



GLOBAL ENVIRONMENT FACILITY
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Agenda Item 09

UPDATING THE SYSTEM FOR TRANSPARENT ALLOCATION OF RESOURCES (STAR)

Recommended Council Decision:

The Council, having reviewed document GEF/C.54/03, *Updating the System for Transparent Allocation of Resources (STAR)*, approves the STAR Policy contained in Annex I, which replaces and supersedes all relevant previous Council decisions regarding STAR.

The Council also requests that the Independent Evaluation Office evaluate STAR as part of its Seventh Comprehensive Evaluation of the GEF (OPS7), and that it share its findings, conclusions and recommendations in sufficient time to inform the negotiations on the eighth replenishment of the GEF Trust Fund.

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INTRODUCTION

1. Participants to the seventh replenishment of the GEF Trust Fund (GEF-7) agreed that “a system of country allocations represents a key strength of the GEF [and that] [c]ountry allocations have contributed towards greater predictability, transparency and country ownership in the allocation and programming of resources”. Participants further agreed that “the allocation of resources across the biodiversity, climate change, and land degradation focal areas should evolve reflecting emerging priorities and the GEF’s unique comparative advantage” and they recognized “the needs of all GEF recipient countries, particularly those of least developed countries and small island developing states.”¹

2. Having considered the Secretariat’s analysis of the System for Transparent Allocation of Resources (STAR)² as well as the review of STAR³ carried out by the Independent Evaluation Office (IEO) as part of the *Sixth Comprehensive Evaluation of the GEF (OPS6)*⁴, Participants requested that “the Secretariat, in its proposal to the Council for updating STAR, include the following:

- adjustments to the minimum allocation floors to reflect the allocation of resources across the biodiversity, climate change and land degradation focal areas, while retaining the aggregate allocation floors at their current levels; and
- an increase in the weight of the GDP per capita index to -0.12; and
- a proposal to increase the marginal adjustments across focal areas for recipient countries with STAR country allocations exceeding US\$7 million, while ensuring that no more than 30% of total STAR country allocations is subject to flexibility”⁵.

3. Participants also recommended that “the Council review, at the end of GEF-7, experiences of the increase in flexibility with a view to informing future deliberations on the matter”⁶.

4. Pursuant to the GEF-7 policy recommendations, this document presents for Council consideration a STAR Policy (Annex I) that captures the modifications agreed by Participants,

¹ [Reference and link to the GEF-7 package that will be presented to the Council for endorsement]

² GEF/R.7/10, *GEF-7 Policy Agenda: Analysis in Support of the Proposed GEF-7 Policy Recommendations* (<http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20-%20Policy%20Agenda%20-%20GEF%20R.7%20-%2010.pdf>)

³ GEF/ME/C.53/Inf.10, *Review of the System for Transparent Allocation of Resources* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.10_Eval_of%20GEF_System_for_transparent%20alloc_of_Resources_Nov_2017.pdf)

⁴ Global Environment Facility Independent Evaluation Office (GEF IEO), *OPS6 Report: The GEF in the Changing Environmental Finance Landscape*, Washington, DC: GEF IEO, 2017 (http://www.gefieo.org/sites/default/files/ieo/evaluations/files/ops6-report-eng_1.pdf)

⁵ [Reference and link to the GEF-7 package that will be presented to the Council for endorsement]

⁶ Ibid.

along with key features of STAR as per previous Council decisions. To enhance transparency and to support the effective implementation of the proposed policy, the STAR Guidelines contained in Annex II provide further details on procedural steps and practices.

BACKGROUND

5. The Council approved the key design elements of STAR at its 36th meeting in November 2009⁷, based on document GEF/G.36/6.Rev.1, *System for a Transparent Allocation of Resources (STAR)*⁸. The initial operational procedures⁹ for STAR were approved at the 38th Council meeting in July 2010¹⁰.

6. At its 46th meeting in May 2014, the Council agreed on several modifications to STAR following the agreed policy recommendations for the GEF-6¹¹. Those modifications, along with updated operational procedures, are described in the document GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6*¹².

PROPOSED MODIFICATIONS TO STAR

7. In line with the GEF-7 policy recommendations above, the proposed STAR Policy in Annex I would introduce the following modifications to STAR:

Rebalancing of Focal Area Floors

8. Reflecting the changes in the relative allocation of resources across the three STAR focal areas, the minimum allocation floors are retained at US\$6 million for least developed countries (LDC) and US\$4 million for non-LDCs, but rebalanced as per Table 1. These changes reflect the relative reduction in the climate change focal area allocation, and the relative increases in funding for biodiversity and land degradation.

⁷ *Joint Summary of the Chairs, 36th GEF Council Meeting, November 10–12, 2009*

(http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summary_C.36_0_1.pdf)

⁸ (http://www.thegef.org/sites/default/files/council-meeting-documents/C.36.6_STAR.Final_4.pdf)

⁹ GEF/C.38/09/Rev.1, *GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR)* (http://www.thegef.org/sites/default/files/council-meeting-documents/C.38.9_Rev1_GEF-5_Operational_Procedures_for_STAR_0_1.pdf)

¹⁰ *Joint Summary of the Chairs, 38th GEF Council Meeting, June 29–July 1, 2010*

(http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summary_of_the_Chair.FINAL_June_2010_4.pdf)

¹¹ *Joint Summary of the Chairs, 46th GEF Council Meeting, May 25–27, 2014*

(http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summary_of_the_Chairs_46th_GEF_Council_Meeting_1.pdf)

¹² (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.05.Rev_.01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_%28STAR%29_for_GEF-6_May_19_2014_5.pdf)

Table 1: Rebalancing the minimum allocation floors for GEF-7 (mUS\$)

	Non-LDCs		LDCs
	GEF-6	GEF-7 Proposal	GEF-6
Biodiversity	1.5	2	2
Climate Change	2	1	3
Land Degradation	0.5	1	1
Aggregate Floor	4	4	6

Increasing the Weight of the GDP Index

9. The weight of the GDP Index was increased from -0.04 to -0.08 in GEF-6¹³. Following the GEF-7 policy recommendations, the proposed Policy would increase that weight to -0.12 in GEF-7. Table 2 illustrates the impact of this increase on the shares of key country groups.

