

GEF Council Meeting

May 25 – 27, 2014

Cancun, Mexico

Agenda Item 7

PROPOSAL FOR THE SYSTEM OF TRANSPARENT ALLOCATION OF RESOURCES (STAR) FOR GEF-6

¹ This revision reflects an update of paragraph 2 in Annex 2.

Recommended Council Decision

The Council, having reviewed document GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6*, adopts all the elements of the revised STAR for implementation during the sixth replenishment period of the GEF.

The Council also notes the operational procedures described in Annex 2 of this document, and requests the GEF Secretariat to implement the STAR accordingly.

The Council also requests the Secretariat to present progress reports on the implementation of the STAR for GEF-6 at each Council meeting.

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INTRODUCTION

1. The Resource Allocation Framework (RAF) was adopted by the Global Environment Facility (GEF) in 2005. In 2010, this system was modified into the System for Transparent Allocation of Resources (STAR) based on the outcomes of a mid-term review of the system conducted by the Evaluation Office in 2008. The STAR allocation system has governed the allocation of resources in the GEF-5 replenishment period of 2010-2014 in the specific focal areas of Biodiversity, Climate Change and Land Degradation.

2. During the negotiations for the sixth replenishment of the GEF Trust Fund during 2013-2014, participants agreed on a set of modifications to the STAR reflecting the priorities and directions of programming for GEF-6.

3. Further, at the November 2013 meeting of the Council, the Evaluation Office presented a Mid-Term Evaluation (MTE) of the STAR,² and the Secretariat presented its management response, reflecting on the conclusions and recommendations.³

4. This document presents for Council approval the STAR configuration for GEF-6, based on: (i) GEF-6 policy recommendations included in the *Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund* just approved by the GEF Council; (ii) the conclusions and recommendations from the MTE conducted by the Evaluation Office; and (iii) experience with STAR implementation. It outlines the proposed modifications to STAR, and presents the operational rules and procedures related to the STAR.

PROPOSED MODIFICATIONS TO THE STAR MODEL FOR GEF-6

5. The current STAR configuration and its parameters as implemented in GEF-5 are outlined Annex 1; more details of the STAR can be found in GEF Policy PL/RA/01: *System for Transparent Allocation of Resources (STAR)*.⁴

6. The STAR for GEF-6 will cover the focal areas of biodiversity, climate change, and land degradation with total focal area envelopes and set-asides as described in the GEF-6 Programming Document attached as Annex A to GEF/C.46/07, *Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund*.

Recommendations from the GEF-6 Replenishment Process

7. During the GEF-6 replenishment negotiations, participants agreed on “the importance of the allocation of GEF resources to countries being transparent and consistent, and being based on global environmental priorities and country capacities, along with policies and practices relevant to successful implementation of GEF projects as well as reflecting the economic strengths of recipient countries.” Participants also agreed on “the need for providing more resources to least developed countries (LDCs) and small island developing states (SIDS) in line with the recent guidance from the conventions, while reducing concentration of resources in a few countries.”

²GEF/ME/C.45/04: Mid-Term Evaluation of the System for Transparent Allocation of Resources

³GEFME/C.45/05: Management Response to the Mid-Term Evaluation of the System for Transparent Allocation of Resources

⁴This document is available online at <https://www.thegef.org/publications/system-transparent-allocation-resources-star>

8. As outlined in the *Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund*, approved by the Council, three modifications were proposed to the STAR configuration by the GEF-6 policy recommendations:

- (a) An increase in the weight of the GDP per capita index to -0.08;
- (b) A lowering of the ceilings imposed on each focal area to 10 percent; and
- (c) An increase in the aggregate floor to \$6 million (\$3 million in the climate change focal area; \$2 million in the biodiversity focal area; and \$1 million in the land degradation focal area) for LDCs only.

