



GEF/C.38/9/Rev.1
July 1, 2010

GEF Council Meeting
June 29 – July 2, 2010
Washington, D.C.

Agenda Item 15

GEF-5 OPERATIONAL PROCEDURES FOR THE SYSTEM FOR A TRANSPARENT ALLOCATION OF RESOURCES (STAR)

Draft Council Decision

The Council, having reviewed document GEF/C.38/9/Rev.1, *GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR)*, approved the procedures described in the document, and requested the GEF Secretariat to implement the STAR accordingly and to comply with the timeline described in paragraph 21 of the document.

Introduction and Background

1. The GEF Council at its November 2009 meeting adopted all the main elements of a new System for Transparent Allocation of Resources (STAR). The STAR was designed to replace the Resource Allocation Framework that was used during the fourth replenishment of the GEF.
2. The present note further clarifies some operational rules and procedures related to the practical application of the STAR under GEF-5 which starts on July 1, 2010. This paper is coherent with, and complementary to, the other documents that address various related elements of GEF-5 policies and procedures, including the project cycle and programmatic approaches, focal area strategies and sustainable forest management, and portfolio identification exercises.

Allocations of GEF-5 resources under the STAR

3. **Initial Allocations.** The initial allocations for GEF-5 are determined according to the STAR model. The model is run for the total GEF-5 replenishment level. Based on the GEF-4 experience, this is likely to reduce the need for upward or downward adjustments to the national allocations during the replenishment period.
4. **Additional Allocations.** If, and as soon as, additional cumulative resources greater than \$300 million become available to the GEF Trust Fund (from donors, exchange rate gains, investment income, etc.) above the GEF-5 replenishment figures, the STAR model will be run within one month after these resources become available and up until June 2013, at the end of the third year of the replenishment period. The allocation system will maintain the original global benefits and global performance indices adopted for GEF-5. In such cases, countries will be informed of revised allocations.

Managing shortfall of resources and cancellations

5. **Funding Shortfall.** In the case of a funding shortfall where the actual level of resources is reduced from the initial programmed amount during the course of GEF-5, no changes will be made to the current country allocations. The current country allocation will always be considered as a maximum target that may be achieved, only if donors and the prevailing economic environment allow the initial estimates of funding to be realized. Projects will be approved on a first-come first-served basis until resources are fully utilized.
6. **Cancellations.** During GEF-5, the cancellation of any project prior to the last six months of the replenishment (December 31, 2013) will lead to those resources becoming available again to that same country (or focal area set aside) and focal area. In the last six months, the cancellation of any project will lead to those resources becoming available to the same focal area, subject to the terms of paras. 8 and 9.

Maximizing utilization of STAR envelopes

7. **A formal notification** will be sent by December 31, 2012 by the GEF Secretariat to all countries reminding them that they have twelve months (through December 31, 2013) to formally submit all their project concepts for consideration and potential funding under GEF-5. Countries are expected to present project concepts to the full value of their focal area

allocations (or full value of the total country envelope for “flexible” countries) by December, 31, 2013.

8. **Re-allocation of additional or unused resources within focal areas.** For the final work programs of the GEF-5 replenishment in 2014, the CEO will make available any additional or unused resources to eligible projects from any countries within that focal area, should that be necessary.

9. **Re-allocation of additional or unused resources across focal areas.** The CEO can also propose for Council approval to shift resources between focal areas. This will allow a maximum usage of all available resources within the framework of STAR allocations and ensure proper management of allocations by country and by focal area. As in the past, such re-allocation across focal areas is to be kept to a minimum.

Flexibility rules for resource allocations across focal areas

10. **Allocations for “flexible countries”.** Countries with a total indicative allocation of up to the flexibility threshold¹ can allocate the sum total of their allocation for projects across any, or all, of the three focal areas of biodiversity, climate change, and land degradation under the STAR. For these countries, tracking of the utilization of GEF resources will be carried out at the level of the total sum of the three focal area allocations, rather than at the level of individual² focal area allocations.