Table 2: Increasing the weight of the GDP Index

	GEF-6 (GDP = -0.08)	GEF-7 (GDP = -0.12)
LDCs ¹⁴	21.4%	24.3%
SIDS ¹⁵	8.3%	8.7%
Other Countries	25.7%	26.7%
UMICs and HICs ¹⁶	44.6%	40.4%

Increasing Flexibility

10. Participants to the GEF-7 replenishment agreed to retain the current full flexibility provision, which allows countries with allocations of up to US\$7 million to program their allocations across focal areas without restrictions. For other countries, Participants agreed to increase the marginal adjustments across focal areas, while ensuring that no more than 30% of total STAR country allocations is subject to flexibility. The proposed Policy translates this into an upper limit on marginal adjustments of 15% of countries' STAR allocations. (Table 3)

¹³ Ibid.

¹⁴ Based on the list of LDCs as at March 2018. (https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf)

¹⁵ To avoid double-counting, this category excludes the SIDS that are also LDCs (<https://sustainabledevelopment.un.org/topics/sids/list>)

¹⁶ To avoid double-counting, this category excludes the UMICs and HICs that are also SIDS or LDCs. This paper applies the Fiscal Year 2018 (FY18) World Bank lending groups.

(<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>)

Table 3: Flexibility Allowances

	GEF-6 ¹⁷	GEF-7
Number of "fully flexible" countries	49	61
Resources allocated to fully flexible countries (mUS\$) (% of total STAR country allocations)	271.3 (11.6%)	320.8 (17.0%)
Number of countries that are not "fully flexible"	94	83
Resources subject to marginal adjustments (mUS\$) (% of total STAR country allocations)	188.0 (8.0%)	235.2 (12.5%)
Total resources subject to flexibility (mUS\$) (% of total STAR country allocations)	459.3 (19.6%)	556.0 (29.4%)

UPDATES TO STAR DATA

11. As was done for GEF-6, the STAR model has undergone rigorous data updates for many of its indices and sub-indices, as follows:

- (a) The Global Benefits Index for Climate Change was updated to reflect: (i) latest values for greenhouse gas emissions and emissions per GDP as of August 2017 from the World Resources Institute¹⁸, and (ii) latest values on forest area as of 2015 from the Food and Agricultural Organization¹⁹.
- (b) The Global Benefits Index for Biodiversity was updated in its entirety to reflect the latest available datasets on global biodiversity as of July 2017²⁰.
- (c) The Global Benefits Index for Land Degradation was updated to reflect (i) latest values on the proportion of rural population as of 2015 (or best available) values

¹⁷ In GEF-6, a uniform marginal adjustment of \$2 million was implemented for countries with STAR allocations exceeding US\$7 million.

¹⁸ ([http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator\[\]=%5ETotal%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator\[\]=%5ETotal%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year\[\]=%5E2014&sortIdx=NaN&chartType=geo](http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator[]=%5ETotal%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator[]=%5ETotal%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year[]=%5E2014&sortIdx=NaN&chartType=geo)). CAIT 2.0 UNFCCC data derives directly from the United Nations Framework Convention on Climate Change (UNFCCC).

¹⁹ (<http://www.fao.org/forest-resources-assessment/en/>)

²⁰ This exercise was undertaken by the GEF in collaboration with The UN Environment World Conservation Monitoring Centre (UNEP-WCMC), the specialist biodiversity assessment centre of UN Environment. The information base used in the new analysis consists of the most up-to-date and reliable data on the distribution of species, habitats and ecoregion boundaries available on a global scale. The updated Global Benefits Index for Biodiversity is described in detail in Annex IA.

- from the World Bank²¹ and (ii) figures on The Area of Land Affected as of June 2017 from Conservation International²².
- (d) The Country Environmental Policy and Institutional Assessment component and the Broad Framework Indicator were updated from the Country Policy and Institutional Assessment (CPIA) indicators for 2016 (or best available) values from the World Bank.²³
 - (e) The GDP-based Index comprising GDP per capita was updated to 2015 (or best available) values from the World Bank.²⁴
 - (f) The Project Portfolio Performance Index component was updated from; (i) project implementation reports up to June 2016 from Secretariat project management information system (PMIS); and (ii) terminal evaluation reports up to June 2016 from the Independent Evaluation Office.

POLICY EFFECTIVENESS AND NEXT STEPS

12. The Secretariat proposes that the STAR Policy come into effect on July 1, 2018 and be applied in the calculation of initial STAR country allocations for GEF-7. If approved, this would allow the Secretariat to disseminate the indicative GEF-7 STAR country allocations to Council Members, Alternates and country focal points, and make them publicly available on the GEF website on July 1, 2018.

13. In line with the GEF-7 policy recommendations, the Secretariat also stands ready to gather evidence to support a Council review, at the end of GEF-7, on the experiences of the increase in flexibility.