9. The policy recommendations also request that “in line with the recently concluded mid-term evaluation of the STAR and OPS5 recommendations, the Secretariat also carry out a review of the feasibility of changing other elements of the STAR system, and the procedures for flexible use of country allocations by May 2014.” Further, it was recommended that “the review of the STAR consider changing the weight of the land use, land use change and forestry (LULUCF) parameter for possible future adjustments.”

Recommendations from the Mid-term Evaluation

10. In GEF/ME/C.45/04: *Mid-Term Evaluation of the System for Transparent Allocation of Resources*, the MTE presented nine conclusions and three main recommendations. The Secretariat’s response to each of these can be found in GEFME/C.45/05, *Management Response to the Mid-Term Evaluation of the System for Transparent Allocation of Resources*.

11. The Council, in response to the Mid-Term Evaluation and the Management Response, noted the contribution of STAR to increased country ownership and country led programming in the GEF, and requested the Secretariat to take into account the following recommendations while preparing the STAR for GEF-6 for Council consideration:⁵

- (a) Limits for flexible use of focal area allocations for activities could be increased for countries with marginal flexibility;
- (b) The STAR index could be improved through specification of better indicators and updating of data;
- (c) The implementation of STAR could be fine-tuned on several aspects, most notably a more thorough calculation of the allocations with sufficient quality control, and improvements in the process for STAR calculation and database management.

Modifications Proposed for the STAR

12. Taking all the recommendations into account, the Secretariat proposes the following modifications to the STAR for GEF-6.

⁵ Paragraph 15 of the *Joint Summary of the Chairs*, 45th GEF Council Meeting, available at <https://www.thegef.org/council-meeting-documents/joint-summary-chairs-20>

Increase in Weight of the GDP per capita Index

13. The GDP per capita index was introduced in the STAR in GEF-5 with a weight of -0.04.
14. Following the GEF-6 policy recommendation, the weight of this index will be increased to -0.08 in STAR.

Lowering of Ceilings

15. Currently, the ceiling for the climate change focal area is 11 percent while it is 10 percent for the biodiversity and land degradation focal areas.
16. Following the GEF-6 policy recommendation, the ceilings for all three focal areas will be set at 10 percent of the total focal area allocation.

Increase in the Aggregate Floor

17. Currently, the minimum aggregate allocation that an eligible country can get is \$4 million (\$2 million for climate change; and \$1.5 million for biodiversity; and \$0.5 million for land degradation).
18. Following the GEF-6 policy recommendation, the floor will be raised to \$6 million (\$3 million for climate change; \$2 million for biodiversity; and \$1 million for land degradation) for LDCs only.

Increase in Flexibility

19. To consider the policy recommendations from the midterm review regarding increasing flexibilities, the Secretariat reviewed the experience in implementing these provisions under the STAR in GEF-5. Tables 1 and 2 present some key statistics on how full flexibilities and marginal adjustment provisions have been used during GEF-5.

Table 1: Countries that used their Flexibility Allowances

	Total Number of Countries	Countries that used Flexibilities/Marginal Adjustments	Share of Countries that used Flexibilities/Marginal Adjustments
Countries with Marginal Adjustments	81	26	32%
Countries with Full Flexibility	63	50	79%
Total	144	86	60%

Table 2: Movements across Focal Areas due to Flexibility Allowances(\$ million)

Net	Overall	Countries with Marginal Adjustments	Countries with Full Flexibility
Received (Paid) By Land Degradation	2.09	2.59	(0.50)
Received (Paid) By Biodiversity	9.90	0.16	9.74
Received (Paid) By Climate Change	(11.99)	(2.75)	(9.24)

20. 79 percent of countries that were fully flexible in GEF-5 made use of their flexibilities to move funds across focal areas. Of the 81 countries that are allowed marginal adjustments, only 26 (32 percent) have made use of this provision.

21. Overall, climate change focal area was a net lender (\$12 million) to the biodiversity focal area (\$10 million) and land degradation focal area (\$2 million). Biodiversity focal area is the net recipient for countries with marginal flexibility as well as full flexibility. For fully flexible countries, land degradation was also a net lender (with resources directed to biodiversity). Overall, the biodiversity focal area seems to have gained the most from the flexibility provisions under the STAR.

