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# **System of Transparent Allocation of Resources - STAR**

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# Introduction

- **Issues from GEF4 to GEF5**
  - Donors requested reforms in resource allocation framework (RAF)
  - Recipient countries requested new rules
  - GEF evaluation office provided useful comments
- **This presentation demonstrates how the GEF meets these new challenges**



# Main messages

- **New computer model (STAR)**
- **New focal area**
- **New indicators/indices**
- **Updated data**
- **STAR allocation favors the LDC and the SIDS**



# Outlines

- **What is new from GEF-4 RAF to GEF-5 STAR**
- **Impacts of the new things**
- **Overall allocations of the GEF-5**
- **Future development of the STAR**

# What is new in the GEF-5 STAR?



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# New allocation area and countries

## GEF-4 RAF

- Areas: Biodiversity and climate change
- Country categories:
  - Individual and group
  - LDC and SIDS in group

## GEF-5 STAR

- Areas: Biodiversity, climate change, and land degradation
- Country categories:
  - All the countries are equal
  - No group countries



# A new major component

## GEF 4 RAF

- **GEF Benefits Index (GBI)**
- **GEF Performance Index (GPI)**

## GEF 5 STAR

- **GEF Benefits Index (GBI)**
- **GEF Performance Index (GPI)**
- **Social Economic Development Index measured as GDP index (GDPI)**



# New rules

## GEF-4 RAF

- Caps:
  - 10% for BD and 15% for CC
- Floors:
  - No
- Others:
  - 50% rule,
  - Set-aside 10%
- Caps:
  - 10% for BD and LD, 11% for CC
- Floors:
  - \$2 mn in CC, \$1.5 mn in BD, and \$0.5 in LD
- Others:
  - Flexibility for small countries (90% rule),
  - More weight (25%) for marine scores in GBI<sub>BD</sub>,
  - 5% of CC scores are from countries' forested areas
  - Set-aside 20%



# Programs not yet in the STAR

- International waters
- Persistent organic pollutants and sound chemicals management
- Corporate budgets
- National dialogue initiative
- Country support program
- Regional and global projects/programs
- Small grants programs
- Earth fund (private sector)



# GEF-5 Performance Index – GPI

$$\text{GPI} = 20\% \times \text{PPI} + 65\% \times \text{CEPIA} + 15\% \times \text{BFI}$$

(GEF-4:  $\text{GPI} = 10\% \times \text{PPI} + 70\% \times \text{CEPIA} + 20\% \times \text{BFI}$ )

- The PPI is country's score calculated from project Portfolio Performance Index. It is based only on GEF projects:

$$\text{PPI} = 40\% \times \text{PIR} + 60\% \times \text{TER}$$

Where, PIR is country's score of project implementation review

TER is country's score of project terminal evaluation review

- The GEF's CEPIA (Country Environmental Policy and Institutional Assessment index) only uses the 11<sup>th</sup> item of the World Bank's CPIA
- The GEF's BFI (Broad Framework Indicator) is the average of items 12-16 of the CPIA

*Key message: Decreased weight of CEPIA and BFI, but increased weight of PPI*



# GDP-based Index - GDPI

- $GDPI = GDP^{-0.04}$
- Rationale: Poorer countries need more funds to build capacity for GEF project development and implementation

*Key message: the higher the GDP per capita, the lower the country's GDPI*



# GEF Benefits Index in CC

- $$GBI_{CC} = 95\% \times \{GHG_{2007} \times CI_{1990}/CI_{2007}\} + 5\% \times \{FA_{2005} \times DF_{1990-2007}/DF_{2000-2005}\}$$

Where :

- $GHG_i$  - total emissions of six types of greenhouse gases ( $CO_2$ ,  $CH_4$ ,  $N_2O$ , HFCs, PFCs, and  $SF_2$ ) in year  $i$  (2007), excluding land use, land-use change and forestry (LULUCF).
- $CI_i$  - carbon intensity, equal to total GHG emissions of a country in year  $i$  divided by the country's total GDP in year  $i$  ( $i=1990$  or  $2007$ );
- $FA_{2005}$  - forested area of a county in 2005;
- $DF_{i-j}$  - absolute value of average annual change in forested area of a country between year  $i$  and  $j$  ( $i=1990$  or  $2000$ ,  $j=2000$  or  $2005$ )