14. Finally, the Secretariat recommends that future IEO input on STAR be made available in sufficient time to inform future replenishment negotiations. In practice, this would entail a possible “front-loading” of any review or evaluation of STAR compared with OPS6, when the STAR review was presented after the second replenishment meeting.

²¹ (<https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>)

²² The global statistics on land degradation were produced by the Global Environment Facility (GEF)-funded project “Enabling the use of global data sources to assess and monitor land degradation at multiple scales” a partnership of Conservation International, Lund University, and the National Aeronautics and Space Administration (NASA). This project aimed to provide guidance on robust methods and a toolbox for assessing and monitoring indicators of land degradation using remote sensing technology. The Trends.Earth tool was built as a multi-level decisions support system which can be used for analyzing land condition from the effects of specific interventions to national level reporting of Sustainable Development Goal 15.3.1 on land degradation neutrality. Trends.Earth is a free and open source tool which brings the power of earth observations and cloud computing to the assessment of land condition produced to support tracking of changes in primary productivity, land cover and soil organic carbon. For this analysis, Trends.Earth was used to compute the proportion of land degraded globally for the period 2001-2015 using 250m resolution data reporting summaries at the country scale. (<http://trends.earth/docs/en/>)

²³ (<https://data.worldbank.org/data-catalog/CPIA>)

²⁴ (<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>)

ANNEX I: POLICY FOR THE SYSTEM FOR TRANSPARENT ALLOCATION OF RESOURCES (STAR)

Definitions

Adjusted STAR Country Allocation means a country's STAR allocation after adjustments for changes in the availability of resources against the agreed Replenishment Target

Ceiling means the maximum share of a Focal Area Allocation that can be allocated to a single country

Council means the 32 members that make up the GEF Council as set out in the Instrument

Country Share means a country's share of total Country Scores (*Country Share = Country Score / Sum of Country Scores for all STAR Recipient Countries*)

Country Score means the score resulting from the application of the STAR formula to a country's values for the STAR indices (*Country Score = CPI^{1.0} * GBI^{0.8} * GDP^{-0.12}*)

Floor means the minimum amount in US dollars that can be allocated to a country in a given Focal Area

Focal Area means a focal area in which the GEF provides funding to achieve global environmental benefits as set out in the Instrument

Focal Area Allocation means the total resources allocated to a Focal Area over a GEF Replenishment Period

GEF Partner Agency means an agency eligible to request and receive GEF resources directly for the design, implementation, and supervision of GEF projects and programs

Initial STAR Country Allocation means a country's STAR allocation after adjustments for Floors and Ceilings

Instrument means the Instrument for the Establishment of the Restructured Global Environment Facility²⁵, effective July 7, 1994 and as amended

Marginal Adjustment means the utilization of funds allocated to one or more Focal Areas for projects or programs in one or more other focal areas

Preliminary STAR Country Allocation means a country's STAR allocation prior to the application of Floors and Ceilings (*Preliminary STAR Country Allocation = Country Share * STAR Resources*)

Replenishment Period means the period for a replenishment of resources to the GEF Trust Fund as set out in a replenishment resolution by the Executive Directors of the World Bank

²⁵ (https://www.thegef.org/sites/default/files/documents/GEF_Instrument-Interior-March23.2015.pdf)

Replenishment Target means the total value of new funding contributions, projected investment income and projected carryover of resources for a GEF Replenishment Period as set out in a replenishment resolution by the Executive Directors of the World Bank

Secretariat means the GEF Secretariat that services and reports to the GEF Assembly and the Council as set out in the Instrument

STAR means the System for Transparent Allocation of Resources, the GEF's performance-based framework for the allocation of resources from the GEF Trust Fund to countries over a Replenishment Period

STAR Focal Area means a Focal Area under which resources are allocated to countries through STAR

STAR Recipient Country means a country that receives a STAR country allocation

STAR Resources means the resources from the GEF Trust Fund that are allocated to countries through STAR

Introduction

15. The System for Transparent Allocation of Resources (STAR) is a performance-based framework for the allocation of resources from the GEF Trust Fund to countries over a Replenishment Period. STAR aims to allocate resources to countries in a transparent and consistent manner based on global environmental priorities and country capacity, policies and practices relevant to successful implementation of GEF projects and programs.

16. This Policy sets out the key features and rules governing the application of STAR.

Application of this Policy

17. This Policy applies to the Council, the Secretariat, GEF Partner Agencies (hereafter "Agencies"), and STAR Recipient Countries (hereafter "countries"). The Policy applies to STAR Resources.

Resources Allocated Through STAR

18. STAR is applied to allocate a share of the biodiversity, climate change and land degradation Focal Area Allocations to countries.

Eligibility

19. A country has to meet the following criteria to be eligible for a STAR country allocation in a Focal Area:

- (a) be a party to the relevant Convention;

- (b) be eligible for GEF financing in accordance with Paragraph 9 of the Instrument²⁶;
- (c) not be a member of the European Union; and
- (d) have had at least one national project approved within the ten years preceding the start of the relevant Replenishment Period, excluding enabling activities to support Convention-related reporting obligations.

STAR Indices and Index Weights

20. STAR consists of the following higher-level indices and sub-indices:

- (a) Global Benefits Index (GBI), including sub-indices for
 - i. biodiversity;
 - ii. climate change; and
 - iii. land degradation;
- (b) Country Performance Index (CPI), including sub-indices for
 - i. GEF portfolio performance; and
 - ii. institutional assessment;
- (c) Gross Domestic Product Index (GDPI).

