilization of Country Focal Area Allocation for Activities in Other Focal Areas**

	Total		Utilized cross-focal resources		Recipient focal area activities					
					Biodiversity		Climate change		Land degradation	
Country category	No.	Mil. $	No.	Mil. $	No.	Mil. $	No.	Mil. $	No.	Mil. $
Full flexibility	63	334.4	38	70.8	19	30.7	11	20.2	17	22.0
Marginal flexibility	81	2,045.6	15	2.3	5	1.27	3	0.3	9	0.7
Flexibility: $0.2 m Allocation $7–$20 m	53	589.5	10	1.1	3	0.3	3	0.3	6	0.5
Flexibility: $1.0 m Allocation: $20–$100 m	24	861.3	5	1.2	2	1.0	0	0.0	3	0.2
Flexibility: $2.0 m Allocation: >$100 m	4	590.0	0	0.0	0	0.0	0	0.0	0	0.0

SOURCE: PMIS.

TABLE 3.7 **Use of STAR Resources for Multifocal Projects**

Country category	Resources	
	Mil. $	%
Fully flexible ($4–$7 m allocation)	140.4	55.4
$0.2 m flexibility ($7–$20 m allocation)	204.7	57.5
$1.0 m flexibility ($20–$100 m allocation)	164.6	31.8
$2.0 m flexibility (>$100 m allocation)	111.2	23.6
Total	621.0	38.9

SOURCE: PMIS.

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 the development of a viable project. A country with a larger allocation may, after it has programmed most of its allocation for a given focal area, be left with residual amounts that are not sufficiently large to allow it to program another viable project in that area, necessitating pooling resources across focal areas. In both cases, the level of marginal flexibility should have been based on the notion of the funds required for a full-size project (e.g., half the amount of the median full-size project). The actual approach adopted for determining flexibility based on aggregate country allocations was quite the opposite. When compared to other country categories based on flexibility, the approach had the effect of penalizing countries with allocations in the $7–$20 million range. This led to a situation where countries—especially those in that range—had residual amounts left in the focal areas that they found difficult to use for other activities.

SET-ASIDES

Set-asides are an important instrument for the GEF to provide resources for activities that require coordinated transboundary actions at regional and global scales. The RAF MTR indicated that the set-aside for focal areas covered under the RAF was low and that this limited the GEF's flexibility in directing resources toward activities that need coordinated transboundary action. Set-asides were increased significantly under the STAR—from 5 percent under the RAF to 20 percent under the STAR. This increase was in line with a trend seen across multilateral 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 case for set-asides.

As with the RAF, the STAR adopted a uniform approach to set-asides—an equal share of resources for each focal area was set aside. 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 set-aside, SFM accounted for $250 million (8.4 percent) and other activities for $345 million (11.6 percent). The share of the SFM set-aside and the set-aside for other activities differed for the three focal areas.

SFM Set-Aside

In 2007, the GEF launched a pilot financial incentive scheme promoting country investments in multifocal 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 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 $30 million from their combined allocations for GEF-5,

which means that the maximum a country may access through the incentive scheme is $10 million.

Other Activities

Compared to 5 percent ($100 million) of focal area resources being set aside for other activities under the RAF, 11.6 percent ($345 million) was set aside for other activities under the STAR. Thus, resources available through set-asides for regional and global projects are sufficient.

4. STAR Implementation

4.1 Introduction

Implementation of the STAR began with the completion of the GEF-5 replenishment process. Once the overall envelope for GEF-5 became clear, the STAR approach could be implemented to determine the allocations for the eligible recipient countries. To facilitate programming at the country level, the GEF also began the NPFE initiative, wherein a country that voluntarily undertook an NPFE and requested support from the GEF was provided with a grant of $30,000 for this exercise. In addition to communications from the GEF CEO, information on the STAR was provided through Expanded Constituency Workshops and on the GEF website.

Much of the information presented in this chapter is based on material gathered through interviews, a review of relevant documents and communications from the Secretariat, and an online survey. Overall, the evaluation found that STAR implementation was much smoother than that of the RAF. The STAR-related communications from the GEF Secretariat were clearer and timelier. The actual calculations of allocations were, in general, carried out correctly—although with some exceptions. Although the NPFEs showed considerable potential, their implementation was inefficient due to problems faced in disbursing funds through the chosen modality (for more on this, see the NPFE midterm evaluation, chapter 7). Consequently, the NPFE's role in facilitating portfolio planning in recipient countries was not fully realized.

4.2 Findings

CALCULATION OF STAR ALLOCATIONS

Although the calculations for the STAR allocations were largely correct, there were several weaknesses that became obvious when the evaluation recalculated country allocations using the STAR indexes.

Despite a huge amount of work in assembling and updating data sets, preparing scenarios, and calculating STAR country allocations, equal attention was not given by the Secretariat to managing the data sets to facilitate easy replication of results. When the evaluation team reviewed the worksheets for the calculation of country scores and allocations, it found that, in several instances, the data used for the calculations are difficult to trace to the parent data set from which they were derived.

Some minor mistakes crept into application 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 was used. Because the average outcome rating of regional and global projects is lower than that of national projects, when the average for a composite portfolio (which includes national, regional, and global projects) is used to fill in missing values in the portfolios of national projects (which should consider only national projects), it introduces a downward bias. Including global and regional

projects in the average rating meant that countries without TERs received slightly lower allocations. Furthermore, the average outcome rating was reduced to the last decimal without rounding. The two errors together led to an average rating of 4.2 being used as an estimate instead of 4.4.

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 GEF Performance Index. For countries for which very few observations were available, an approach that combines actual observations with the portfolio average is more appropriate. On the one hand, this recognizes the actual observations for a given country; on the other, it does not let the few observations skew the country score.

The implementation of the STAR index requires multiple calculations. Therefore, there is scope for error when only one team or person carries out the calculations. The STAR calculations for GEF-5 were carried out by one person. Although errors were made in the calculation of allocations, fortunately, the overall effect on allocations was minimal. Given the importance of the STAR-related calculations, there is room for improving the calculation process, especially by introducing some redundancy into it. For example, calculations should be carried out independently by two sets of analysts and the variations in calculations reconciled through an iterative approach. This will minimize the chances of errors.

SECRETARIAT'S STAR COMMUNICATIONS

Compared to the RAF, the communications and guidance on issues related to the STAR were clearer and timelier. The Secretariat adequately addressed the information needs of the recipient countries through letters; publications on STAR design, allocations, and procedures; and Expanded Constituency Workshops. Nonetheless, there were some instances where communications from the Secretariat were inconsistent. For example, the GEF CEO issued a letter in October 2010 informing the operational focal points of recipient countries that PIFs from countries that were undertaking an NPFE would not be accepted until they completed the exercises. This instruction was in contrast with Council guidance that had specifically allowed for the submission of PIFs during the period of undertaking an NPFE.[1] This inconsistency led to some confusion and frustration among project proponents and GEF Agencies.

The information gathered on communications related to the STAR from the online survey is consistent with that gathered through interviews and document reviews. The online survey results show that, while a majority of respondents felt that the GEF Secretariat's communications related to STAR rules and procedures were timely and clear, a significant proportion of operational focal points believed the opposite to be true (table 4.1). However, the prevalence and intensity of complaints regarding communication and guidance were not as severe as were reported by the RAF MTR.

NPFE IMPLEMENTATION

One of the objectives of the NPFE initiative was the

> identification of projects and programmatic approaches that will use national allocations under the STAR in the three concerned focal areas, as well as other resources available under the GEF focal areas not subject to STAR allocations (GEF 2010d, 3).

[1] "It will be possible for countries to submit PIF requests to the GEF while the NPFE is being conducted and prior to NPFD [National Portfolio Formulation Document] finalization" (GEF 2010d, 14).

TABLE 4.1 **Clarity and Timeliness of GEF Secretariat's Communications on the STAR**

	Completely agree		Generally agree		Generally disagree		Completely disagree		Unable to assess	
Respondent category	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**
OFP and OFP staff (*n* = 16)	6	1	50	8	44	7	0	0	0	0
GEF 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; wording of statement: " GEF Secretariat's communications on STAR rules and procedures have been timely and clear."
NOTE: OFP = operational focal point.

The NPFE was expected to help about 100 recipient countries in planning their GEF portfolios for GEF-5. A recipient country that applied for a grant was to be given $30,000 to undertake the exercise. While this could have been helpful in facilitating smoother implementation of the STAR, inconsistencies in communications from the Secretariat—as noted earlier—caused confusion among the participating countries.

The main constraint faced in NPFE implementation was due to the choice of a small grants procedure as the modality for grant disbursement. During implementation, the chosen modality led to administrative complications and delays in disbursement. After the first year, this modality was replaced with the Ancillary Expense Agreement modality, which reduced the steps involved in the disbursement process from 30 to 8. By the time the change was introduced, it was already too late for many countries to undertake an NPFE for GEF-5. Thus, compared to the budgeted participation of 100 countries, only 32 participated in the NPFE process with GEF support. Ten other countries carried out an NPFE using their own resources.

The guidance provided by the Secretariat for NPFEs was perceived to be inadequate on some key dimensions. While it was very precise and informative in laying out the administrative process, it did not adequately address several issues related to incremental reasoning, cofinancing requirements, and project eligibility. These weaknesses could have been addressed through the presence of senior staff from the Secretariat during the NPFEs. However, such support was provided in select instances on request.

Analysis carried out as part of the midterm evaluation of the NPFEs shows that for countries that participated, 25 percent of the PIFs approved in GEF-5 had been identified in National Portfolio Formulation Documents (GEF IEO 2014). A vast majority of project ideas identified during the NPFEs did not survive to the PIF submission stage as these were found to be ineligible for GEF funding. Major weaknesses in the project ideas identified during NPFEs included a lack of congruence with GEF priorities, insufficient cofinancing, and specification of an inappropriate GEF funding modality. Most of the countries where these problems were encountered are believed to have low capacities.

IMPLEMENTATION OF SFM SET-ASIDE

As the SFM incentive scheme was being implemented at the global scale for the first time, most beneficiary countries had little experience with or knowledge about the GEF requirements and procedures for accessing SFM resources. The Secretariat's efforts on sharing information about the program seem to have been inadequate during the early stages of GEF-5. This was one of the reasons for the slow progress in utilization of this set-aside.

5. Resource Allocation and Utilization

This chapter provides a detailed analysis of the allocation and utilization of GEF resources under the STAR. Patterns for GEF-5 are compared with those for GEF-4 and, in some instances, for other preceding replenishment periods.

The total commitment 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. The availability of higher levels of resources for the GEF-5 period led to an increase in the aggregate allocations for focal areas and to average country allocations under the STAR.

At the end of June 30, 2013, the utilization of GEF resources for focal areas covered under the STAR was $2.05 billion (69 percent). The utilization was 74 percent for programming through country allocations, 50 percent for the SFM set-aside, and 47 percent for other set-asides. The overall level of utilization after three years of implementation is similar for the STAR and the RAF. Compared to the RAF, the level of cumulative utilization under the STAR was higher 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.

Removal of the RAF 50 percent rule on access to GEF resources appears to have contributed to a rise in utilization by midpoint under the STAR. If the 50 percent rule were in effect, the overall utilization rate for covered focal areas at the midpoint (June 30, 2012) would have fallen from 48 percent to 35 percent.

Flexibility provisions to move GEF resources across allocated focal areas were utilized by 60 percent of countries with full flexibility and only 19 percent of countries with marginal flexibility.

The countries that conducted NPFEs with GEF support had utilized 66 percent of their STAR resources by the end of the third year of GEF-5 compared to 79 percent by the third year of GEF-4. Although it seems that utilization in these countries may have been affected by delays in disbursement of the NPFE grant, a comparison of the cumulative utilization within GEF-4 and GEF-5 shows that this factor alone may not explain the difference, and that there may be other, more important, reasons at play.

5.1 Methodology

For the purposes of this evaluation, utilization is deemed to have occurred at the point at which the GEF Trustee reserves the approved amount for a project. This reservation occurs when the GEF Council grants approval to activities listed in the Work Program presented to it by the GEF Secretariat. For example, for a full-size GEF project, Council approval is the point at which utilization is deemed to have occurred. This should not be confused with actual disbursement of funds or expenditure of the grant during implementation.