*Key message: Reward countries with higher GDP growth rate and decreasing the loss of forested areas.*



# GEF Benefits Index in BD

- $GBI_{BD} = 75\% \times \text{Terrestrial Score} + 25\% \times \text{Marine Score}$ 
  - Terrestrial Score =  $40\% \times \text{Representative Species} + 40\% \times \text{Threatened Species} + 10\% \times \text{Representative Eco-region} + 10\% \times \text{Threatened Eco-region}$
  - Marine score = the credits from all of the marine species located in the territorial waters of the country

*Key message: Reward countries with more species and eco-regions*



# GEF Benefits Index in LD

$$\text{GBI}_{\text{LD}} = 60\% \times \text{proportion of dryland area} + 20\% \times \text{proportion of rural population} + 20\% \times \text{global share of land area affected}$$

*Key message: Reward countries with high proportion of dryland area*



# Country's allocation score (CAS)

- $CAS_{BD} = GPI \times GDPI^{-0.04} \times GBI_{BD}^{0.8}$  for biodiversity
- $CAS_{CC} = GPI \times GDPI^{-0.04} \times GBI_{CC}^{0.8}$  for climate change
- $CAS_{LD} = GPI \times GDPI^{-0.04} \times GBI_{LD}^{0.8}$  for land degradation