22. As a share, the \$12 million that was directed out of climate change amounts to approximately 1 percent of the climate change envelope for GEF-5 - much less than the upper limit of 10 percent that had been a concern of the Council when the flexibility provisions under the STAR were initially approved.

23. Full flexibility provisions to remain unchanged. Given that the full flexibility provisions have worked well, the Secretariat proposes that it remains unchanged, i.e., countries with an aggregate allocation of up to \$7 million receive full flexibility in programming resources across the three focal areas of biodiversity, climate change, and land degradation.

24. Marginal adjustment to be simplified. The low share of countries that utilized their marginal adjustments in GEF-5 could be due in part to the complexity of the current arrangement where marginal adjustments vary across different bands (refer Table 2 in Annex 1). Also, as discussed in the Technical Document #2 of the Mid-Term Review of the STAR,⁶ the marginal adjustment levels were often too low for countries in the lower bands either to develop viable projects or to program unutilized resources.⁷

⁶Mid-Term Review of the GEF System for Transparent Allocation of Resources, Technical Document # 2:Design Of STAR, October 2013

⁷The evidence shows that countries with small allocations may have needed to flexibly pool their focal area amounts in order to develop a viable project, while countries with larger allocations may have needed to pool their residual amounts. Countries in the \$7-20 million range that were allowed a flexibility of \$200,000 made much less use of this provision than those fully flexible countries in the \$4-7 million range (though they made more use of their flexibilities than countries in the \$20-\$100 million range or the \$100 million and above range). Compared to the countries that were fully flexible, the utilization rate of countries in the \$7-20 million range was lower, but the Evaluation concluded that this was not due to the low demand for flexibility by countries in the \$7-20 million dollar

25. Therefore, the Secretariat proposes that for all countries with aggregate allocations more than \$7 million, a uniform marginal adjustment of \$2 million be implemented. The proposed marginal adjustment level for GEF-6 is based on the fact that it is more expeditious to process a medium-sized project up to \$2 million; this is at the maximum level of the current marginal adjustments without the complexity of the flexibility bands. A flexibility of \$2 million would be sufficient to provide every country with an allocation of over \$7 million with enough flexibility to use their residual amounts in a more productive manner.

26. Since the flexibility thresholds of GEF-5 were set in order to “protect” 90 percent of biodiversity and climate change resources,⁸ the Secretariat will routinely present to every Council, as a part of the STAR Progress Report, key statistics on how the flexibility and marginal adjustment provisions are being used. This will result in a close and routine monitoring by the Secretariat and the Council on the movements of funds across focal areas through the flexibility policy.

Updating Data

27. Recommendation 2 of the MTE states that “The STAR index should be improved through specification of better indicators and updating of data”. The Secretariat agreed with this recommendation with the caveat that any improvement of indicators depends upon the availability of data. As such, only the underlying data for the STAR model was updated as much as possible to the latest available values per country.

28. The listings below outline the data that was updated for each index of the STAR.

(a) GEF Performance Index:

- (i) Project Portfolio Performance Index – updated from; (i) project implementation reports up to March 2013 from Secretariat project management information system (PMIS); and (ii) terminal evaluation reports up to March 2013 from the Independent Evaluation Office;
- (ii) Country Environmental Policy and Institutional Assessment – updated from Country Policy and Institutional Assessment (CPIA) indicators for 2012 from the World Bank.⁹
- (iii) Broad Framework Indicator – updated from the CPIA indicators for 2012 from the World Bank.¹⁰

(b) GDP-Based Index – GDP per capita data updated to 2012 values from the World Bank.¹¹

(c) GEF Benefits Index for Climate Change – updated to reflect:

range but rather because of the constraints put in place by the STAR design – a marginal adjustment that was too low. For both of these cases, therefore, the Evaluation points out that the levels of marginal flexibility could be designed on the basis of the amount of funds required for a full-sized project.