The analysis on resource utilization is primarily based on data downloaded from the PMIS. The utilization has been tracked up to June 30, 2013, (the end of the third year of the GEF-5 replenishment period). The data downloaded from the PMIS have been further cleaned. The information on reasons for observed patterns is based on information gathered through interviews and, in some instances, through simulations.

5.2 Findings

ALLOCATIONS UNDER THE STAR FOR GEF-5 VERSUS UTILIZATION IN EARLIER PERIODS

Table 5.1 shows the allocation of GEF-5 resources under STAR and non-STAR focal areas, along with the historical utilizations for earlier periods. As a share of total GEF resources, funding for biodiversity has fallen from a high of 44 percent in the GEF pilot phase to around 30 percent for GEF-3 through GEF-5. Funding for climate change, which had fallen to a low of 28 percent of GEF resources in GEF-3, was at 36 percent for GEF-5. Finally, funding for land degradation, which was formally established as a GEF focal area in GEF-3 and is covered under the STAR, has risen from 9 percent of GEF resources in GEF-3 and GEF-4 to 11 percent of resources in GEF-5.

More distinction is seen in the share of STAR focal area funding allocated to regions and country groupings compared to utilization in GEF-4, particularly for the land degradation focal area. As shown in figure 5.1 and table 5.2, for biodiversity, the percentage of focal area funding allocated to regions under the STAR has more or less equaled the share utilized under GEF-4. One exception is a slight decrease (4 percent) in the percentage of funding allocated to Latin America and the Caribbean. However, this decrease is more than made up for by utilization of the global/regional set-aside, which accounts for 10 percent of the biodiversity funding in GEF-5.[1] In the climate change focal area, there is a small uptick (3 percent) in the percentage of focal area funding allocated to Africa compared with GEF-4 utilization, while the Asia and Europe and Central Asia regions have seen their funding shares decrease slightly.

The largest shift in funding between the GEF-4 and GEF-5 periods is in the land degradation focal area, which is covered by the STAR but was not covered by the RAF. Utilization of land degradation

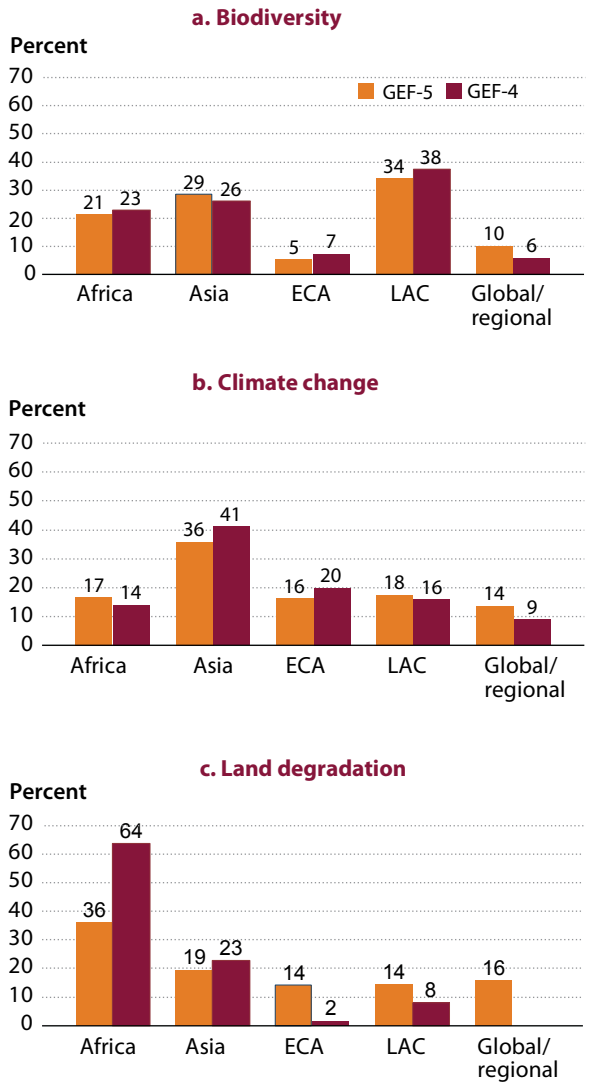
[1] Percentages in figure 5.1 and table 5.2 exclude the focal area set-aside funding for SFM, as it is not regional in nature at the point of allocation.

TABLE 5.1 **Utilization of GEF Resources by Focal Area**

	Biodiversity		Climate change		Land degradation		All other focal areas		Total	
GEF phase	Million $	%	Million $	%	Million $	%	Million $	%	Million $	%
Pilot phase	292	44	229	35	n.a.	n.a.	141	21	662	100
GEF-1	392	38	350	34	n.a.	n.a.	295	28	1,037	100
GEF-2	686	38	620	34	n.a.	n.a.	513	28	1,819	100
GEF-3	892	30	830	28	254	9	975	33	2,950	100
GEF-4	907	31	907	31	262	9	833	29	2,909	100
GEF-5[a]	1,210	32	1,360	36	405	11	840	22	3,815	100

SOURCE: PMIS.
NOTE: n.a. = not applicable.
a. Figures for GEF-5 are allocations.

FIGURE 5.1 **Regional Allocation of GEF-5 Resources in STAR Focal Areas Compared with GEF-4 Utilization (% of total)**



SOURCE: PMIS.

NOTE: ECA = Europe and Central Asia; LAC = Latin America and the Caribbean. Global/regional grouping is the percentage of focal area funding set aside to support global and regional projects that has been allocated (GEF-5) or utilized (GEF-4). In GEF-4, there was no set-aside funding for land degradation. Not shown in figure 5.1c is 4% of focal area funding utilized in GEF-4 for regional projects spanning two or more regions. Data exclude set-aside funding for SFM.

funding by regions was highly uneven in GEF-4, with Africa accounting for 64 percent of focal area funding compared to 23 percent in Asia, 8 percent in Latin America and the Caribbean, and 2 percent in Europe and Central Asia (table 5.2). The high level of utilization of land degradation resources in the Africa region under GEF-4 was due, in large part, to the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa. This GEF-4 initiative focused on drivers of land degradation in Africa. Under the STAR, the Africa region still accounts for more funding in land degradation (36 percent) than other regions, but the share is lower compared to GEF-4. Actual utilization in Africa is likely to be higher than 36 percent when the region's historic share in regional and global projects in the land degradation focal area is taken into account. Its overall share during GEF-5 in this focal area is likely to be comparable to the actual share in utilization during GEF-3 (42 percent), although lower than that in GEF-4 (64 percent).

Similar shifts in share of focal area funding between the GEF-5 and GEF-4 periods are found when considering groupings of countries with special circumstances (table 5.3). For the biodiversity focal area, the largest change is a 3 percent increase in the share of funding allocated to LDCs in GEF-5. For the other four country groupings considered, the biodiversity allocation under the STAR is essentially unchanged from the share of resources utilized in GEF-4 under the RAF. In the climate change focal area, all of the country groupings see a small increase in the percentage of funding allocated in GEF-5 compared with GEF-4 utilization, with LDCs receiving around 4 percent more resources, and the other groupings receiving between 1 and 3 percent more in funding. This overall increase in funding to countries with special circumstances in the biodiversity and climate change focal areas is in part a result of the addition of a GDP-weighted index in the STAR allocation formula.

As with the regional groupings, the greatest shifts in funding between the GEF-5 and GEF-4 periods to countries with special circumstances

TABLE 5.2 **STAR Allocation/RAF Utilization of Resources by Focal Area and Region**

	GEF-5 allocation under STAR						GEF-4 utilization (full cycle)					
	Biodiversity		Climate change		Land degradation		Biodiversity		Climate change		Land degradation	
Region	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%
Africa	231.4	21	209.9	17	139.3	36	207.5	23	127.4	14	166.5	64
Asia	308.8	29	451.1	36	74.8	19	236.7	26	373.5	41	59.8	23
Europe and Central Asia	59.1	5	204.2	16	54.2	14	67.6	8	181.4	20	4.4	2
Latin Am. and Caribbean	368.7	34	222.8	18	55.7	15	340.3	38	143.8	16	20.9	8
Global/regional set-aside	112.0	10	172.0	14	61.0	16	55.0	6	81.2	9	10.2	4
Total	1,080	100	1,260	100	385	100	907.1	100	907.3	100	261.8	100

SOURCE: PMIS.
NOTE: Total funding and percentages exclude set-aside funding for SFM.

TABLE 5.3 **STAR Allocation/RAF Utilization of Resources by Focal Area in Countries with Special Circumstances**

	GEF-5 allocation under STAR						GEF-4 utilization (full cycle)					
	Biodiversity		Climate change		Land degradation		Biodiversity		Climate change		Land degradation	
Country grouping	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%
LDC	179.3	19	149.7	14	100.7	31	141.1	16	77.5	9	95.5	47
SIDS	120.6	13	79.9	7	34.9	11	107.2	13	39.6	5	2.6	1
Landlocked	88.9	9	117.0	11	92.0	28	78.2	9	60.1	7	60.5	30
Fragile state	87.9	9	84.3	8	48.8	15	83.0	10	57.2	7	98.5	48
HIPC	174.0	18	118.9	11	97.0	30	154.9	18	64.9	8	31.0	15

SOURCE: PMIS.
NOTE: HIPC = heavily indebted poor country.

occurred in the land degradation focal area. The share of funding in this area allocated to fragile states decreased by 33 percentage points from GEF-4 utilization levels. LDCs also saw a significant decrease in their share of land degradation—dropping 16 percentage points from GEF-4 utilization levels—although in absolute terms, the level of land degradation funding to LDCs is essentially unchanged. Much of this decline is because the majority of countries in these categories were in Africa, and during GEF-4, Africa had been specifically targeted for land degradation activities. Country groupings that saw an increase in percentage of land degradation funding are heavily indebted poor countries and SIDS, which increased their funding shares by 15.0 and 9.5 percentage points, respectively.

UTILIZATION UNDER THE STAR

For comparison of STAR and RAF utilization patterns, two factors must be taken into account: the extraordinary circumstances faced at the start of GEF-4 and the materialization of donor commitments during GEF-4 and GEF-5. These two issues are confounding factors that limit the certainty to which variances in utilization may be attributed to changes in the GEF PBA system.

The GEF replenishment period normally starts on July 1 of its first fiscal year. For GEF-4, the replenishment had not been completed by that time. It was November 30, 2006, when the advance contribution scheme under GEF-4 became effective, and it was not until February 8, 2007, that the GEF Trustee received instruments of commitment or qualified instruments of commitment from donors to initiate activities under GEF-4. Although it would not have been possible for the GEF to utilize GEF-4 resources before February 8, 2007, work on the development of operational policies, procedures, and project documents had continued during the period July 1, 2006, to February 8, 2007. As a result, if February 8, 2007 is used as the start date for GEF-4, GEF-4 performance may appear to be better than that of GEF-5 for the first two years. For example, the first project approval during GEF-5 took place during the eighth month after the start of GEF-5, which is three months later than in GEF-4 given a February 8, 2007, start date. In contrast, if July 1, 2006, is used as a starting point for GEF-4, performance during that period is likely to appear weaker due to the delay in the actual start of the GEF-4 project appraisal process. The evaluation makes comparisons based on nominal start dates for the GEF periods: July 1, 2006, for GEF-4 and July 1, 2010, for GEF-5. The rationale for this is that utilization has been tracked until the end of the third year—the point at which the effects of the delayed start tend to become mitigated.

The materialization of donor commitments to the GEF during these two periods may have an effect on utilization patterns. Therefore, these also need to be tracked. For GEF-5, the total commitment was $4.34 billion. Of this, at the start of GEF-5, it was anticipated that $4.13 billion would be available for programming (GEF 2010a). During the first two years of GEF-5, the actual materialization of commitments was significantly lower than anticipated. By October 2012, the Secretariat was projecting that the drop in funds might be around $600 million (GEF 2012a). This anticipated drop in materialization of GEF-5 replenishment resources is likely to have slowed the speed of resource utilization during the period July 1, 2012, to June 2013. The expected drop in funding was subsequently mitigated with the realization of some of the commitments.

For GEF-4, donors had committed $3.14 billion (GEF 2006), of which $2.95 billion materialized (GEF 2009b)—a gap of $185 million. However, unlike GEF-5, where most of the anticipated shortfall was due to the less than expected materialization of donor commitments, about two-thirds of the GEF-4 shortfall was due to the appreciation of the U.S. dollar against the currencies/instruments in which the donor commitments were made. Thus, both replenishment periods faced actual (GEF-4) or perceived (GEF-5) shortfalls in the materialization of replenishment resources, which likely slowed the pace of resource utilization—although for different reasons and to different degrees.