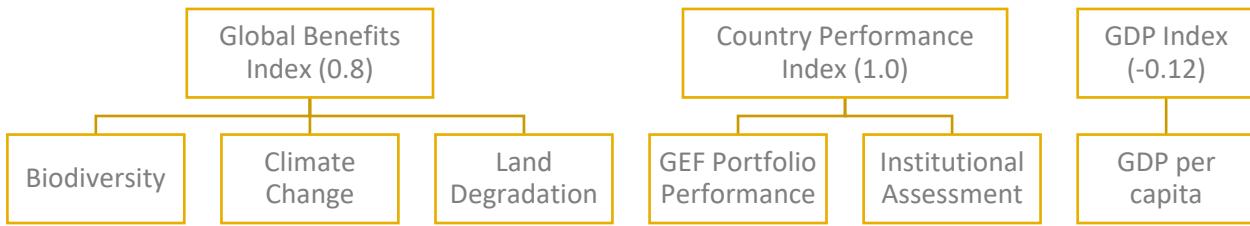
21. The STAR indices are described in detail in Annex A of this Policy.

22. The higher-level indices are weighted as follows:

- (a) GBI = 0.8;
- (b) CPI = 1.0; and
- (c) GDP = -0.12.

²⁶ Small Island Developing States (SIDS), as defined by the United Nations, that are Parties to the relevant Conventions are eligible for STAR country allocations in the relevant focal areas.

Figure 1: Overview of Higher-Level Indices and Sub-Indices (index weight)



Calculation of STAR Country Allocations

23. Based on each country's values for each of the STAR indices, STAR assigns a Country Score for each country in each STAR Focal Area:

$$\text{Country Score} = CPI^{1.0} * GBI^{0.8} * GDP^{-0.12}$$

24. Based on each country's Country Score, a Country Share is calculated as follows:

$$\text{Country Share} = \text{Country Score} / \text{Sum of Country Scores for all STAR Recipient Countries}$$

25. To determine each country's Preliminary STAR Country Allocation in each STAR Focal Area, the Country Share is multiplied by the amount of STAR Resources in each STAR Focal Area.

$$\text{Preliminary STAR Country Allocation} = \text{Country Share} * \text{STAR Resources}$$

26. To determine each country's Initial STAR Country Allocation in each STAR Focal Area, Floors and Ceilings are applied iteratively until all STAR Resources in each STAR Focal Area have been allocated.

$$\text{Initial STAR Country Allocation} = \text{Preliminary STAR Country Allocation adjusted for Floors and Ceilings}$$

27. The Floors and Ceilings are set as follows:

(a) Floors for countries that are not Least Developed Countries (LDC)²⁷ are:

- i. US\$2 million for biodiversity;
- ii. US\$1 million for climate change; and
- iii. US\$1 million for land degradation;

(b) Floors for Least Developed Countries are:

²⁷ As defined by the United Nations.

- i. US\$3 million for biodiversity;
 - ii. US\$1.5 million for climate change; and
 - iii. US\$1.5 million for land degradation;
- (c) Ceilings are 10% of the total Focal Area Allocation in each STAR Focal Area.

Table 1: Overview of STAR Floors and Ceilings

	Floors (mUS\$)		Ceilings (% of total Focal Area Allocation)
	Non-LDCs	LDCs	
Biodiversity	2	3	10%
Climate Change	1	1.5	10%
Land Degradation	1	1.5	10%
Aggregate	4	6	

Flexibility

28. Countries with total Initial STAR Country Allocations up to and including US\$7 million may utilize resources across their Focal Area -specific allocations without restrictions.
29. Countries with total Initial STAR Country Allocations exceeding US\$7 million may utilize up to 15% of their total Initial STAR Country Allocations for Marginal Adjustments from one or more Focal Areas, to one or more other Focal Areas.

Table 2: Overview of Flexibility Allowances

Total Initial STAR Country Allocation	Flexibility Allowance
≤ US\$7 million	unlimited
> US\$7 million	≤ 15% of total Initial STAR Country Allocation

Adjustments to Initial STAR Country Allocations During a GEF Replenishment Period

30. In response to changes in resource availability against the agreed Replenishment Target, the Council may request the Secretariat to recalculate the Initial STAR Country Allocations at any time during the Replenishment Period for which those allocations have been provided, based on revised Focal Area Allocations and STAR Resources, and resources utilized. The Secretariat informs countries of the resulting Adjusted STAR Country Allocations.

Cancellation of Projects and Programs with Resources from STAR Country Allocations

31. Prior to the final six months of a GEF Replenishment Period, the cancellation of a project or program with resources from a country's STAR allocation results in the associated resources becoming available to that same country and Focal Area.

32. During the final six months of a GEF Replenishment Period, the cancellation of a project or program with resources from a country's STAR allocation results in the associated resources becoming available to the same Focal Area, subject to any re-allocation of resources as per paragraphs 19–20 below.

Reallocation of Unused Resources

33. During the final six months of a GEF Replenishment Period, the CEO may make available any unused STAR Resources to eligible projects and programs from any country within the Focal Area to which those unused resources were initially allocated.

34. During the final six months of a GEF Replenishment Period, the Council may reallocate any unused STAR Resources across Focal Areas.

Review of This Policy

35. The Council decides on the review and revision of this Policy.

Effectiveness

36. This Policy will come into effect on July 1, 2018, and will remain in effect until amended or superseded by the Council. The Policy applies to STAR country allocations for the seventh Replenishment Period (July 1, 2018 to June 30, 2022) and subsequent Replenishment Periods unless amended or superseded by the Council.