⁸GEF/C.38/9/Rev.1: GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR), July 1, 2010

⁹CPIA data was obtained from <http://www.worldbank.org/ida/IRAI-2012.html> .

¹⁰Ibid.

¹¹Data from <http://databank.worldbank.org/data/home.aspx>

- (i) latest values for greenhouse gas emissions, and emissions per GDP, from the World Resources Institute;¹²
- (ii) latest values on forest area from the Food and Agricultural Organization;¹³
- (d) GEF Benefits Index for Biodiversity – no changes in data;
- (e) GEF Benefits Index for Land Degradation – no changes to data for (i) land area affected; and (ii) proportion of dryland area. Proportion of rural population updated to 2012 values from the World Bank.¹⁴

Quality Control

29. Recommendation 3 of the MTE states that “The implementation of STAR can be fine-tuned on several aspects, most notably a more thorough calculation of the allocations with sufficient quality control, and improvements in the process for STAR calculation and database management”. The Secretariat welcomed this recommendation and will be implemented for the GEF-6 calculations. The responsibility for the GEF-6 calculations has been widened to minimizing error. The calculations were also automated into the PMIS system for the first time. The Secretariat also worked with the Evaluation Office to calculate the final Terminal Evaluation Report (TER) data that was entered into the STAR model.

Inclusion of Additional Focal Areas

30. The MTE stated that the International Waters focal area is not conducive for inclusion into the STAR model, and that the incorporation of the Chemicals portfolio into the STAR at this time faces several key constraints. The Secretariat agreed with these statements and as such only the three focal areas of Climate Change, Biodiversity and Land Degradation have been included for STAR allocations in GEF-6.

GDP Indicator at Purchasing Power Parity

31. The MTE suggested the use of purchasing power parity (PPP) based indicator instead of the market exchange rate based GDP indicator in order to better capture socio economic conditions in recipient countries. The Secretariat has assessed the feasibility of this option. GDP at PPP is constructed based on a series of key, restrictive assumptions that for developing countries in particular may not hold. The relative distortions this can lead to can work against the philosophy for which the GDP index was introduced in the STAR, which was to provide more resources to LDCs.¹⁵ In addition, though GDP-based measures continue to dominate discussions of poverty measurement, it is commonly accepted that GDP indicators in general are not the best measures of socio-economic conditions; if this is what the STAR model should capture, then

¹² Data from the World Resources Institute’s climate data explorer, [http://cait2.wri.org/wri/Country%20GHG%20Emissions?indicator\[\]=Total%20GHG%20Emissions%20Excluding%20LUCF&indicator\[\]=Total%20GHG%20Emissions%20Including%20LUCF&year\[\]=2010&sortDir=asc&chartType=geo](http://cait2.wri.org/wri/Country%20GHG%20Emissions?indicator[]=Total%20GHG%20Emissions%20Excluding%20LUCF&indicator[]=Total%20GHG%20Emissions%20Including%20LUCF&year[]=2010&sortDir=asc&chartType=geo)

¹³ Data from <http://www.fao.org/forestry/fra/fra2010/en/>

¹⁴ Data from <http://data.worldbank.org/data-catalog/world-development-indicators>

¹⁵ GEF Policy PL/RA/01, *System for Transparent Allocation of Resources (STAR)*, available at <http://www.thegef.org/publications/system-transparent-allocation-resources-star>

measures such as the Human Development Index and their related sub-indices would be better alternatives. Further, other performance-based allocation systems upon which the GEF's system is modeled employ market-based indices. Finally, governments themselves generally use market-based indices for planning purposes. The Secretariat therefore recommends to the Council that the market exchange rate based GDP indicator continues to be used in the GEF-6 STAR model.