OVERALL UTILIZATION PATTERNS IN GEF-5

Table 5.4 shows the utilization of GEF-4 and GEF-5 resources though the third year of the replenishment cycle for the three focal areas covered under the STAR. As a percentage of allocated resources, the total utilization of STAR and RAF focal area resources is nearly identical at this point, at 69 percent and 70 percent, respectively. Utilization of the biodiversity and climate change focal area set-asides under the STAR is about 20 percent lower than that under the RAF. However, the size of the allocation for set-asides increased substantially for GEF-5 both in absolute and percentage share terms. Therefore, there was more ground to be covered in utilization of set-asides during GEF-5 than was the case in GEF-4.

One noticeable change in utilization was seen in the land degradation focal area. Under the STAR, utilization of land degradation resources at

TABLE 5.4 **Utilization of GEF Resources under STAR and RAF Focal Areas**

	GEF-5 utilization through Year 3								GEF-4 utilization through Year 3							
	Biodiversity		Climate change		Land degradation		All three STAR focal areas		Biodiversity		Climate change		Both RAF focal areas		Land degradation	
Allocation	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%	Mil. $	%
Country	761.8	79	748.8	69	246.4	76	1,757.0	74	683.2	76	567.7	63	1,250.8	69	n.a.	n.a.
Set-asides	122.0	50	140.9	52	25.8	32	288.7	49	34.7	69	36.7	73	71.3	71	n.a.	n.a.
SFM	65.3	50	50.2	50	10.0	50	125.6	50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	56.7	51	90.7	53	15.8	26	163.1	47	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	883.8	73	889.7	65	272.2	67	2,045.7	69	717.8	76	604.4	64	1,322.2	70	251.8	96

SOURCE: PMIS.
NOTE: n.a. = not applicable. Country allocation figures for GEF-4 (under the RAF) include both country allocations and group allocations. Land degradation was not covered under the RAF during GEF-4. The aggregate figures are presented for the sake of comparison.

the end of the third replenishment year was 67 percent compared to 96 percent in GEF-4. During GEF-4, several major programs were approved during the first three years. These included the Strategic Investment Program in Sub-Saharan Africa, the Sustainable Land and Ecosystem Management Partnership in India, Integrated Nature Resources Management in the Middle East and North Africa Region, and the Country Program Framework for Sustainable Forest Land Management in Vietnam. These programs alone accounted for the approval of more than $200 million. The apparent decline in land degradation resource utilization seems to be due more to the resources being spread among more countries and leading to the increased participation of countries through stand-alone projects instead of programmatic approaches.

There are differences in utilization patterns across regions. For Africa, the percentage utilization of allocated climate change resources by the end of the third year of GEF-5 is 52 percent compared to 78 percent for both biodiversity and land degradation (table 5.5). Similarly for Europe and Central Asia, the percentage utilization of biodiversity resources is lower under the STAR than under the RAF, at 51 percent compared with 70 percent,

TABLE 5.5 **Utilization of Allocated GEF Resources by Region**

	STAR utilization through Year 3						RAF utilization through Year 3			
	Biodiversity		Climate change		Land degradation		Biodiversity		Climate change	
Region	Million $	%	Million $	%	Million $	%	Million $	%	Million $	%
Africa	179.4	78	209.9	52	108.1	78	168.5	79	86.0	66
Asia	257.0	83	451.1	71	52.2	70	182.0	70	275.9	73
ECA	29.9	51	204.2	74	43.6	80	52.3	70	134.7	56
LAC	295.5	80	170.6	77	42.5	76	280.3	79	71.1	49
Global/regional	56.7	51	90.7	53	15.8	26	34.7	69	36.7	73
Total	818.5	76	839.5	67	262.2	68	717.8	75	604.3	64

SOURCE: PMIS.
NOTE: ECA = Europe and Central Asia; LAC = Latin America and the Caribbean. Global/regional grouping is the percentage of focal area funding set aside to support global and regional projects. Data exclude utilization of the SFM set-aside.

respectively. These declines are balanced by the increased resource utilization evident for other categories: utilization of allocated resources by the Asia region for the biodiversity focal area is up from 70 percent under the RAF to 83 percent under the STAR; in the climate change focal area, utilization is up from 56 percent to 74 percent in the Europe and Central Asia region, and from 49 percent to 77 percent in the Latin America and the Caribbean region. Comparisons between GEF-5 and GEF-4 are difficult for the land degradation focal area, as resources were not allocated by region in GEF-4.

The RAF MTR found that countries with group allocations faced unclear guidelines on how to access funding, and that the group allocation approach may have had a detrimental effect on country ownership (GEF EO 2009). In response to these findings, group allocations were dropped in the STAR (GEF 2013b). A change in utilization patterns among countries with and without group allocations under the RAF is clearly evident. As shown in table 5.6, resource utilization levels in the biodiversity and climate change focal areas are largely unchanged for countries receiving individual allocations under both the RAF and the STAR. However, countries that received a group allocation of GEF resources under the RAF show substantially higher levels of resource utilization under the STAR, particularly in the climate change focal area. In the biodiversity focal area, resource utilization as a percentage of allocated resources is up from 75 percent to 85 percent for countries receiving a group allocation under the RAF. In the climate change focal area, resource utilization jumped from 37 percent to 63 percent for this same group of countries. Despite gains in utilization of the country allocations during GEF-5, the overall level of utilization during GEF-5 is similar to that in GEF-4 due to lower level of utilization of set-asides.

UTILIZATION BY COUNTRIES WITH SPECIAL CIRCUMSTANCES

Table 5.7 compares utilization by the end of the third replenishment year of allocated resources under the STAR and the RAF in countries with special circumstances. Overall, under the STAR there is high utilization of the allocated biodiversity resources among these country groupings, and the percentages are comparable to those under the RAF. However, in the climate change focal area, there has been a substantial increase in the percentage of allocated resources utilized under the STAR as compared with the RAF. For LDCs, the percentage of utilized resources jumped from 39 percent under the RAF to 61 percent under the STAR. For SIDS, the increase is even larger—from 17 percent under the RAF to 77 percent under the STAR. Fragile states are the only grouping that saw a decline in the percentage of allocated

TABLE 5.6 **Utilization of GEF Resources by Country Allocation Status under the RAF**

	STAR utilization through Year 3				RAF utilization through Year 3			
	Countries with individual allocations in GEF-4		Countries with group allocations in GEF-4		Countries with individual allocations in GEF-4		Countries with group allocations in GEF-4	
Focal area	Million $	%	Million $	%	Million $	%	Million $	%
Biodiversity	610.5	77	151.3	85	572.2	76	111.0	75
Climate change	583.7	71	162.6	63	513.3	68	54.4	37
Total	1,194.2	74	313.9	72	1,085.5	72	165.3	56

SOURCE: PMIS.

TABLE 5.7 **Percentage Utilization of Allocated GEF Resources by Countries with Special Circumstances**

	Utilization of allocated STAR resources through Year 3			Utilization of allocated RAF resources through Year 3	
Country grouping	Biodiversity	Climate change	Land degradation	Biodiversity	Climate change
LDC	80	61	81	78	39
SIDS	82	77	83	93	17
Landlocked	82	63	79	79	38
Fragile state	96	54	90	78	59
HIPC	73	57	76	77	52
None of the above	80	69	76	73	69

SOURCE: PMIS.
NOTE: HIPC = heavily indebted poor country. Country groupings are nonexclusive (i.e., they overlap). Percentages exclude focal area set-aside funding for SFM, and global and regional projects.

climate change resources utilized by Year 3—from 59 percent under the RAF to 54 percent under the STAR.

NPFE EFFECTS ON UTILIZATION

One of the objectives of the NPFE initiative was to facilitate participating countries in identification of projects and programmatic approaches that will use their countries' allocations under the STAR and other GEF resources that are not under the STAR. It is therefore important to assess the extent to which the NPFEs influenced utilization patterns in participating countries.

To date, 42 countries have undertaken an NPFE for the GEF-5 period—32 with GEF funding and 10 without. Table 5.8 presents the resource utilization levels of recipient countries based on whether they undertook an NPFE. Overall, countries that conducted an NPFE with their own resources utilized 85 percent of their allocated resources compared with 73 percent utilization for countries that did not undertake an NPFE—a sizable difference. On the other hand, countries that undertook an NPFE with GEF funding have utilized only 66 percent of their allocated resources to date, which is lower than the other comparison groups. The differences are most striking in the climate change focal area: countries undertaking an NPFE with GEF funding have utilized only 46 percent of allocated resources to date compared with 69 percent utilization among countries that did not undertake an NPFE, and 86 percent for countries that undertook an NPFE without GEF resources.

TABLE 5.8 **Percentage Utilization of Allocated STAR Resources in GEF-5 through Year 3 by Country NPFE Status**

Country grouping	Biodiversity	Climate change	Land degradation	Total
Countries that undertook an NPFE with GEF funding (*n* = 32)	78	46	76	66
Countries that undertook an NPFE without GEF funding (*n* = 10)	87	86	67	85
Countries that did not undertake an NPFE (*n* = 102)	77	69	78	73

SOURCE: PMIS.

Given that the countries that undertook an NPFE with GEF support had lower utilization levels than the other country groups, the extent to which this difference is due to NPFEs needs to be assessed. Therefore, their utilization patterns during GEF-5 were compared with their historical utilization patterns. The comparison shows that at the end of the third year of the replenishment period, countries that undertook an NPFE with GEF resources had lower utilization levels in GEF-5 (66 percent) than in GEF-4 (79 percent) (table 5.9). For countries that undertook an NPFE using their own resources, utilization in GEF-5 was substantially higher than in GEF-4. It seems that, to some extent, utilization in the countries that undertook an NPFE may have been affected by slow disbursements for the NPFEs and the confusion created due to the CEO's letter that informed the GEF operational focal points that new proposals from countries conducting an NPFE would not be accepted until the exercise had been completed. However, this may not be the main reason, as at the end of the first and second years of GEF-5, utilization for the NPFE countries was higher than at the same point in GEF-4.

Country circumstances play an important role in determining level of resource utilization. For example, beginning from the winter of 2010–11, Egypt, Libya, Syria, Tunisia, and the Republic of Yemen faced political turmoil. Projects from these countries stalled in the project cycle (especially the pre-PIF and pre–Council approval stages). When conditions in Egypt, Tunisia, and the Republic of Yemen improved, utilization in the three countries spiked. In contrast, utilization remained at a standstill in countries such as Libya and Syria where political turmoil has continued.

SFM SET-ASIDE

By June 30, 2013, utilization of the SFM set-aside of $250 million totaled $125.6 million (50.2 percent). The GEF has so far approved 66 projects that have received funding from the SFM set-aside. Of these, 57 projects that involved a total of $102.1 million in SFM incentives were funded exclusively through funds from the GEF Trust Fund. Nine SFM projects accounting for $23.5 million in SFM incentives involved—in addition to funds from the GEF Trust Fund—funding from other trust funds managed by the GEF such as the Least Developed Countries Fund and the Special Climate Change Fund. Some of the SFM projects have also received funding from the international waters focal area. Table 5.10 provides a breakdown of sources of GEF funding for SFM projects. Compared to the $662.7 million in GEF funding, SFM projects have received commitments of about $4.38 billion in cofinancing from partner institutions and beneficiaries.

Stand-alone projects account for 74 percent of the SFM set-aside utilization (table 5.11). The remainder of the utilization is accounted for by SFM projects that have been developed under a programmatic approach. These include projects under the Sahel and West Africa Program, the Greater Mekong Sub-region Forests and Biodiversity Program, and the Lake Chad Basin Regional Program for the Conservation and Sustainable Use of Natural Resources and Energy Efficiency.

TABLE 5.9 Country Allocation Percentage Utilization by NPFE Status in GEF-5

Utilization to Year 3 of the replenishment period	NPFE undertaken with GEF support	NPFE undertaken with own resources	No NPFE undertaken	All countries
Under STAR (GEF-5)	66	85	73	74
Under RAF (GEF-4)[a]	79	73	67	70

SOURCE: PMIS.
a. Several countries were under group allocation in GEF-4. The total group allocation has been divided by the number of countries in the groups to determine the average allocations.