11. Any increased allocation resulting from the distribution of additional resources that become available during the course of GEF-5 will have no impact on the number of flexible countries identified at the beginning of the replenishment period.

12. **Marginal adjustments.** Marginal adjustments between focal areas will be allowed for countries with a total allocation higher than the flexibility threshold. Such adjustments will only be allowed for countries that would exhaust their allocation for a focal area with the submission of a particular project and would need to top it up by using part of an allocation from a different focal area. The maximum “marginal adjustment” that will be allowed is set as follows:

- For sum total country allocations of \$7-20 million: \$0.2 million
- For sum total country allocations of \$20-100 million: \$1 million
- For sum total country allocations greater than \$100 million: \$2 million

13. This “marginal adjustment” can be applied from one or two focal areas, to one or more other focal areas during the replenishment period. This will be possible in more than one instance; as long as the maximum is not reached. For example a country with a total allocation of \$80m could allocate \$0.5m from climate change to biodiversity, and later \$0.5m from climate change to land degradation. Or one land degradation project that requires more than is available in that country’s land degradation envelope could be increased by drawing \$0.5m from climate change and \$0.5m from biodiversity. This provision is different from,

1 The flexibility threshold for GEF-5 is set at \$7m based on the replenishment figures as of May 2010 and on the STAR policy to “protect” 90% of biodiversity and climate change resources. 63 “flexible” countries are under this threshold.

2 Resources utilized will be counted against the relevant specific focal area(s) so that the GEF can report to the Conventions.

and irrespective of, the possibility to develop multi-focal area projects, from focal areas under the STAR, and outside the STAR.

Country endorsement of proposals for GEF funding

14. **Project Prioritization.** Prioritization of PIF proposals for submission to the GEF for funding and utilization of STAR resource envelopes is managed at the country level – ultimately by the GEF Operational Focal Point. For a given country, the GEF Secretariat will therefore process projects for approval on a first-come, first-served basis, unless a communication from the country states otherwise. Countries will be supported in their prioritization and portfolio management effort by operational focal points having access to real time information on GEF approvals and on the availability of focal area resources from the GEF Project Management Information System (PMIS).

15. **Project Endorsements.** Endorsement letters from Operational Focal Points for GEF-5 projects or programs shall refer to the current national STAR allocations for each relevant focal area. Such endorsements should include all project costs, including explicit reference to preparation costs (PPG) and Agency fees. Each endorsement letter will be made publicly available for consultation on the GEF web-based database.

16. A revised endorsement letter is required if the overall total project amount requested is higher than stated in the original endorsement letter by more than 5% at PIF or CEO endorsement stage.

17. The endorsement letter for each project for the “flexible” STAR countries should refer to the actual amount to be endorsed for that project out of the sum total GEF-5 indicative allocations for the three focal areas, and indicate the amount contributed from each focal area(s) to which the project contributes. It will also include explicit reference to any project preparation costs (PPG) and Agency fees.

18. The endorsement for each project that makes use of the “marginal adjustment” provision should also explicitly indicate what amount is “taken” from which focal area(s). The PMIS will be used to reflect these changes to the resources available to a country under each focal area envelope.

19. **Informing the conventions about utilization of resources.** A country that makes use of the “flexible countries” or “marginal adjustment” provisions will need to inform the secretariats of the relevant conventions of the use of funds for each focal areas by copying the relevant convention secretariats on each endorsement letter.

Next steps and timeline for implementation

20. As per the November 2009 Council decision, the STAR is to be implemented from the point of GEF-5 effectiveness.

21. The Secretariat will prepare papers for the June 2011 and June 2012 Council meetings that describe the experience with implementation of the STAR. For the June 2013 Council meeting, the Secretariat will prepare a paper on progress in the development of indicators for all GEF focal areas. At the June 2013 meeting, the Council will also have, before it, a review of the STAR design and its implementation, which will be carried out by the Office of

Evaluation to inform the Council's decisions with respect to developing a GEF-wide STAR in the future, if feasible.