References and Related Documents

- Guidelines for the System for Transparent Allocation of Resources (STAR)
- Project and Program Cycle Policy (OP/PL/01)
- Guidelines on the Project and Program Cycle Policy (GEF/C.52/Inf.06)
- Project Cancellation (OP/PL/02)

ANNEX II: STAR INDICES

List of Acronyms and Abbreviations

BD	Biodiversity
BFI	Broad Framework Indicator
CC	Climate Change
CEPIA	Country Environmental Policy and Institutional Assessment Index
CPI	Country Performance Index
GBI	Global Benefits Index
GBI _{BD}	Global Benefits Index for Biodiversity
GBI _{CC}	Global Benefits Index for Climate Change
GBI _{LD}	Global Benefits Index for Land Degradation
GDP	Gross Domestic Product
GDPI	Gross Domestic Product Index
GEF	Global Environment Facility
LD	Land Degradation
RAF	Resource Allocation Framework
STAR	System for the Transparent Allocation of Resources

Global Benefits Indices (GBI)

Global Benefits Index for Biodiversity (GBI_{BD})

1. In light of recent advancements in global biodiversity datasets both in terms of updates and new data, the GEF has worked with the UN Environment World Conservation Monitoring Centre (UNEP-WCMC) to update the underlying global data of the Global Benefits Index for Biodiversity (GBI_{BD}). The objective was to make maximum use of newly available and scientifically reliable global information for a cross-country assessment of biodiversity in order to inform the GEF-7 STAR allocation model.
2. In this methodology, each country is characterized using three main scores—represented species, threatened species and represented ecoregions. These were calculated in a consistent manner across the terrestrial and marine realms using the latest sub-national data for specific taxonomic groups, following a series of steps:
 - (a) identification of all components of distinct terrestrial regions within a country (designated as “Country Eco-Region Components” or “CECs”);
 - (b) scoring of each CEC based on three characteristics – represented species, threatened species, and represented ecoregions;
 - (c) calculation of a composite score for each CEC via a weighted average of the three “characteristics” scores; and
 - (d) calculation of the score for each country as the summation of scores for all of the CECs in the country;

3. Layers for represented species and threatened species were prepared separately for each realm using data from the IUCN Red List of Threatened Species²⁸. To calculate the represented species scores, each 10km grid cell was scored for range-size rarity for each species (the proportion of the species' global range the cell represents; i.e. 1/range size) and given a total score by summing scores across all the species potentially occurring in it. Each represented species contributes to the component based on the proportion of its global range within each 10km grid cell. In addition, for the marine realm, the distribution of important habitats and biologically important areas were also considered in the represented species score, where each marine habitat was in effect treated as an additional species and combined with the marine represented species score.

4. The threatened species scores were calculated separately for each realm. This score considered the subset of species from the represented species score that are assessed as threatened—i.e. Critically Endangered (CR), Endangered (EN), or Vulnerable (VU)—on the IUCN Red List²⁹. The range-size rarity for each threatened species was multiplied by weightings of 10, 6.7, and 1 for CR, EN, and VU, respectively. These weighted range-size rarity values were then summed in each grid cell. Each threatened species therefore contributed to the component score based on the proportion of its global range within each 10km grid cell, weighted based on its relative extinction risk.

5. Country Eco-Region (CEC) layers were prepared by overlaying biologically-determined ecoregion maps with politically-determined country boundaries. Each realm had a distinct set of CECs based on the realm-specific ecoregions layer. For each ecoregion, an equivalent measure to the range-size rarity score for species was calculated. This meant that when summed at CEC level, each ecoregion contributed to the represented ecoregion score based on the proportion of its global extent within each CEC. When summed at a country level, the score reflects both the number of ecoregions in the country and the scores for its CECs.

6. Country-level scores were generated separately for each realm, for each of the three component scores (represented species, threatened species, and represented eco-region) by summing the pixel level scores. The penultimate analytical step scaled the composite score for each country, where each component score was normalized from 0-100 and then multiplied by the defined component weight as follows:

$$\text{Country Biodiversity Realm Score} = \text{WT1} \times \text{Represented Species} + \text{WT2} \times \text{Threatened Species} + \text{WT3} \times \text{Represented Ecoregion}$$

Where

$$\text{WT1}=0.65; \text{WT2}=0.20; \text{WT3}=0.15$$

²⁸ <http://www.iucnredlist.org>

²⁹ Ibid.

7. Finally, the realm scores were combined as per the following formula, to yield GBI_{BD} values for each country:

$$GBI_{BD} = WT \times \text{Terrestrial Score} + WM \times \text{Marine Score}$$

Where

$$WT=0.75; WM=0.25$$

8. The information base used in the new analysis consists of the most up-to-date and reliable data on the distribution of species, habitats and ecoregion boundaries available on a global scale. Improvements in subsequent GEF cycles could include the incorporation of data on other terrestrial groups, such as plants, and the inclusion of a freshwater biodiversity component when more complete data for freshwater species become available at a global scale.

Global Benefits Index for Climate Change (GBIcc)

9. The GBI for climate change (GBIcc) is composed of two indices. One index is related to the emissions of greenhouse gases, excluding land use change (GHG). The other index is related to forest cover, in the absence of an adequate indicator to track GHG budgets from land use change (FC).