TABLE 5.10 **Utilization of GEF Funding for SFM Projects (million $)**

Funding source	Utilization
GEF Trust Fund	620.0
SFM set-aside	125.6
STAR country allocations	472.4
International waters focal area	22.0
Other trust funds	42.7
Least Developed Countries Fund	36.1
Special Climate Change Fund	5.5
Nagoya Protocol Implementation Fund	1.0
Total	662.7

SOURCE: PMIS.
NOTE: Data are as of June 30, 2013.

TABLE 5.11 **Utilization of SFM Set-Aside by Project Approach**

Project approach	Million $	%
Stand-alone project	92.8	74.0
Programmatic approach	32.8	26.0
Child project	13.9	11.1
Parent project (amounts not yet allocated to child projects)	18.9	15.0
Total SFM set-aside utilization	125.6	100.0

SOURCE: PMIS.
NOTE: Data are as of June 30, 2013.

Table 5.12 presents a comparison of the SFM set-aside and STAR utilization through the GEF-5 period. Although SFM set-aside utilization is lower than utilization of other (non-SFM) STAR resources, the patterns are quite similar. During the first year of GEF-5, utilization was low at 9.1 percent ($22.8 million), similar to the non-SFM STAR utilization of 9.4 percent. However, during the second year, the SFM utilization did not pick up as much as utilization of the non-SFM STAR resources; it dropped more rapidly during the third year.

Several factors seem to have led to a lower level of utilization of the SFM set-aside compared to the non-SFM STAR. First, as this is the first time the incentive scheme was implemented at a global scale, most beneficiary countries had little experience with or knowledge of GEF requirements and procedures for accessing SFM resources. Second, although an incentive of one dollar from the SFM set-aside for three dollars from STAR resources was sufficient for countries with larger allocations, it was often not sufficient for countries with smaller STAR allocations. Third, the $10 million ceiling on resources countries may access from the SFM set-aside prevented some countries, such as Brazil and Mexico, from accessing more resources. Although the $10 million ceiling did lead to slightly lower overall utilization, it performed its function of preventing the SFM incentive scheme from being monopolized by a few countries with large STAR allocations.

It is unlikely that by the end of the GEF-5 period total utilization of SFM set-aside resources would be close to the total envelope of $250

TABLE 5.12 **Utilization of SFM Envelope during GEF-5**

GEF-5 period	Number of SFM projects	Utilization of SFM set-aside		Utilization of non-SFM STAR resources	
		Million $	%	Million $	%
Year 1 (July 1, 2010, to June 30, 2011)	11	22.8	9.1	256.2	9.4
Year 2 (July 1, 2011, to June 30, 2012)	31	67.1	26.8	1015.0	37.2
Year 3 (July 1, 2012, to June 30, 2013)	24	35.6	14.3	649.0	23.8
Total	66	125.6	50.2	1920.2	70.5

SOURCE: PMIS.
NOTE: Data are as of June 30, 2013.

million—mainly because the PIFs that have been submitted to the Secretariat and that are likely to be approved in the fourth year do not contain a sufficient number of proposals that request SFM set-aside funds. Overall, despite the moderate utilization of allocated funds, the SFM incentive scheme has had some success in directing STAR country allocations toward SFM projects. During the first three years of GEF-5, $620 million of GEF Trust Fund resources were provided to SFM projects, which already exceeds the $427 million provided during the entire GEF-4 period.[2] Even after taking into account the larger replenishment for GEF-5, funding for SFM projects is greater than during GEF-4. Of the 144 GEF beneficiary countries that had a STAR allocation, 79 have been able to access the SFM set-aside. Thus, the incentive scheme has been able to motivate a large number of countries to prioritize SFM concerns in programming their respective STAR allocations.

[2] GEF-4 figures based on information provided at https://www.thegef.org/gef/sites/thegef.org/files/Docs/SFM%20Portfolio%208-2010.xls.

FOCAL AREA COVERAGE IN SFM PROJECTS

Of the 66 SFM projects, 58 (88 percent) received funding from the biodiversity focal area, 51 (77 percent) from the land degradation focal area, 47 (71 percent) from the climate change focal area, and 5 (8 percent) from the international waters focal area. The most frequent combination—which accounted for 32 percent of projects and 37 percent of the SFM set-aside utilization—involved biodiversity, climate change, and the land degradation focal areas. Biodiversity with land degradation and biodiversity with climate change are other fairly common combinations.

SFM SET-ASIDE UTILIZATION BY REGION

Table 5.13 presents utilization of the SFM set-aside by region and a comparison with patterns in the use of STAR allocation resources. The analysis shows that countries from Africa and Latin America and the Caribbean have been able to utilize relatively higher percentages of SFM set-aside funding than their shares in STAR allocations and in STAR resources utilized so far would indicate. Countries from Asia and Europe and Central Asia account for relatively smaller percentages of SFM

TABLE 5.13 **Utilization of SFM Set-Aside by Region**

Region	SFM allocation		Share in allocation of STAR resources (%)	Share in utilization of STAR resources (%)	STAR funds in SFM projects (million $)	STAR/SFM ratio
	Million $	% of total				
Africa	41.4	33.0	24.4	20.9	139.7	3.4
Asia	30.6	24.3	35.1	37.5	129.8	4.2
ECA	8.3	6.6	13.3	11.8	33.6	4.1
LAC	43.9	34.9	27.2	29.8	164.8	3.8
Global	1.5	1.2	n.a.	n.a.	4.5	3.0
All regions	125.6	100.0	100.0	100.0	472.4	3.8

SOURCE: PMIS.
NOTE: ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; n.a. = not applicable. Data are as of June 30, 2013.

set-aside resources. They also contribute more resources from their STAR allocations to access resources from the SFM set-aside, which leads to a higher STAR/SFM ratio for these regions. Thus, the overall SFM set-aside is leading to a greater flow of resources to Africa, which is a priority area for GEF activities. SFM resources are also being utilized by Europe and Central Asia countries, which did not have access to these incentives during GEF-4.

SFM SET-ASIDE UTILIZATION IN COUNTRIES WITH SPECIAL CIRCUMSTANCES

Table 5.14 presents data on the SFM set-aside utilization in countries with special circumstances. For most of these countries, their shares in the utilization of SFM set-aside resources closely tracks their shares in utilization of STAR resources and in STAR country allocations. However, LDCs and landlocked countries accessed a relatively higher percentage of SFM resources than their shares in the STAR country allocation and utilized STAR resources would indicate.

SIDS account for 10.2 percent of SFM set-aside utilization in national projects, which is lower than their share of 12.6 percent in STAR country allocation utilization. However, there are two regional projects that are being implemented exclusively in SIDS—Pacific Islands Ridge-to-Reef National Priorities and Implementing Integrated Land Water and Wastewater Management in Caribbean SIDS—which account for an additional $7.2 million in SFM set-aside funds. When these projects are taken into account, SIDS countries have accessed relatively more funds from the SFM set-aside.

TABLE 5.14 **Utilization of SFM Set-Aside in Countries with Special Circumstances**

Country grouping	SFM set-aside utilization (million $)	% of SFM set-aside utilization in national projects	Share in STAR country allocations (%)	Share in utilization of STAR resources (%)	STAR funds in SFM projects (million $)	STAR/SFM ratio
LDC	25.1	25.2	18.1	17.5	83.3	3.3
Fragile	11.5	11.6	9.3	9.7	40.7	3.5
Landlocked	21.5	21.6	12.5	12.1	74.2	3.5
SIDS	10.1	10.2	9.9	12.6	33.4	3.3
Other[a]	58.5	58.8	66.2	65.8	217.5	3.7

SOURCE: PMIS.

a. "Other" comprises those countries that have not been classified as any of the preceding categories. Data are as of June 30, 2013.

6. STAR Effects

This chapter assesses the effects of the STAR on various aspects of GEF performance. It assesses how key stakeholders perceive the STAR's performance on key indicators including—but not restricted to—the relevance of GEF activities to countries, transparency, and country ownership. It also presents an analysis on the effect the approach has had on country coverage, the scale of activities supported, CSO (including NGO and CBO) participation in GEF activities, and the project cycle.

In general, the STAR is seen as having increased transparency and country ownership. Analysis of the GEF portfolio shows that the RAF and the STAR have helped smaller countries in accessing GEF resources. Although the RAF and the STAR have led to a decline in the percentage of projects executed by CSOs, their participation in other roles seems to have increased. Both the RAF and the 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.

Although the claim that a country-based RAF gives less attention to global environmental goods has much merit in assessing the RAF, the same may not be said about the STAR. First, compared to the RAF, there has been a substantial increase in the set-aside for regional and global projects. Second, up to the end of the third year of the GEF-5 replenishment period, utilization of this set-aside was very low.

The advent of both the RAF and the STAR has definitely led to projects that are smaller in scale than those undertaken in earlier periods. The extent to which this has affected the GEF's ability to undertake transformative activities is difficult to assess. Most of the projects undertaken through the RAF are not yet complete, and implementation of most of the projects undertaken through the STAR is yet to begin as of this writing. Therefore, it is difficult to know how the environmental results of these projects compare with those of projects that were not funded through either the RAF or the STAR.

6.1 STAR and Stakeholder Perceptions

The evaluation relied on interviews and an online survey to gather information on stakeholder perceptions. The total number of respondents who provided any substantive response to the online survey was 84: 32 respondents from GEF Agencies, 14 from CSOs, 20 from executing agencies, and 18 GEF operational focal points or their representatives. Based on the information gathered through these sources, it may be said that the 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 those in focal areas not covered under the STAR (table 6.1).

It is also generally perceived to have made the GEF Agencies more accountable to countries and has helped in speeding project preparation through countries' greater control over the pre-PIF stage of project preparation.

Half of the respondents disagreed with the statement that the STAR gives less attention to global environmental benefits (table 6.1). This perception was particularly pronounced among respondents from the GEF Agencies, 70 percent of whom disagreed with the statement.

Regarding the statement that the STAR does not give adequate attention to regional and global projects, 43 percent of respondents agreed (table 6.1); again this perception was strongly held by respondents from the GEF Agencies, 53 percent of whom agreed with the statement.

There are no hard data on how the generation of global environmental benefits was affected by the STAR, since very few projects approved under the STAR are yet under implementation. It will take some time before the GEF-4 and GEF-5 projects are completed and information on their impacts becomes available. Only after systematic analysis of the results of the completed projects may concrete conclusions be drawn. However, sufficient data that may be relevant to assessing the attention given to global and regional projects are available—and these dispute the general perception of inadequate attention being given to global and regional projects. First, the resources provided for the set-asides for global and regional projects are significantly higher under the STAR than under the RAF. The allocations for regional and global set-asides increased from around 5 percent under the RAF to 12 percent under the STAR. Second, a significant amount of allocations for regional and global projects are provided through country allocations, indicating that the resources available for these projects seem to be sufficient.

6.2 Project Size and Country Coverage

The RAF and the STAR have increased the level of certainty regarding available funds for recipient countries and have facilitated better planning of country portfolios. There is a perception among the GEF Agencies and the GEF Secretariat that this may have led to a fragmentation of GEF resources. The evaluation assessed this dimension by tracking the patterns in project size across the

TABLE 6.1 **Stakeholder Agreement with Various Statements about the STAR (% of respondents)**

Statement	% Agree	% Disagree	% Unable to assess	No. 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

NOTE: Online survey.

GEF replenishment phases. The data show that the advent of GEF-4, when the GEF implemented a resource allocation approach for the biodiversity and climate change focal areas for the first time, led to a decrease in the average GEF grant for a full-size project. Although the decline was witnessed both in focal areas covered by the RAF and those that were not, the decline was more pronounced for the covered focal areas. The decline is also evident in terms of an increase in the number of medium-size projects during GEF-4 as compared to GEF-3.

The picture becomes more complicated when comparisons are made between GEF-4 and GEF-5 because the STAR additionally covered the land degradation focal area and the replenishment envelope for GEF-5 was significantly larger than for GEF-4.