*Key message: A country has only one GPI and one GDPI , but three GBIs*

**What are the impacts of the new things?**

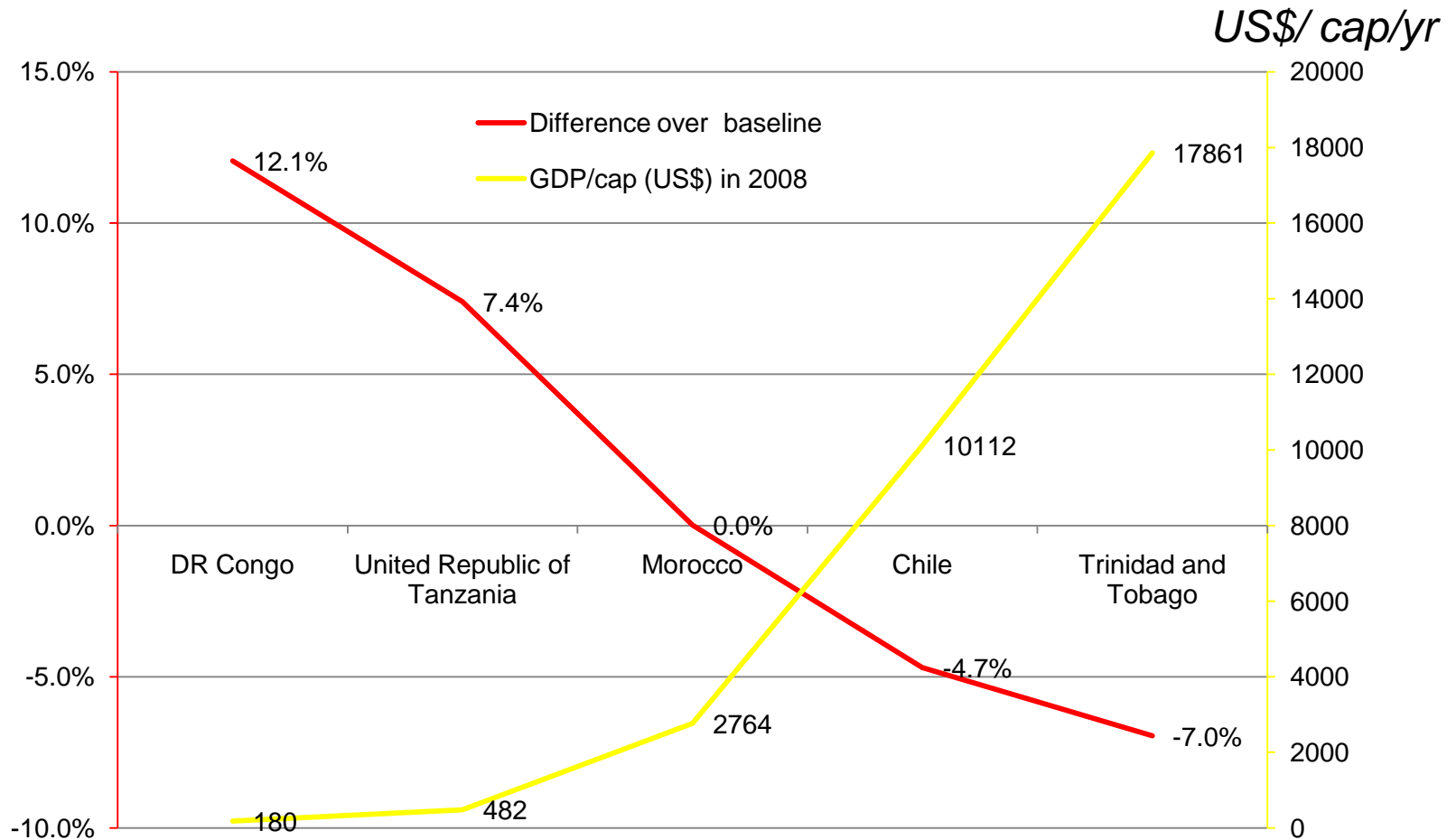


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# Impact of GDPI (\$4.25 bn scenario)



*Key message: GDPI cuts up to 7% from the rich and adds up to 12% to the poor.  
\$2,760 GDP per capita is the threshold.*

# Impact of “no group” allocation

## GEF-4 RAF

- Individual countries in CC :
  - 50
- Individual countries in BD:
  - 58
- Individual countries in LD:
  - None

## GEF-5 STAR

- Individual countries in CC :
  - 144
- Individual countries in BD:
  - 144
- Individual countries in LD:
  - 143

# Impact of floors on allocations

Floors (\$m)	Number of countries floored			Share of resources to floored countries over the total		
	Biodiversity	Climate change	Land degradation	Biodiversity	Climate change	Land degradation
2	70	62	102	11.6%	<b>9.1%</b>	50.4%
1.5	57	45	75	<b>7.1%</b>	7.8%	43.4%
1	44	30	52	3.6%	3.4%	20.1%
0.5	36	15	8	1.5%	0.9%	<b>1.5%</b>

*Key message: Using \$2, \$1.5 and \$0.5 mn as floors will ensure a small country to have at least one project, and no more than 10% of resources to be allocated to the floored countries.*

