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Global Environment Facility

Introductory Remarks

of

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Global Environment Facility**

for

The STAR Meeting

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At 9:30 a.m.

Paris - France

Good morning, ladies and gentlemen, please let me take this opportunity to thank you all for attending this STAR Meeting. Following the Council's recommendations in the last Council meeting, I am consulting a small number of countries regarding the development of the new RAF system. We have therefore selected a limited number of Council members to form this ad hoc committee for GEF 5 and to represent the divergent views of Council on the resource allocation framework that you have come to know all too well as the RAF and about which there are mixed emotions.

To make a break with that past, I started a competition to find a new name for the GEF's resource allocation system and staff of the GEF voted for proposals of the new name. As a result, the "System for Transparent Allocation of Resources" or STAR was selected as the new name for the GEF 5 resource allocation system. It is a name that better represents my intentions – in other words a System for Transparent Allocation of Resources. However, you may not be surprised to know that being such an inventive group of people, GEF staff produced a number of other acronyms that you may be truly grateful that were not voted in:

System for Hierarchical Allocation of Resources- **SHARE**

Compromise to Harness Nature and the Global Environment- **CHANGE**

GEF- Care Catalytic Allocation of Resources for the Environment-

CARE

System of Allocations for the Environment- **SAFE**

Vulnerability Investment Assessed Grants- **VIAGRA**

Environment Allocation System- **EASY**

Sharing Allocation for the Global Environment- **SAGE**

Pattern for the Analytical Development of Resources Allocation-

PANDORA

Tool for Resources Allocation towards Programming- **TRAP**

Country Resources Allocation for Programming- **CRAP**

Building Allocation Framework for Fun-**BARFF**

Returning to reality, you know that the RAF is being used to allocate the GEF resources for climate change (CC) and biodiversity (BD) in GEF 4, but many people including the donors, the beneficiary countries and the GEF evaluation office have criticized the RAF for not being transparent and not being simple or straightforward enough to understand and implement in a flexible and efficient manner, and have asked the Secretariat to change the system for GEF 5. We have been careful to look at the conclusions and sensible suggestions from

the project cycle review and the mid-term evaluation of the RAF and listen to the voices of the countries, conventions and agencies. This has led us to take out aspects that were simply not acceptable – such as the group allocation, the 50% rule – and make plans on how to make implementation of the STAR sensitive to country needs and flexible enough to cope with changing circumstances

Under my direction, the Secretariat started developing a new system, as the mid-term review has recommended and set out computer models for the GEF5 resource allocation. I have set strict design criteria for this system to ensure that it is simple enough for any of you to understand and straightforward to adjust and update so that it does not cause an unnecessary burden in running costs. We had the option to put out any number of variations on a theme, but felt it important to demonstrate the effect of changing one or two variables such as replenishment scenario, combinations of focal areas and revised indicators. In later iterations, we can expand the variety of scenarios and options almost infinitely but I wanted the Council to judge, at an early stage, if the line we are taking is also what you see as reasonable, equitable and responsive to the needs of recipient countries.

We had also considered the possibility of not having any resource allocation system in GEF 5, even though the Evaluation Office had concluded in its project cycle review, that an allocation system was best to provide increased country ownership. In fact, the Secretariat does not recommend any return to the old system, nor have we heard from countries that they wish to return to the previous system, but the Council may still decide to on a GEF 5 without a RAF.

I have also considered the need for an inherent flexibility in the system so that the Secretariat can manage the resources in a flexible and equitable manner whatever the state of the financial market. As you have already been informed in the replenishment meeting, the turbulence of the current financial crisis has made the implementation of the current RAF difficult and painful for countries that have had greatly raised expectations of funding even up until January 2009. The rigid rules and guidelines that have acted as a straightjacket on the implementation of the RAF must not be allowed to repeat in GEF 5.

The STAR that we will be describing shortly is now under development and we have made progress to show you some results including:

- (1) Modeling the effects of resource allocation from an increase from two focal areas in GEF4 to potentially all the focal areas in GEF 5 under different options;
- (2) Exploring the effects of different scenarios for replenishment of GEF 5;
- (3) Improving and simplifying indicators (and indexes) for the GEF benefits (GBI);

After we have received your instructions, we will consider extending our exploration to:

- (4) Assessing impact of changes to the GEF performance index (GPI); and
- (5) Possibly testing different measure of vulnerability for developing countries to achieve greater fairness and equitability.

Currently, GBI and GPI are used to calculate the allocation scores for each of the countries. If the Council does not think the indexes are equitable enough, we could design a vulnerability index to add more equity in the allocation system.

The objective of today's meeting is to present you the methodology of STAR, some early ideas on indicators for the focal areas, explain the inherent assumptions we have made, and to share with you the initial simulation results by applying STAR across three GEF5 replenishment scenarios and three resource allocation options.

The goal of making this presentation is to receive your guidance on the further development of the GEF's possible allocation system in GEF 5.

It should also be noted that the paper does not deal with implementation rules, because the implementation will be designed, depending on the system to be chosen. Once it is chosen, we will prepare the implementation rules accordingly.

Thank you very much for your expected contributions to the STAR, the new resource allocation system for GEF.

Now I pass the floor to Chris and Ming.