Overall, there has been some increase in the size of the average grant for full-size projects during GEF-5. When countries are categorized based on the size of their STAR allocations, a bimodal pattern emerges (table 6.2). For countries with a large STAR allocation (more than $30 million), the average grant size for a full-size project increased substantially for focal areas not covered under the STAR, while the increase in grant size for focal

TABLE 6.2 **Trends in Average Size of GEF Grants for Full-Size Projects (million $)**

Focal area coverage	Pilot phase	GEF-1	GEF-2	GEF-3	GEF-4	GEF-5	All phases
STAR allocations of more than $30 million							
Focal areas under STAR	10.1	14.1	10.1	10.1	6.5	6.9	8.6
Focal areas not under STAR	30.0[a]	14.7	13.2	8.4	6.2	9.4	8.6
Focal areas under RAF	10.1	14.1	10.1	10.2	6.6	7.1	8.7
Focal areas not under RAF	30.0	14.7	13.2	8.3	6.0	8.7	8.3
All focal areas	10.9	14.2	10.4	9.7	6.4	7.7	8.6
STAR allocations of $10–$30 million							
Focal areas under STAR	5.2	6.0	8.2	6.3	4.0	4.1	5.4
Focal areas not under STAR	5.3	7.0	6.2	5.5	5.4	5.3	5.4
Focal areas under RAF	5.2	6.0	8.2	6.2	3.9	4.2	5.4
Focal areas not under RAF	5.3	7.0	6.2	5.9	5.4	5.2	5.4
All focal areas	5.2	6.1	8.0	6.2	4.4	4.7	5.4
STAR allocations of less than $10 million							
Focal areas under STAR	4.1	3.8	5.8	4.9	2.8	3.4	4.1
Focal areas not under STAR	2.8	3.0	4.9	5.6	3.8	4.8	4.7
Focal areas under RAF	4.1	3.8	5.8	5.0	2.3	3.3	4.0
Focal areas not under RAF	2.8	3.0	4.9	5.0	4.1	4.7	4.6
All focal areas	4.1	3.8	5.7	5.0	3.0	4.1	4.2
All countries with STAR allocations							
Focal areas under STAR	6.1	8.6	8.3	7.3	5.4	5.7	6.6
Focal areas not under STAR	8.3	9.1	8.9	9.3	6.9	8.4	8.2
Focal areas under RAF	6.1	8.6	8.3	7.4	5.0	5.8	6.6
Focal areas not under RAF	8.3	9.1	8.9	8.5	7.2	8.0	8.0
All focal areas	6.5	8.7	8.5	7.8	5.9	6.9	7.13

SOURCE: PMIS.
a. Only one observation.

areas covered under the STAR was modest. For countries that had low allocations ($10 million or less), increases were recorded both for focal areas covered under the STAR and those not covered under the STAR.

The main driver of the fragmentation of GEF resources seems to be that, due to the RAF and the STAR, the GEF is reaching out to smaller countries. However, the adoption of a resource allocation framework is not the only reason grant sizes have fluctuated. For GEF-5, two factors seem to have mitigated the fragmentation: an increase in the replenishment level for GEF-5; and a reduction in Agency fees, which lowered the incentives for GEF Agencies to prepare projects that involve smaller GEF grants. The reduction in fee was introduced in GEF-4, but seems to have begun affecting project preparation after some time lag.

Table 6.3 shows that the number of countries that undertook at least one GEF activity declined from 155 to 145 between GEF-2/GEF-3 and GEF-4/GEF-5. A major reason for the decline was the graduation of several European countries from GEF funding. The number of countries with at least one full-size project increased significantly—from 104 to 132 countries. Some of this increase is due to more resources being available during the GEF-4 and GEF-5 periods as compared to GEF-2 and GEF-3. However, much of the increase may be attributed to the certainty country allocations imparted, allowing countries to program projects with greater confidence.

Among the GEF Agencies, the World Bank's presence has declined in countries where it traditionally has had less involvement. Its level of involvement has remained more or less consistent in countries where it has had intensive engagement. For example, after the GEF began implementation of its resource allocation approach, the number of countries where the Bank has undertaken a full-size project declined from 78 (during the seven years before the advent of the RAF) to 62 (after the advent of the RAF). The decline is even more pronounced in countries with two full-size projects: the number dropped from 48 to 25 countries. However, Bank involvement in countries with at least 5 or 10 projects has remained the same (six and two countries, respectively). The gap in World Bank coverage has been mitigated through the increased presence of the United Nations Development Programme, the United Nations Environment Programme, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Fund for Agricultural Development, and the United Nations Industrial Development Organization (annex C).

6.3 Effect of the SFM Incentive Scheme

The incidence of and GEF funding for multifocal projects increased significantly from 20 percent in GEF-4 to 39 percent in GEF-5. A major driver for this increase was the SFM incentive scheme.

TABLE 6.3 **Number of Countries Using GEF Support for National Projects**

Country category based on activities funded through the GEF Trust Fund	During GEF-2 and GEF-3	During GEF-4 and GEF-5
Countries with at least 1 GEF activity	155	145
Countries with at least 1 full-size project	104	132
Countries with at least 2 full-size projects	72	94
Countries with at least 5 full-size projects	23	39
Countries with at least 10 full-size projects	6	16

SOURCE: PMIS.

During the first three years of GEF-5, $620 million of GEF Trust Fund resources were provided to SFM projects. Another effect of the incentive scheme has been to encourage countries with STAR allocations to undertake SFM projects. Of the 144 GEF beneficiary countries with a STAR allocation, 79 have been able to access the SFM set-aside. Several of the participating countries are in Europe and Central Asia—a region in which almost all of the recipient countries had not undertaken SFM projects with GEF support previously. Thus, the SFM incentive scheme has led to the GEF's undertaking SFM activities in new areas.

6.4 Participation of CSOs

The GEF mandate, as stated in the GEF Instrument, calls for the participation of CSOs (including NGOs and CBOs) in GEF-supported projects and activities (GEF 2011). Such involvement is seen as integral to achieving the GEF's mission and objectives, as CSOs bring a wide range of needed skills and experiences to GEF projects, contribute to the formulation and maintenance of key partnerships, and strengthen country and local ownership of project outcomes (GEF 2008). For GEF-5, the GEF Council approved a strategy to enhance the engagement of civil society in partnership with the GEF (GEF 2008).

There is concern among GEF stakeholders that the shift to national allocations under the RAF—expanded under the STAR—has the potential to reduce the participation of CSOs in GEF projects and operations. Such an outcome could result if, for example, CSOs were excluded from programming decisions concerning the use of GEF resources that have been allocated to countries, or if their contributions to GEF projects were not valued as in earlier periods. Therefore, the participation of CSOs is of keen interest in evaluating the effectiveness of both the STAR and the RAF.

The data available so far seem to suggest that the shift to national allocations under the RAF and the STAR may be contributing to a decline in the participation of CSOs as lead executing agencies and an increase in the percentage of government agencies serving in this role. At the same time, stakeholders—including CSOs—can and do participate in GEF projects in significant ways aside from serving as lead executing agencies. Table 6.4 looks at CSO participation in GEF-3 through GEF-5 in the biodiversity and climate change focal areas, using the following five categories of project participation:

- **Lead executing agency—**project with a CSO officially designated (in project documents) as the lead executing agency responsible for project execution
- **Secondary executing agency—**project with a CSO designated as responsible for some aspects of project execution but not for overall project execution
- **Project collaborator—**project where a CSO has not been designated as lead or secondary executing agency but where one or more CSOs are actively involved in project activities through the provision of technical support, training, expertise, outreach, participation in the steering committee, etc.
- **Cofinancier—**project where one or more CSOs provide financial support
- **Project beneficiary—**project from which one or more CSOs directly benefit by receiving technical support, training, financial support, or other assistance

As can be seen in table 6.4, while CSO participation as lead executing agency declined under the RAF and the STAR, CSO participation in other capacities has increased. The percentage of projects with CSOs serving as secondary executing agencies has risen from 3 percent in GEF-3 to 11 percent in GEF-5 in the biodiversity and climate change focal areas. Similarly, the percentage of CSOs serving as

TABLE 6.4 **CSO Participation in GEF Projects in the Biodiversity and Climate Change Focal Areas**

CSO role	GEF-3		GEF-4 (RAF)		GEF-5 (STAR)	
	No. of projects (*n* = 385)	% of total	No. of projects (*n* = 519)	% of total	No. of projects (*n* = 297)	% of total
Lead executing agency	48	12	38	7	9	3
Secondary executing agency	10	3	32	6	32	11
Project collaborator	240	62	319	61	217	73
Cofinancier	110	29	177	34	76	26
Project beneficiary	90	23	90	17	57	19
Any of the above	247	64	349	67	222	75

SOURCE: PMIS.
NOTE: Data are for GEF-5 through February 28, 2013.

project collaborators has grown from 62 percent in GEF-3 to 73 percent in GEF-5. On balance, while the nature of CSO participation in the GEF appears to have changed under the RAF and the STAR, the percentage of projects with any kind of CSO participation appears to be on the rise.

6.5 STAR's Effect on Project Preparation

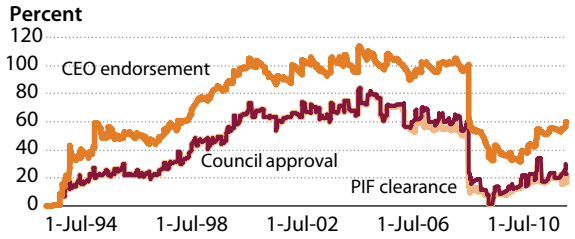
An important indicator of the overall health of programming is that project proposals under development are sufficient—but not excessive—to ensure utilization of the GEF replenishment amount. On the one hand, underprogramming risks GEF replenishment resources not being utilized; on the other, overprogramming risks choking the appraisal and approval process, leading to excessive delays in approval.

Figures 6.1 and 6.2 present information on the effect the GEF's adoption of a resource allocation may be having on its project cycle. The figures look at the aggregate of the amounts requested in proposals for full-size projects at different stages of the project cycle—PIFs that have been submitted but not yet cleared or dropped, PIFs that have been cleared but not yet approved or dropped, and PIFs that have been approved but whose project has not yet been endorsed or canceled. The analysis is restricted to full-size projects, given the small amounts involved in other project modalities and because information on milestones for these are frequently missing. Since full-size projects account for almost 90 percent of GEF funding, focusing on them gives a good sense of the level of programming in the GEF.

Figure 6.1 is based on the **nominal status** of the proposals; figure 6.2 is based on the **de facto status**, as many of the proposals in the pipeline become "orphans" when Agencies, project proponents, and/or the GEF Secretariat is no longer interested in moving forward with them. Such project proposals are primarily deadwood in the system, and they need to be excluded from the analysis in order to obtain a realistic sense of the actual size of programming.

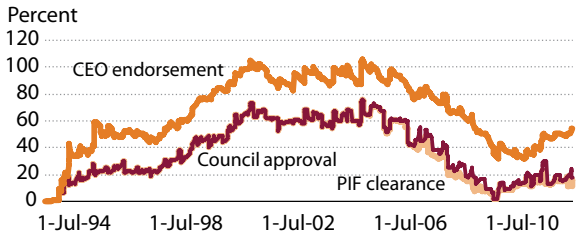
Figure 6.1 shows that the overall aggregate size of the requests for GEF funding (based on project proposals' nominal status) as a percentage of the moving average of the GEF replenishment increased dramatically during the GEF-2 period. Much of this increase was due to excessive submission of project concepts/PIFs during GEF-1 (1995–98) and GEF-2. One of the Fourth Overall Performance Study's findings was the lack of a rejection policy for proposals. In response to this criticism, in October 2009, the Secretariat rejected several PIF submissions that had been inactive for a long

FIGURE 6.1 **Aggregate of GEF Grants Requested as Percentage of a Moving Average of the GEF Replenishment for Proposals from PIF Submission to CEO Endorsement: Nominal Status**



SOURCE: PMIS.

FIGURE 6.2 **Aggregate of GEF Grants Requested as a Percentage of a Moving Average of the GEF Replenishment for Proposals from PIF Submission to CEO Endorsement: de Facto Status**



SOURCE: PMIS.

time.[1] This action is reflected in the steep drop in requested amounts depicted in figure 6.1.