10. The two indices are assigned weights as follows: 95% to GHG emissions and 5% to forest cover. The final formula for the Climate Change GBI in GEF-7³⁰ is therefore:

$$GBIcc = 0.95 * [GHG_{2013} * CI_{1990} / CI_{2013}] + 0.05 * [FC_{2015} * DF_{2005-2010} / DF_{2010-2015}]^{31}$$

Where:

GHG = emissions of six types of greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆) in tons of CO₂ equivalent

CI = carbon intensity, equal to GHG emissions divided by GDP

FC = forest cover in hectares

DF = absolute value of the average annual change in the forest cover between the years considered

[] expresses a normalization of the index

³⁰ The GEF-6 formula was: GBIcc = 0.95 * [GHG₂₀₁₀ * CI₁₉₉₀ / CI₂₀₁₀] + 0.05 * [FC₂₀₁₀ * DF₂₀₀₀₋₂₀₀₅ / DF₂₀₀₅₋₂₀₁₀]

And the GEF-5 formula was: GBIcc = 0.95 * [GHG₂₀₀₇ * CI₁₉₉₀ / CI₂₀₀₇] + 0.05 * [FC₂₀₀₅ * DF₁₉₉₀₋₂₀₀₀ / DF₂₀₀₀₋₂₀₀₅]

³¹ If DF₂₀₀₅₋₂₀₁₀ and DF₂₀₁₀₋₂₀₁₅ are positive (increase of the forest cover), the adjustment factor for the LULUCF index is 1.

GHG Emissions

11. The first index is based on countries' emissions of greenhouse gases in tons of CO₂ equivalent in a reference year multiplied by an adjustment factor, which rewards countries that show a decrease in the amount of emissions of CO₂ relative to GDP or "Carbon Intensity." The adjustment factor is expressed as a country's Carbon Intensity in 1990 divided by the country's Carbon Intensity. For GEF-7, this index is thus represented as: "a country's emissions of greenhouse gases in tons of CO₂ equivalents in year 2013 multiplied by the country's Carbon Intensity in 1990 divided by the country's Carbon Intensity in 2013."

12. To ensure both comprehensiveness and comparability, standardized carbon emissions data obtained from the Climate Analysis Indicators Tool (CAIT) unit of the World Resources Institute³² are used in the calculation.

Forest Coverage

13. The second index is a component as proxy for the potential of emissions reduction and/or carbon sequestration related to forest cover and deforestation. It is based on a country's forest cover in a reference year multiplied by an adjustment factor. The adjustment factor rewards countries with a decreasing-over-time-loss of forests; it is equal to one if there is no loss. In GEF-7, this index is thus represented as: "A country's forest cover in 2015 multiplied by the country's average annual change in the forest cover between 2005 and 2010 divided by the country's average annual change in the forest cover between 2010 and 2015".

14. To ensure both comprehensiveness and comparability, forest cover data obtained from the FAO are used in the calculation.

Global Benefits Index for Land Degradation (GBI_{LD})

15. The GBI for land degradation (GBI_{LD}) is designed to take into account three key factors:
- (a) The need for controlling and preventing land degradation in the context of land-based production systems;
 - (b) The challenge of combating desertification in dry-lands, including the need for adaptation to drought risks; and
 - (c) The need to address livelihoods of vulnerable populations

³²

([http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator\[\]=%20Total%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator\[\]=%20Total%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year\[\]=%202014&sortIdx=NaN&chartType=geo](http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator[]=%20Total%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator[]=%20Total%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year[]=%202014&sortIdx=NaN&chartType=geo)). CAIT 2.0 UNFCCC data derives directly from the United Nations Framework Convention on Climate Change (UNFCCC).

16. The three indices are assigned weights as follows: 20% to land area affected, 60% to dryland area, and 20% to rural population. Thus, the final formula for the Land Degradation GBI:

$$GBI_{LD} = (0.2 * \text{global share of land area affected}) + (0.6 * \text{proportion of dryland area}) + (0.2 * \text{proportion of rural population})$$

Land area affected

17. Quantitative estimate of land area (in km² or as percent of territory) affected by LD is a proxy indicator for “loss of ecosystem function and productivity”³³. The indicator was initially derived by Bai et al. (2008)³⁴ using normalized difference vegetation index (NDVI) and represents the most feasible proxy for land degradation trends by country. Each country’s share of the total global area affected was calculated for use in the GBI. The indicator has been subsequently updated through data produced by the GEF-funded project “Enabling the use of global data sources to assess and monitor land degradation at multiple scales”³⁵.

Drylands

18. Drylands are predisposed to desertification as one of the most prevalent forms of LD, and a major factor influencing livelihoods of nearly a third of the world’s population. Drylands are a priority of the UNCCD, signed now by 192 countries. It is therefore essential for the GBI to distinguish differential country opportunities with respect to drylands. Dryland area was based on data from the World Resources Institute/Earth Trends³⁶, derived as proportion of each country’s land area within arid, semi-arid and sub-humid zones as defined by the UNCCD.

Vulnerable Population

19. This indicator accounts for the fact that LD challenges human development because of its impact on poverty, especially in rural areas where people overwhelmingly depend on land. Rural population is a good proxy for rural poverty, especially where agricultural land use is primarily small-scale and subsistence-based.

³³ Bai, Z.G., Dent, D.L., Olsson, L., and Schaepman, M.E. (2008). *Proxy global assessment of land degradation*. Soil Use and Management 24:223-234 (Note: Countries with no degradation were not listed)

³⁴ Ibid.