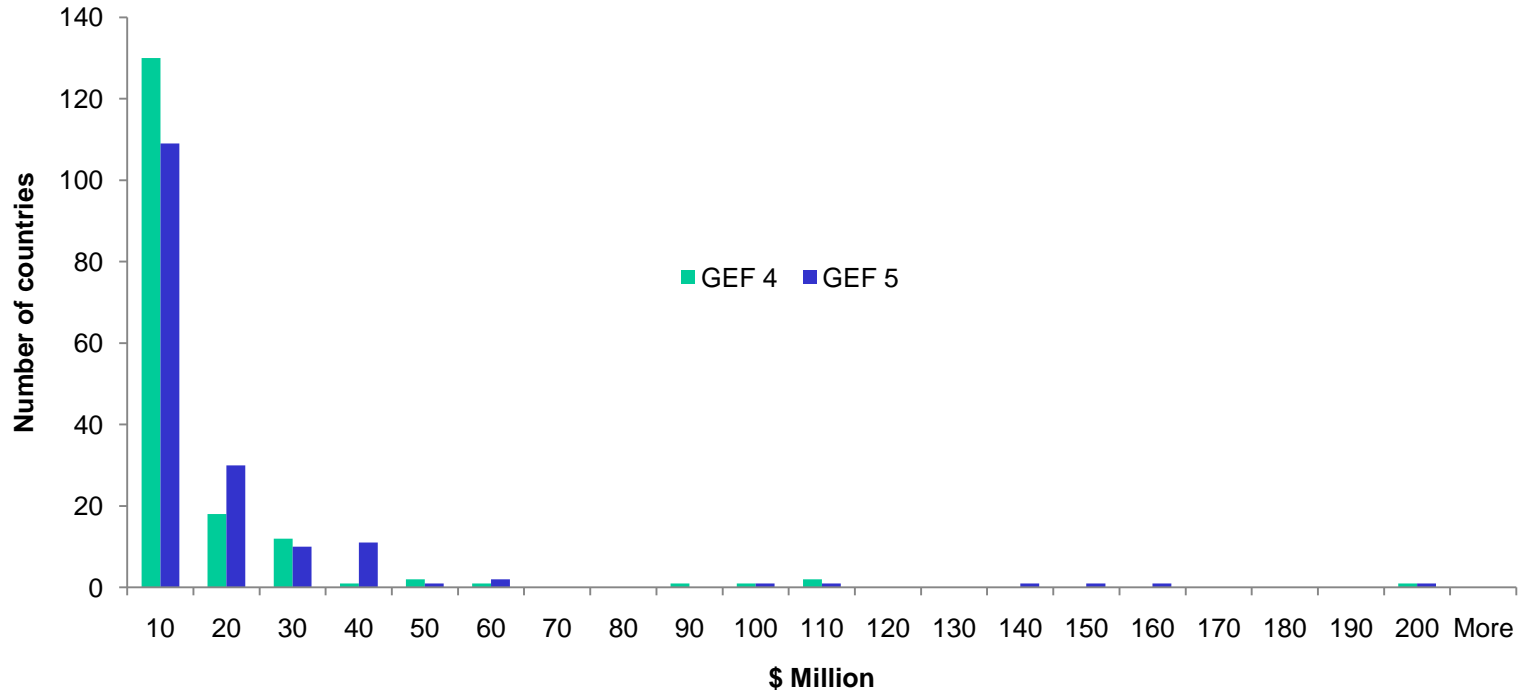
# Impact of new caps on allocations

	CC Cap scenarios		Number of countries
	Cap =15% (baseline)	Cap = 11% (in the STAR)	
Allocation reduced	0%	-26.7%	1
Allocations increased	0%	7.3%	71
Allocations increased and status changed	0%	4.4% and 2.8%	2
Allocations not affected	0%	0%	70

*Key message: Capping one country will benefit 73 countries*

# Overall impacts

## Allocation distributions



*Key message: Distributions are moving from the two ends towards the middle from GEF-4 to GEF-5.*



# Implementation of the STAR as of January 5, 2011

Country	Project Title	PPG Amount	PPG Fees	GEF Project Grant	Project Agency Fees	Work Program Total	GEF Grant	Co-financing Amount	Total Project Cost	Focal area
Yemen	Leopards and Landscapes: Using a Flagship Species to Strengthen Conservation in the Republic of Yemen	130,000	13,000	2,430,000	243,000	2,673,000	2,560,000	2,900,000	5,460,000	BD
Chile	Strengthening National Frameworks for IAS Governance - Piloting in Juan Fernandez Archipelago			4,000,000	400,000	4,400,000	4,000,000	6,900,000	10,900,000	BD
Kazakhstan	Reducing GHG Emissions through a Resource Efficiency Transformation Programme (ResET) for Industries in Kazakhstan			7,090,000	709,000	7,799,000	7,090,000	38,500,000	45,590,000	CC
Azerbaijan	Sustainable Land and Forest Management in the Greater Caucasus Landscape	100000	10000	5,080,000	508,000	5,588,000	5,180,000	11,400,000	16,580,000	CC/LD
Subtotals		230,000	23,000	18,600,000	1,860,000	20,460,000	18,830,000	59,700,000	78,530,000	



# Conclusions

The GEF used new methodology and updated indicators to meet the challenges of donors and recipient countries

The new allocation system (STAR) is

1. increasing the shares of allocation to the least developed countries
2. rewarding countries with a decreasing rate of forested-area losses
3. providing wider and more even allocations
4. ensuring small countries to have enough funds to implement at least one project in GEF 5 period
5. more transparent in resource allocations



# Next steps

- Implement the STAR
- Develop new GBI for persistent organic pollution and international waters
- Improve  $GBI_{BD}$ ,  $GBI_{CC}$  and  $GBI_{LD}$
- Update and improve GPI and GDPI





# Thank you!

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