Figure 6.2 shows the overall aggregate size of requests for GEF funding based on proposals' de facto status. The figure further reinforces the point that much of the project cycle–related problems experienced during GEF-2 and GEF-3 were a result of overprogramming by Agencies during GEF-1 and GEF-2. At that point, the GEF had a first-come first-serve policy on proposals as long as they met the expected quality standards. This, together with the fact that the GEF Agencies (the United Nations Development Programme, the United Nations Environment Programme, and the World Bank) had a corporate budget, led to a situation that incentivized Agencies to overprogram. By GEF-3, the problems emanating from overprogramming were becoming apparent, and the GEF Secretariat responded by being more stringent; Agencies responded by submitting fewer proposals, as their earlier submissions were not moving through the cycle. As the figure shows, during GEF-3, an "unhappy" equilibrium was achieved: there was less new programming, but this was primarily driven by frustration due to proposals that had already been submitted not moving forward quickly enough. GEF-4 became operational eight months later than its nominal start date, which led to an eight-month freeze in programming. Further, adoption of the RAF reduced programming at the country level, as country programming for the climate change and biodiversity focal areas had to be done within preallocated country (or country group) envelopes. Adoption of the RAF/STAR led to greater involvement of the operational focal points in developing projects in focal areas not covered by the framework. These factors taken together seem to have lowered the aggregate size of requests for GEF grants through PIFs that have been submitted but not yet cleared. Figure 6.2 clearly shows that between first PIF submission to CEO endorsement, the project cycle efficiency gains are largely restricted to the period between first submission of the PIF and PIF approval. There has been hardly any gain from PIF approval to CEO endorsement.

[1] This measure was taken as a result of follow-up discussions with the GEF Secretariat on findings of the Fourth Overall Performance Study on the PMIS.

Annex A: Online Survey Instrument

The online questionnaire administered included questions that addressed other GEF performance issues besides those involving the STAR. This includes questions related to NPFEs, the project cycle, cofinancing, supervision, knowledge management, and results-based management. This approach was taken to reduce the burden on respondents. The survey targeted only respondents from countries where field visits or face-to-face interaction had been conducted. Overall, the response to the survey was moderate. The total number of respondents who provided any substantive response was 84. This included 32 respondents from GEF Agencies, 14 respondents from CSOs, 20 from executing agencies, and 18 GEF operational focal points or their representatives. The following presents the online survey questions related to the STAR; minor editorial corrections have been made.

1. In your country, how has the STAR affected participation of the following in GEF activities?
   - CSOs (national NGOs, CBOs)
   - Participation of government institutions
   - Private sector organizations
   - GEF Agencies (World Bank, United Nations Development Programme, United Nations Environment Programme, United Nations Industrial Development Organization, Food and Agriculture Organization of the United Nations, etc.)
   - Bilateral organizations
   - International NGOs
2. To what extent do you agree with the following statements on the STAR (completely agree, moderately agree, moderately disagree, completely disagree, unable to assess)
   - The STAR has made GEF operations more relevant to country needs and priorities
   - The STAR has led to greater country ownership of GEF-supported activities
   - The STAR has made Agencies more accountable to country needs
   - The STAR does not give adequate attention to regional and global projects
   - The STAR has helped countries in speeding up project preparation
   - The STAR gives less attention to global environmental benefits
   - The GEF Secretariat's communications on STAR rules and procedures have been timely and clear
3. How does your country's experience with the STAR (GEF-5) compare with that of the RAF (GEF-4)?
4. Which of these steps would improve the STAR for the GEF-6 period?
   - Extension of STAR coverage to other focal areas
   - Greater importance to global environmental benefits in determining country allocations
   - Greater importance to country performance in determining country allocations

- Greater importance to country needs and socioeconomic context
- Greater attention to clear communications
- Increased level of flexibility in terms of cross-focal area usage of STAR resources
- Undertake NPFEs at the start of GEF-6
- Undertake NPFEs before the start of GEF-6
- Provide greater set-asides for regional and global projects
- Provide greater set-asides for programmatic approaches that may be programmed at the global level
- No improvements required, the STAR is good as it is
- Other (specify)

5. Has the NPFE process led to more efficient use of STAR resources? (completely agree, moderately agree, moderately disagree, completely disagree, unable to assess)

Annex B: Interviewees and Group Discussions

Long Rithirak, Ministry of Environment, Cambodia, June 28–July 2, 2013
Narin Sok, United Nations Industrial Development Organization, Cambodia, June 28–July 2, 2013
Chhum Sovanny, United Nations Development Programme, Cambodia, June 28–July 2, 2013
Laura Bermudez, GEF Operational Focal Point team, Colombia, June 24, 2013
Iván Darío Valencia Rodríguez, Office of International Affairs, Colombia, June 24, 2013
Tatiana Nuñez Suárez, Office of International Affairs, Colombia, June 24, 2013
Elsa Matilde Escobar, Fundación Natura, Colombia, June 25, 2013
Roberto Leon, Fundación Natura, Colombia, June 25, 2013
Luz Marina Mantilla, Sinchi, Colombia, June 25, 2013
Ana María Hernández, Alexander Von Humboldt Institute, Colombia, June 25, 2013
Claudia Vásquez Marazzani, Economic, Social and Environmental Affairs Office, Colombia, June 25, 2013
Diana Carolina Barba P., Ministry of the Environment, Colombia, June 25, 2013
Ivan Felipe Leon, Food and Agriculture Organization of the United Nations, Colombia, June 25, 2013
Jimena Puyana E., United Nations Development Programme, Colombia, June 26, 2013
Ana Beatriz Baron Colmenares, Patrimonio Natural, Colombia, June 26, 2013
Laura Garcia, Parques Nacionales, Colombia, June 26, 2013
Luz Adriana Rodriguez, Parques Nacionales, Colombia, June 26, 2013
Paula Caballero, GEF Political Focal Point, Colombia, June 27, 2013
Sandra Valenzuela de Narváez, World Wildlife Fund, Colombia, June 27, 2013
Angela Andrade, Conservation International, Colombia, June 27, 2013
Dorelly Estepa, Conservation International, Colombia, June 27, 2013
Jean Muneng Mutakej Ilunga, GEF Operational Focal Point, Democratic Republic of the Congo, June 14, 2013
Mike Ipanga, Focal Point for the Convention on Biological Diversity, Democratic Republic of the Congo, June 15, 2013
Prosper Kalombo Kayembe, Ministry of Environment, Nature Conservation, and Tourism, Democratic Republic of the Congo, June 15, 2013
Vincent Kasulu Seya Makonga, GEF Operational Focal Point, Democratic Republic of the Congo, June 18, 2013
Nino Tkhilava, GEF Operational Focal Point, Georgia, June 19 and 20, 2013
Ana Rukhadze, Regional Environmental Center for the Caucasus, Georgia, June 19 and 20, 2013
Malak Shukurova, Regional Environmental Center for the Caucasus, Georgia, June 20, 2013
Sophiko Akhobadze, Regional Environmental Center for the Caucasus, Georgia, June 20, 2013
Nunir Adgham, United Nations Development Programme, Jordan, June 17, 2013
Saleh Kharabsheh, GEF Operational Focal Point, Jordan, June 17, 2013
Rana Saleh, United Nations Development Programme, Jordan, June 17, 2013
Margarita Pérez Villaseñor, GEF Operational Focal Point team, Mexico, June 28, 2013
Montserrat Xilotl Soberón, GEF Operational Focal Point team, Mexico, June 28, 2013

Antonio Moreno, GEF Operational Focal Point team, Mexico, June 28, 2013
Jonathan Ryan, GEF Operational Focal Point team, Mexico, June 28, 2013
Jose Maria Valenzuela Robles Linares, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Carlos Roberto Ortiz Gomez, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Mariana Bellot Johas, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Oscar Manuel Ramirez Flores, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Hesiquio Benitez Dias, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Anrea Cruz Angon, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Jessica Ayala Brito, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Jose Armando Alanis De la Rosa, GEF Governmental Executing Agencies: Ministry of Finance; Ministry of Environment; Ministry of Energy; CONANP; CONABIO; CONAFOR, Mexico, July 1, 2013
Ida Alejandra Guzman Olguin, Ministry of Environment, Mexico, July 1, 2013
Rodolfo Godinez Rosales, Ministry of Foreign Affairs, Mexico, July 1, 2013
Miguel Angel Abaid Sanabria, Ministry of Foreign Affairs, Mexico, July 1, 2013
Maria del Carmen Sacasa, United Nations Development Programme, Mexico, July 1, 2013
Verania Chao, United Nations Development Programme, Mexico, July 1, 2013
Dolores Barrientos, United Nations Environment Programme, Mexico, July 1, 2013
Ramiro Magaña, United Nations Industrial Development Organization, Mexico, July 1, 2013
Raúl Ernesto Murguía Rosete, United Nations Development Programme, Mexico, July 2, 2013
Arturo Arreola Muñoz, Instituto para el Desarrollo Sustentable en Mesoamérica, A.C., Mexico, July 2, 2013
Marilia Telma Antonio Manjate, GEF Operational Focal Point, Mozambique, July 29, 2013
Augusto Correia, SGP national coordinator, Mozambique, July 29–July 31, 2013
Nadia Vaz, United Nations Development Programme, Mozambique, July 29–July 31, 2013
GEF Stakeholder's meeting called by M. T. Manjate, Food and Agriculture Organization of the United Nations; WWF; CARR Foundation; United Nations Development Programme; Ministry of Tourism; Ministry of Environment, Mozambique, July 29, 2013
Caniua F. Tavares, Ministry of Coordination of Environmental Affairs, Mozambique, July 29, 2013
Roberto Araquistain, Ministry of Environment and Natural Resources, Nicaragua, July 4, 2013
Luis Fiallos, Ministry of Environment and Natural Resources, Nicaragua, July 4, 2013
Carlos Mejía, Ministry of Environment and Natural Resources, Nicaragua, July 4, 2013
Edilberto Duarte, Ministry of Environment and Natural Resources, Nicaragua, July 4, 2013
Leonie Arguello, United Nations Development Programme, Nicaragua, July 5, 2013
Joel Loumeto, GEF Operational Focal Point, Republic of the Congo, June 12, 2013
Mirey Atallah, United Nations Development Programme, Republic of the Congo, June 12, 2013
J. D Vilakati, Swaziland Environment Authority, Swaziland, July 24, 2013
Bongani Simon Masuku, Ministry of Agriculture, Swaziland, July 24, 2013
Sthembiso Hlatshwako, United Nations Development Programme, Swaziland, July 25, 2013

Emmanuel Dlamini, Ministry of Meteorological Services, Swaziland, July 25, 2013
Futhi Magagula, Ministry of Tourism Environmental Authority, Swaziland, July 25, 2013
Zaxharia Dlamini, Ministry of Tourism Environmental Authority, Swaziland, July 25, 2013
Wilfred M. Nxumalo, Ministry of Tourism Environmental Authority, Swaziland, July 25, 2013
T. Manbanko, Ministry of Tourism Environmental Authority, Swaziland, July 25, 2013
Lucky Dlamini, Ministry of Tourism Environmental Authority, Swaziland, July 25, 2013
United Nations Environment Programme/ United Nations Development Programme/ Food and Agriculture Organization of the United Nations/World Bank and United Nations Industrial Development Organization, Thailand, June 20, 2013
Lütfi Akca, GEF Operational Focal Point, Turkey, June 12, 2013
Sedat Kodoiglu, Ministry of Forestry & Water Affairs, Turkey, June 12, 2013
Mustafa Hakan Helva, Department of EU and Foreign Affairs, Turkey, June 12, 2013
Oslan Cnure, Ministry of Forestry & Water Affairs, Turkey, June 12, 2013
Harun Akbas, Ministry of Forestry & Water Affairs, Turkey, June 12, 2013
Oslan Cnure, Ministry of Forestry & Water Affairs, Turkey, June 13, 2013
Fatma Güngör, Ministry of Forestry & Water Affairs, Turkey, June 13, 2013
Ozlem Güre, Ministry of Forestry & Water Affairs, Turkey, June 13, 2013
Serap Oytun, Ministry of Forestry & Water Affairs, Turkey, June 13, 2013
Birgül Güner, Ministry of Agriculture & Livestock, Turkey, June 13, 2013
Aysegul Umutlu, Ministry of Environment & Urban Planning, Turkey, June 13, 2013
Siv Tokle, World Bank, September 11, 2012
Ignacio Tourino Soto, African Development Bank, September 23, 2013
Sébastien Delahaye, African Development Bank, September 23, 2013
Michael Collins, Inter-American Development Bank, September 26, 2013
Alexandra Ortega, Inter-American Development Bank, September 26, 2013
Miryam Niamir-Fuller, United Nations Environment Programme, September 30, 2013
Goerdie Colville, United Nations Environment Programme, September 30, 2013
Bruce Dunn, Asian Development Bank, October 1, 2013
Ming Yang, GEF Secretariat, August 27, 2013
David Elrie Rodgers, GEF Secretariat, September 19, 2013
Franck Jesus, GEF Secretariat, September 19, 2013
Ramesh Ramankutty, GEF Secretariat, October 4, 2013
Dinesh Aryal, World Bank, July 17, 2013
George Ledec, World Bank, July 18, 2013
Adamou Bouhari, United Nations Environment Programme, June 12, 2013
Li Song, World Bank, June–July 2013
Tracy Hart, World Bank, June–July 2013
Banu Setlur, World Bank, June–July 2013
Rome Chavapricha, World Bank, June–July 2013
Angela Armstrong, World Bank, June–July 2013
Jasneet Singh, World Bank, June–July 2013
Shinya Nishimura, World Bank, June–July 2013