³⁵ The global statistics on land degradation were produced by the Global Environment Facility (GEF)-funded project “Enabling the use of global data sources to assess and monitor land degradation at multiple scales” a partnership of Conservation International, Lund University, and the National Aeronautics and Space Administration (NASA). This project aimed to provide guidance on robust methods and a toolbox for assessing and monitoring indicators of land degradation using remote sensing technology. The Trends.Earth tool was built as a multi-level decisions support system which can be used for analyzing land condition from the effects of specific interventions to national level reporting of Sustainable Development Goal 15.3.1 on land degradation neutrality. Trends.Earth is a free and open source tool which brings the power of earth observations and cloud computing to the assessment of land condition produced to support tracking of changes in primary productivity, land cover and soil organic carbon. For this analysis, Trends.Earth was used to compute the proportion of land degraded globally for the period 2001-2015 using 250m resolution data reporting summaries at the country scale. (<http://trends.earth/docs/en/>)

³⁶ (<http://datasets.wri.org/>)

The Country Performance Index (CPI)

20. The CPI is a proxy for performance, considering the actual performance of GEF projects (PPI), commitment to put in place environmental policy and institutional frameworks (CEPIA), and governance and financial management (BFI). The CPI component of the STAR is a critical counter-balance to the GBI, itself a broad proxy for the potential to generate global environmental benefits from the resource perspective.

21. The CPI is based on two main sources: the World Bank's Country Policy and Institutional Assessment (CPIA), and the GEF databases on portfolio performance. By combining both CPIA and PPI, the CPI formula is as follows:

$$CPI = (0.20 \times PPI) + (0.65 \times CEPIA) + (0.15 \times BFI)$$

Country Policy and Institutional Assessment

22. The CPIA is calculated from two subcomponents: (i) the Country Environmental Policy and Institutional Assessment Index (CEPIA) and (ii) the Broad Framework Indicator (BFI). The CEPIA provides a systematic assessment of environment-related policies and institutional frameworks within a country. The BFI examines the quality of management in selected areas of the public sector.

Portfolio Performance Index

23. The PPI is calculated using a) implementation progress ratings of project implementation reports (PIR)³⁷, and b) terminal evaluation reports (TER) ratings on outcomes, as follows:

$$PPI = (0.4 \times PIR) + (0.6 \times TER)$$

The GDP Index (GDPI)

24. The GDPI is the nominal value Gross Domestic Product (GDP) per capita based on World Bank data ³⁸.

³⁷ In IEO paper GEF/ME/C.53/Inf.10: Review of the System for Transparent Allocation of Resources, <http://www.thegef.org/council-meeting-documents/review-system-transparent-allocation-resources>, the suggestion is "...[to restrict] the time-period for including implementation progress ratings used calculation of PPI to more recent years or alternatively weighing implementation progress performance of recent projects more heavily". This is an option to be considered in future GEF cycles.

³⁸ (<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>)

ANNEX III: GUIDELINES FOR THE SYSTEM FOR TRANSPARENT ALLOCATION OF RESOURCES (STAR)

1. To enhance transparency and to support the effective implementation of the proposed Policy on STAR (Annex I), these Guidelines provide further details on procedural steps and practices.

Updating STAR Data

2. The Secretariat undertakes the necessary data updates to the STAR indices and sub-indices, based on the best available data by a pre-determined cut-off date.

Sources

3. The Global Benefits Index for Climate Change (GBI_{CC}) is updated from online databases to reflect: (i) latest values for greenhouse gas emissions and emissions per GDP and (ii) latest values on forest area. In the latest data updates carried out for GEF-7, these were obtained from the World Resources Institute³⁹ and from the Food and Agricultural Organization⁴⁰, respectively.

4. The Global Benefits Index for Biodiversity (GBI_{BD}) is updated in its entirety to make maximum possible use of newly available and scientifically reliable information.⁴¹

5. The Global Benefits Index for Land Degradation (GBI_{LD}) is updated for best available data on rural population and the area of land affected. For GEF-7, rural population data are obtained from the World Bank⁴² whereas the area of land affected was updated via discrete assignment⁴³.

6. The Country Environmental Policy and Institutional Assessment (CEPIA) component and the Broad Framework Indicator (BFI) of the Country Performance Index (CPI) are updated to

³⁹ ([http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator\[\]=%5ETotal%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator\[\]=%5ETotal%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year\[\]=%5E2014&sortIdx=NaN&chartType=geo](http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator[]=%5ETotal%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator[]=%5ETotal%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year[]=%5E2014&sortIdx=NaN&chartType=geo)). CAIT 2.0 UNFCCC data derives directly from the United Nations Framework Convention on Climate Change (UNFCCC).

⁴⁰ (<http://www.fao.org/forest-resources-assessment/en/>)

⁴¹ In 2017, this exercise was undertaken by the GEF in collaboration with The UN Environment World Conservation Monitoring Centre (UNEP-WCMC), the specialist biodiversity assessment centre of UN Environment. The information base used in the new analysis consists of the most up-to-date and reliable data on the distribution of species, habitats and ecoregion boundaries available on a global scale.

⁴² (<https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>)

⁴³ In 2017, the global statistics on land degradation were produced by the GEF-funded project “Enabling the use of global data sources to assess and monitor land degradation at multiple scales”, a partnership of Conservation International, Lund University, and the National Aeronautics and Space Administration (NASA). (<http://trends.earth/docs/en/>)

best available values from the Country Policy and Institutional Assessment (CPIA) indicator values of the World Bank⁴⁴.