Annex C: Country Coverage through GEF Projects and Agencies

	Countries that used GEF grants through national projects up to GEF-3 period	Countries that used GEF grants during GEF-2 and GEF-3 (July 1999 to June 30, 2006, 7-year period)	Countries that used GEF grants during GEF-4 and GEF-5 (up to June 30, 2013, 7-year period)
All Agencies			
All projects	156	155	145
Countries with FSP	120	104	132
Countries with at least 2 FSPs	103	72	94
Countries with at least 5 FSPs	42	23	39
Countries with at least 10 FSPs	8	6	16
World Bank			
All projects	113	97	70
Countries with FSP	97	78	62
Countries with at least 2 FSPs	70	48	25
Countries with at least 5 FSPs	21	6	6
Countries with at least 10 FSPs	4	2	2
United Nations Development Programme			
All projects	152	150	133
Countries with FSP	99	71	103
Countries with at least 2 FSPs	59	31	55
Countries with at least 5 FSPs	11	7	18
Countries with at least 10 FSPs	2	0	4
United Nations Environment Programme			
All projects	100	92	77
Countries with FSP	6	6	27
Countries with at least 2 FSPs	2	1	7
Countries with at least 5 FSPs	0	0	0
Countries with at least 10 FSPs	0	0	0
Asian Development Bank			
All projects	6	6	8
Countries with FSP	5	5	8
Countries with at least 2 FSPs	1	1	2

	Countries that used GEF grants through national projects up to GEF-3 period	Countries that used GEF grants during GEF-2 and GEF-3 (July 1999 to June 30, 2006, 7-year period)	Countries that used GEF grants during GEF-4 and GEF-5 (up to June 30, 2013, 7-year period)
Countries with at least 5 FSPs	0	0	1
Countries with at least 10 FSPs	0	0	1
Inter-American Development Bank			
All projects	1	1	16
Countries with FSP	1	1	14
Countries with at least 2 FSPs	0	0	5
Countries with at least 5 FSPs	0	0	1
Countries with at least 10 FSPs	0	0	0
International Fund for Agricultural Development			
All projects	5	5	18
Countries with FSP	5	5	16
Countries with at least 2 FSPs	0	0	1
Countries with at least 5 FSPs	0	0	0
Countries with at least 10 FSPs	0	0	0
United Nations Industrial Development Organization			
All projects	40	40	69
Countries with FSP	1	1	36
Countries with at least 2 FSPs	0	0	15
Countries with at least 5 FSPs	0	0	1
Countries with at least 10 FSPs	0	0	0
African Development Bank			
All projects			2
Countries with FSP			2
Countries with at least 2 FSPs			0
Countries with at least 5 FSPs			0
Countries with at least 10 FSPs			0
European Bank for Reconstruction and Development			
All projects			4
Countries with FSP			4
Countries with at least 2 FSPs			1
Countries with at least 5 FSPs			1
Countries with at least 10 FSPs			0
Food and Agriculture Organization of the United Nations			
All projects			30
Countries with FSP			24
Countries with at least 2 FSPs			5
Countries with at least 5 FSPs			2
Countries with at least 10 FSPs			0

NOTE: FSP = full-size project.

Annex D: Management Response

This annex presents the management response to the working document version of this report, which was presented to the GEF Council in November 2013 as GEF/ME/C.45/04. Minor editorial corrections have been made, and quotations refer to the present version of the report.

D.1 Introduction

This is the management response, prepared by the GEF Secretariat, with reference to document GEF/ME/C.45/04, "Midterm Evaluation of the System for Transparent Allocation of Resources," undertaken by the GEF Independent Evaluation Office. The management response will focus on the main conclusions and recommendations stemming from the report.

The RAF was adopted by the GEF in 2005. In 2010, this system was modified into the STAR based on the outcomes of a midterm review of the system conducted by the Evaluation Office in 2008. It is the STAR that has governed allocation of resources in the GEF-5 replenishment period of 2010–14 in the specific focal areas of climate change, biodiversity, and land degradation.

As the GEF Secretariat approaches the final year of GEF-5 and the upcoming replenishment period of GEF-6, it has begun a process of both looking backward at the performance of the STAR over GEF-5, and looking forward to the possible modifications that will enable the GEF to better effect global environmental impact and transformational change. The midterm evaluation (MTE) of the STAR by the Independent Evaluation Office is welcomed by the GEF Secretariat as a critical input into this reflection.

Through three main sections focusing on (1) design, (2) implementation, and (3) effectiveness, the MTE sought to address five key questions:

- To what extent does the design of the STAR facilitate allocation and utilization of scarce GEF resources to enhance global environmental benefits?
- To what extent does the STAR promote transparency and predictability in allocation of GEF resources and strengthen 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 the STAR been effective?
- To what extent has the RAF midterm review been followed up on in the STAR through relevant Council decisions and general lessons learned?

The MTE largely focuses on technical design and implementation issues; it could have been helpful if some key strategic issues regarding the STAR had been assessed.

The management response relates directly to the two main categories of the MTE: (1) conclusions and (2) recommendations.

D.2 Conclusions of the Evaluation

The MTE has nine conclusions. The management response, while responding to the main conclusions, also focuses on some of the critical issues within each of the conclusions.

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

The Secretariat agrees with the MTE on the scientific and technical validity of the indexes. We respond individually to the fine-tuning suggested by the MTE for each of the focal area GEF Benefits Indexes.

MTE: *The GEF Benefits Index for Biodiversity is assessed as being conceptually simple and based on scientific evidence. The index gives a lot of weight to species-level data. However, GEF investments in this focal area are primarily directed at ecosystem-scale interventions, indicating a minor disconnect between GEF priorities and weights in the GEF Benefits Index.*

Response: Species richness and abundance are indicative of biodiversity value and importance, and hence their presence in the GEF Benefits Index. Ecosystem coverage is also captured in the GEF Benefits Index in terms of the extent of ecosystems (ecoregions) that are present in a country as measured by extent and coverage. In conclusion, there is no disconnect between the GEF's priority to manage and maintain globally important biodiversity at the scale of ecosystems and landscapes and weights in the GEF Benefits Index.

MTE: *Data richness (i.e., data availability) is uneven across GEF recipient countries. Thus, countries that might have rich biodiversity but poor documentation receive lower allocations. For example, Angola—widely regarded to be among the countries that have rich biodiversity—is assessed to have received a lower allocation due to poor documentation of its biodiversity.*

Response: The taxonomic groups used in the index (mammals, birds, amphibians, reptiles, freshwater fish, and vascular plants) have all been assessed globally, and thus are mostly insensitive to sampling effects. We agree that the index could be improved in the future by adding more taxonomic breadth to it by including additional groups that are currently in the process of being assessed globally, particularly some plant taxa.

MTE: *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 marine biodiversity–related national projects are focused in onshore or near-shore activities. Further, the GEF provides support to areas beyond national jurisdictions through set-asides for regional and global projects.*

Response: The point is noted.

MTE: *The scientific and technical validity of the GEF Benefits Index for Biodiversity could be improved and strengthened by giving greater attention to ecosystem functions and freshwater species. Although measures of ecosystem services and quantification of the value of biodiversity and ecosystem services are difficult to determine, this area needs to be explored further. Finer scale measures than those that have been used in the STAR are available for at least some dimensions of species distribution. Wherever possible, incorporation of finer scale data will help strengthen the biodiversity Benefits Index. Inclusion of only fish species data for the index's marine component 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.

Response: With regard to freshwater and marine species, globally available data sets are the limiting factor, although mollusks should be completed soon, as well as dragonflies. Corals are also in the process of being completed, as are sharks, rays, and skates.

Although interesting, theoretically speaking, the recommendations about ecosystem function and ecosystem services are impractical due to methodological problems with accurately valuing ecosystem function and ecosystem services globally. In addition, many of the ecosystem function and service benefits reside at the very local and national levels; hence they should not be included in an index for global benefits.

MTE: *The GEF Benefits Index for Climate Change consists of two components. The first component, which accounts for 95 percent of the index's weight, is based on countries' emissions of greenhouse gases in tons of carbon dioxide–equivalent in the year 2007 multiplied by an adjustment factor which rewards countries that show a decrease in the amount of carbon dioxide emissions relative to GDP, or "carbon intensity." The adjustment factor is expressed as a country's carbon intensity in 1990 divided by its carbon intensity in 2007. The second component, which accounts for 5 percent of the index's 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.*

Response: The point is noted.

MTE: *Since 95 percent of the GEF Benefits Index for Climate Change is accounted for by the emissions-related factor, despite the adjustment factor, the index leads to high allocations in countries with high greenhouse gas emissions. However, it is also true that the potential of climate change mitigation is higher in such countries, which makes concentrating resources in them more cost-effective for 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 leading to increased carbon emissions.*

Response: A low weight (5 percent) was used to account for carbon dioxide emissions from LULUCF due to the initial introduction of the LULUCF index in the STAR. In the future, this weight could be increased up to approximately 17 percent, which is the percentage of greenhouse gas emissions from LULUCF of total global greenhouse gas emissions.

MTE: *The indicators used for determination of global environmental benefits potential are linked with the overall objective of the GEF-5 strategies for climate change mitigation. However, linkages 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 index too complicated. Nonetheless, the STAR index may be further improved by strengthening the adjustment factor to provide greater allocation to countries with a good record of reducing their greenhouse gas emissions in recent years.*

Response: It was infeasible to link the climate change mitigation focal area strategies with the

global environmental benefits index in the STAR due to the following reasons: (1) it would have made the index too complicated to be understood by recipient countries; and (2) there were no comparable economic and technical data across 144 climate change mitigation recipient countries in technology transfer, energy efficiency, renewable energy, and transport. The Secretariat will consider the recommendation of "The STAR index may be further improved by strengthening the adjustment factor to provide greater allocation to countries with a good record of reducing their greenhouse gas emissions in recent years." Close attention will be paid to the drivers of greenhouse gas emissions reductions in countries. Some countries have reduced their greenhouse gas emissions over the past few years, not because of good performance in energy use but because of poor economic development. If the STAR rewards these countries, the GEF could potentially be criticized.

MTE: *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 GEF (2013b), which consolidates all Council decisions regarding the STAR, 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 the core interests of the United Nations Convention to Combat Desertification [UNCCD] and directly reflects each country's opportunity regarding dry lands, the 60 percent weight accorded is too high.*

Response: The 60 percent weight was used because it turned out to be the most appropriate weight for achieving balance in total allocations across the different UNCCD regions.

Hence "affected" regions, such as Africa and Asia, with significantly large dry land areas will get proportionally higher total allocations overall. A lower weight will shift the balance considerably and make it difficult to target the focal area resources where the GEF value added is greatest.