7. The GDP Index (GDPI) is updated to best available values from the World Bank⁴⁵.
8. The Project Portfolio Performance Index component is updated from; (i) project implementation reports from the GEF's project management information system (PMIS) up to a pre-determined date, and (ii) terminal evaluation reports from the Independent Evaluation Office up to a pre-determined date.

Protocols for Missing Data

9. The STAR model consists at its highest level of three main indicators – the Global Benefits Index (GBI) (defined per focal area), the CPI, and the GDPI. At the highest level, if data cannot be obtained for a country, all higher-level index values are entered as 0, and the country will by default receive allocations that match the applicable minimum allocation floors in each focal area.

10. In cases where countries are missing specific values for sub-indices, the Secretariat has applied different protocols consistently since the introduction of STAR in 2010. Missing amounts for GDP per capita and rural population are filled in by the closest available data point to the reference year. Where data is not available, UN country profile data on either rural or urban population for the nearest available year is used. Missing values for the World Bank CPIA datasets are filled in with the minimum values of the respective category, apart from SIDS or LDCs, which are given the average score of the category. Missing PIR and TER scores are filled in using the average national project score of all countries for the respective index. Missing values on GHG Emissions are filled in using the average of neighboring countries. Missing values on carbon intensity for the relevant years are filled in using the closest available reference year for non-SIDS countries, and by the minimum value of the respective dataset for SIDS countries.

11. For other datasets, the Secretariat has not yet encountered missing values. In the event that missing data for these variables become a challenge in future STAR updates, the Secretariat will devise protocols accordingly, and reflect those protocols in subsequent versions of these Guidelines.

12. All of the above protocols will be revisited in each replenishment cycle to take into account contemporary changes in available datasets.

Quality Control

13. The Secretariat implements a series of quality control procedures to ensure rigorous STAR calculations and database management:

⁴⁴ (<https://data.worldbank.org/data-catalog/CPIA>)

⁴⁵ (<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>)

- (a) data is inputted and cross-checked across STAR team members, including ensuring that any missing data points are correctly filled in according to the protocols described above;
- (b) each index calculation is carried out independently across multiple team members and reconciled accordingly to avoid errors at all levels of index construction;
- (c) country allocations are independently simulated across multiple team members and reconciled accordingly to avoid errors in simulation; and
- (d) STAR simulations are automated through the GEF's IT platform for a final check.

14. As STAR databases and equations become increasingly complex, the GEF will continue to adopt the needed protocols to maintain rigorous quality control. Internal documents on process manuals will be continually updated to reflect changing needs and requirements.

Communication and Information Disclosure

Ensuring Timely Access to Information Regarding STAR Across the GEF Partnership

15. The Secretariat aims to publicly disclose STAR Country Allocations as early as feasible and by the onset of the relevant GEF replenishment period. This is done through the GEF website and via email to relevant stakeholders across the GEF Partnership.

Data That Is Restricted from Public Access

16. As much as possible, the STAR databases utilize publicly available information. At present, there is only one dataset that is restricted from public access. As one of the three high-level indices of the STAR, the Country Performance Index (CPI) is a proxy for performance, comprising three sub-indices – proxies for (i) actual performance from GEF projects, (ii) commitment to put in place environmental policy and institutional frameworks, and (iii) governance and financial management. The CPI component of the STAR is a critical counter-balance to the GBI, itself a broad proxy for the potential to generate global environmental benefits from the resource perspective.

17. Data for the latter two sub-indices of the Country Performance Index are obtained from the Country Policy and Institutional Assessment (CPIA) indicators values of the World Bank. Data for IDA countries are publicly available; however, data for IBRD countries are obtained confidentially from the World Bank.

18. When the GEF's first performance-based allocation system (the Resource Allocation Framework or the RAF) was approved in 2005, the GEF Council agreed to the use of CPIA indicators for both IDA and IBRD countries (both groups being eligible in the GEF), with the agreement that the IBRD CPIA indicators will not be publicly disclosed. Paragraph 27 of

GEF/C.26/02/Rev.01, *Technical Note on the GEF Resource Allocation Framework*⁴⁶ states that “[t]he...Performance Index...and its components will not be disclosed for any country until the World Bank, in accordance with its rules and procedures, can allow CPIA data to be publicly disclosed for all GEF-eligible countries”.

Notifying Countries of Their Remaining STAR Allocations

19. Throughout the relevant replenishment period, countries can view their STAR allocations, current utilizations, and remaining amounts via the GEF’s IT platform. This information is also available publicly via the country profiles on the GEF website⁴⁷.
20. The Secretariat sends a formal notification to all countries 18 months before the end of the relevant replenishment period reminding them that they have twelve months to formally submit all their project concepts for consideration and potential funding during that replenishment period. Countries are expected to present project concepts to the full value of their STAR country allocations no later than six months before the end of the replenishment period.

Monitoring and Reporting

21. The Secretariat tracks and reports to the Council on countries’ utilization of their STAR allocations, as well as a countries’ use of flexibility. The Country Profile section of the GEF website shows country allocations and utilization based on the latest funding decisions by the Council and the CEO.

References and Related Documents

- Policy on the System for Transparent Allocation of Resources (STAR)
- Project and Program Cycle Policy (OP/PL/01)
- Guidelines on the Project and Program Cycle Policy (GEF/C.52/Inf.06)
- Project Cancellation (OP/PL/02)

⁴⁶ (<http://www.thegef.org/council-meeting-documents/technical-note-gef-resource-allocation-framework>)

⁴⁷ (<http://www.thegef.org/country>)