MTE: *Given the high weight, countries with a larger 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 especially semi-arid zones bring the lowest returns because of the limited options for sustainable land management and because the degradation processes are naturally far greater than in humid areas. Comparing similar-size African countries, one comprising almost entirely dry land adjacent to another with a high percentage of humid degraded forest yet with 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 global environmental benefits.*

Response: It is important to note that the emphasis on dry lands is essential for several reasons. First, dry lands are globally important for crop and livestock production, and include arid, semi-arid, and dry subhumid regions according to the UNCCD. Second, all dry lands are predisposed to risks of "desertification" due to natural and anthropogenic forces, which makes them an important factor for safeguarding the planetary boundaries. It is not clear who has argued about investments in semi-arid zones bringing low returns, but the fact remains that dry lands are not wastelands. Dry land degradation leads to considerable emissions of greenhouse gases, massive loss of productive soils, and major consequences for millions of lives (mostly of the poor) who have virtually no other options for survival. The focal area mandate is about global environmental benefits from all production systems—agricultural, pastoral, rangeland, and forest landscapes. Therefore, global environmental benefits from combating land degradation

are actually multiple depending on the context, and regardless of whether the country is dominated by dry lands or humid areas. All countries affected by land degradation, specifically desertification and deforestation, will contribute global environmental benefits if the focal area resources are appropriately targeted to interventions to combat such degradation. The fact that the GEF Benefits Index gives considerable attention to dry lands is purely due to direct relevance to the UNCCD for which the focal area serves as a GEF financing window. However, countries with humid forest zones can also benefit from combating deforestation through SFM and biodiversity conservation.

CONCLUSION 2: **The market exchange rate–based GDP indicator was effective in directing additional resources to least developed countries. Nonetheless, use of a purchasing power parity–based indicator would have been more appropriate for capturing socioeconomic conditions in recipient countries.**

The Secretariat will look into the feasibility of including the PPP-based indicator.

The Secretariat acknowledges the challenges faced in the calculation of the GEF Performance Index, in particular in the use of the PIRs and TERs. The Secretariat agrees regarding the constraints of the TER data set in GEF-5 and that this data constraint is likely to persist into GEF-6. Given both of these challenges, however, the Secretariat would have welcomed recommendations in the MTE on alternatives to both of these indicators.

We do not concur that the PIR is "more a reflection of the performance of Implementing Agencies and executing agencies than of recipient countries" and find that the analysis and hypothesis around project/country/agency performance is not very informative, and may have misinterpreted the notion of "implementation" and the respective responsibilities of the GEF Agency and the country executing agent.

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

The Secretariat welcomes this conclusion and agrees with the MTE on the success of the removal of the 50 percent rule.

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

The flexibility rules allow a country with a total STAR allocation amount of less than $7 million to use its STAR funds flexibly in any of the three focal areas (GEF 2010b). Countries are categorized as "fully flexible" or "not flexible" based on this rule. However, for countries that are "not flexible," some marginal movements of funds between focal areas are in fact possible.

The overall rules that govern flexibility of funds are as follows:

- Countries whose total initial allocations are between $7 and $20 million are permitted marginal adjustments up to $200,000.
- Countries whose total initial allocations are between $20 and $100 million are permitted marginal adjustments up to $1 million.
- Countries whose total initial allocations are greater than $100 million are permitted marginal adjustments up to $2 million.

A fully flexible country is therefore free to reallocate its initial allocation between focal areas. However, countries that are only permitted limited marginal adjustments do not have the freedom to move unlimited resources among their focal areas. Such countries are only permitted to move between focal areas the amounts that are within their allowable adjustment bands. The number of countries to fall into each of these categories is summarized in table D.1.

TABLE D.1 **Number of Flexible Countries**

Flexibility status	Number
Fully flexible	63
Marginal adjustments of $0.2 million	53
Marginal adjustments of $1 million	24
Marginal adjustments of $2 million	4

The Secretariat agrees with the findings that the countries defined as fully flexible made use of this flexibility to move resources across the three STAR focal areas. It is true that countries with marginal flexibility did not benefit as much from the STAR's flexibility policy. This was indeed the expectation, as the system was designed so that countries with larger allocations were allowed relatively smaller marginal adjustments.

CONCLUSION 5: **The 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.**

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

Response: We are pleased with the findings that LDCs and countries with modest STAR allocations have accessed relatively more of the SFM/REDD+ resources when they have made use of the incentive, including those that were not active in forest-related activities in GEF-4. We are also pleased with the level of programming in Africa and Latin America and the Caribbean, regions with significant forest resources of global relevance.

MTR: *Considerable effort may be required up front 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 GEF Agencies—had little knowledge and understanding of how this incentive scheme was likely to operate. This led to poor utilization during the first year, and much of the utilization took place during the second year.*

Response: The slow start can be attributed in part to the novelty of the mechanism as an incentive within the GEF, but after the first year the programing of SFM resources accelerated significantly. We support the conclusion that proactive support for the roll-out of new mechanisms is important in preparing all partners to make best use of GEF resources; hence, the SFM incentive became part of the GEF's outreach programs such as National Dialogue Initiatives, Expanded Constituency Workshops, and GEF familiarization seminars.

MTR: *A low ceiling for individual countries at $10 million has prevented countries with large STAR allocations from accessing more resources. The 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 with higher allocations. However, it also seems that the ceiling has been set rather conservatively, and there is a case for increasing it somewhat.*

In countries with smaller aggregate allocations, utilization of resources for SFM faced a different barrier. By the time recipient countries and agencies fully understood how resources from SFM might 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.

Response: We support the finding that ceilings are necessary to prevent uneven flows of funds and that the GEF-5 ceiling has precluded a very small number of countries with larger STAR allocations from accessing incentive resources commensurate with their capacity to generate benefits from forest-related projects. We therefore support the establishment of a less conservative ceiling in GEF-6. With regard to countries with smaller allocations and with early GEF-5 programming of STAR resources that did not consider SFM incentives, the uptake data for the SFM incentive in GEF-5 strongly suggest that information barriers will no longer be a problem during GEF-6. In summary, we agree that in preparation for GEF-6, there is a need to simplify and improve access to the SFM/REDD+ incentive mechanism through revising eligibility requirements, country ceilings, and the incentive ratio.

MTR: *Set-asides were increased significantly under STAR—from 5 percent under the RAF to 20 percent under the STAR. This increase was in line with a trend seen across multilateral 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 case for set-asides.*

Response: We are in agreement with the MTE regarding the need for set-asides to be reflective of the unique mandate of the GEF to partner with recipient countries in delivering global environmental benefits. In further evolution of the allocation system, we will consider the option of expanding the set-asides in the STAR focal areas.

CONCLUSION 6: **Compared to the RAF, implementation of the STAR was much smoother. Compared to communications in GEF-4 for the RAF, STAR-related communications from the GEF Secretariat—with some exceptions—were clear and timely. Actual calculations of allocations were, in general, carried out correctly with some exceptions.**

The Secretariat is in agreement with the conclusion that STAR-related communications were clear and timely.

The Secretariat agrees that TER data should have been improved. The Secretariat and the GEF Independent Evaluation Office will work closely together to improve TER data quality.

CONCLUSION 7: **Actual utilization of STAR resources so far is in line with expectations and similar to that achieved under the RAF at the same point in the replenishment period.**

The Secretariat is in agreement with this **statement** but does not understand the relevance of this **conclusion**. To say that the STAR utilization is the same as the RAF at this time period in the GEF cycle is simply to equate numbers. The critical question becomes: Can these rates be considered satisfactory ones, and if so, on what grounds?

The utilization discussion centers on total utilizations and is also disaggregated into focal area allocations. However, the Secretariat feels that much more relevant analysis was omitted from the discussion. For example, it would have been interesting to see utilizations by region for each focal area, and how this compared across the RAF and the STAR. Furthermore, it would have been useful to see utilizations by vulnerable country groups such as SIDS and LDCs, and how their utilizations fared across the two allocation systems.

The Secretariat does not understand the relevance of the statement that "Compared to the RAF, the level of cumulative utilization under the STAR was higher at the end of the first year and second year." The RAF system contained the constraint that only up to 50 percent of focal area resources

could be used up to the middle of the replenishment period. As discussed above in Conclusion 3 of this MTE, this constraint was removed in the STAR, and its removal can be considered a success, with many countries now utilizing more than 50 percent of their resources by midterm. These facts naturally imply that, under the STAR, cumulative utilizations would be higher at midterm than under the RAF.

The Secretariat does not understand the relevance of the related statement that "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."[1] The 50 percent rule clearly implied that an abrupt increase in utilization would take place early in the third year by countries that had reached their 50 percent limit by midterm and were waiting for the constraining period to be past in order to continue their programming. The smoothness of programming across GEF-5 can therefore be attributed in large part to the removal of the 50 percent rule, as discussed above in Conclusion 3.

Finally, the Secretariat notes with interest the analysis done on the NPFEs and their effects on STAR utilizations. The analysis indicates that there may not be a straightforward relationship between the two. This is another area in which a more detailed critical analysis is welcome.

CONCLUSION 8: **The STAR is perceived to have increased transparency and country ownership and has helped smaller countries in accessing GEF resources.**

The Secretariat is in agreement with this conclusion and pleased to note that such country ownership seems to have extended into non-STAR focal areas.

[1] Note that the final text of the evaluation report presented here does not include this observation.

CONCLUSION 9: **Both the RAF and the 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.**

The Secretariat is in agreement with this conclusion.

D.3 Recommendations of the Evaluation

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

The Secretariat does not support this recommendation. The Secretariat has an obligation to respect the focal area allocations agreed upon during the replenishment negotiations. From the perspective of a country, increasing flexibility implies greater autonomy on how resources are used. Increasing flexibility means a fundamental shift in resources among focal areas that could be in gross contravention of replenishment agreements. Indeed, the STAR's flexibility policy was developed to ensure that, despite allowed movements across focal areas in line with flexibility bands, a minimum of 90 percent of the initial focal area allocations set out in the GEF-5 replenishment for the biodiversity and climate change focal areas would be respected (GEF 2010b).

It should be noted that the target focal area allocations were agreed upon during the GEF-5 replenishment negotiations. Indeed, Council decisions in both November 2012 and June 2013 on potential programming shortfalls unequivocally stated that the balance across the original focal areas as outlined by the GEF-5 replenishment should be maintained (GEF 2012b, 2013a).

Finally, the Secretariat believes that implementation of this recommendation is not only theoretically questionable, it is also operationally infeasible.

The existing levels of marginal adjustments in themselves have caused significant operational complications and confusion during GEF-5; in particular, in the context of potential programming shortfalls. In fact, for the upcoming GEF-6 period, the Secretariat has been investigating the programming implications of the removal of marginal adjustment bands, where countries would simply be categorized as either fully flexible or nonflexible. The Secretariat has been looking at the possibility of increasing the cutoff for full flexibility in order that more countries fall into the flexible band.

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

We agree with this recommendation, recognizing that any improvement of indicators depends upon the availability of supporting data.

While the Secretariat will continue to explore alternative indicators that better capture potential for global environmental benefits from combating land degradation, specifically desertification and deforestation, the current set of indicators will be used for the focal area's GEF Benefits Index. Efforts will be made to update the data as appropriate and available from the original sources.

RECOMMENDATION 3: **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.**

The Secretariat welcomes the recommendation of quality control. The STAR calculations are complex ones, and the idea of independent calculations by multiple people is a positive one. The Secretariat also welcomes the recommendation for improvements in database management.

The Secretariat welcomes the recommendation for improvements in the process for STAR calculations and suggests that we work more closely with the Independent Evaluation Office to ensure that TER data being input into the model is of better quality.

D.4 Conclusions of the Management Response

The Secretariat welcomes the STAR MTE and concurs that there are indeed several areas where there is potential for technical improvement in the design of the STAR. The Secretariat will explore these options and their feasibility.

The Secretariat agrees with the MTE that the international waters focal area is not conducive for inclusion in the STAR model.

The Secretariat agrees with the MTE that incorporation of the chemicals portfolio into the STAR faces several key constraints. From our perspective, we believe that a sufficient and reliable data set on which such a model can be built does not yet exist. First, the development of robust indexes will initially require detailed information on the amounts of chemicals that are produced, consumed, and traded and would require a chemical profile (or closest proxy) of each recipient country. Second, since the use of chemicals is not necessarily connected with readily available and routinely measurable indicators, such as GDP per capita, there would be difficulty in constructing an index based on such reference proxies. The construction of an allocation system for chemicals will require (1) decisions on the factors to be included into the model, (2) the collection of real or proxy data on these factors, and (3) correction for the unique characteristics of each country's chemical usage profile.

The Secretariat agrees with the MTE that forthcoming new programs should be cognizant of the experiences of SFM implementation and give attention to the efforts needed to effectively prepare the GEF partnership to make best use of them.

However, the MTE also suggests some options, such as increased marginal flexibility, that will increase operational complexity and therefore not be in line with the overall urgency for streamlining at the GEF.

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