LULUCF

32. The MTE discussed the Global Benefits Index for Climate Change in the context of the high weight (95 percent) placed on the emissions related factor, and the corresponding low weight (5 percent) placed on the LULUCF index. The potential for adjustment to this weight was also discussed during the replenishment negotiations.¹⁶ The Secretariat examined the possibility of increasing this weight up to a maximum of 17 percent, which is the top of the range of the estimated percentage of global GHG emissions attributable to LULUCF. However, issues remain over comprehensive coverage, availability and quality of LULUCF data, while good data is available in some countries this is not the case for all. Additionally given the latest available data set may not accurately reflect the fast moving situation in individual countries, the utility of a modified LULUCF weight in the proposed STAR model for GEF-6 was not considered appropriate. The Secretariat therefore proposes that the 5 percent weighting for LULUCF is maintained in GEF-6.

NEXT STEPS

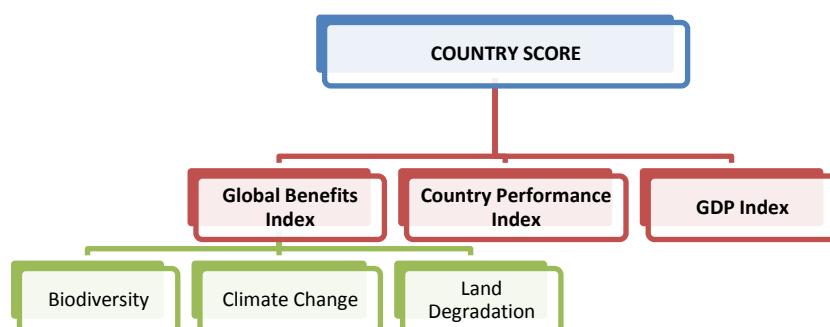
33. After Council approval of the proposed STAR configuration for GEF-6, and after the pledged contributions for GEF-6 are confirmed, the Secretariat will run the STAR model for the total GEF-6 replenishment levels in the focal areas of biodiversity, climate change, and land degradation. The resulting indicative STAR country allocations will be distributed to the Council and recipient country operational focal points and publicly disclosed on the GEF website no later than June 30, 2014.

¹⁶GEF 6 Policy Recommendations included in the Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund

ANNEX 1: AN OVERVIEW OF THE STAR

1. Under GEF 5, the STAR model allocated resources in 3 of the 5 focal areas of the GEF: Climate Change, Biodiversity and Land Degradation. Once the focal area envelopes are determined by the donors in the replenishment stage, the STAR model divides these envelopes into allocations for eligible countries. Before country allocations are made, a pre-determined percentage of the resources available to each of these three focal areas are removed or “set-aside” for cross cutting programs such as global and regional projects, enabling activities and sustainable forest management, with the remaining funds in each focal area then allocated among eligible countries via the STAR model. In GEF-5, this set aside percentage was 20% for each focal area.

Figure 1: Calculation of Country Scores



2. As Figure 1 outlines, the country score comprises three main elements¹⁷: The Global Benefits Index (GBI), the Country Performance Index, and the GDP Index.

3. The Global Benefits Index measures a country’s relative share of GEF potential benefits that can be generated by a fixed amount of resource input into a focal area. A GBI is developed for each STAR focal area.

4. The Country Performance Index (CPI) measures a country’s performance and capacity to deliver on these global benefits.

5. The GDP index is an income criterion that is designed to provide more resources to LDCs. The fourth Overall Performance Study of the GEF¹⁸ stated that GEF investments in LDCs were historically low, and that the multiple barriers that can exist in working in LDCs would mean that the delivery of a unit of global environmental benefits can come at a higher cost. In order to address these concerns and to bring the GEF more into harmony with other multi-lateral allocation systems, this GDP-based index was introduced as an innovation from the RAF to the STAR. The weight of the index for the GEF-5 model, however, was set relatively low, mainly in recognition of the different mandate of the GEF as opposed to other development-oriented organizations.

¹⁷Each of these elements is itself a function of a series of indices, sub-indices, parameters and weights. Details on each of these can be found in GEF Policy PL/RA/01: System for Transparent Allocation of Resources (STAR).

¹⁸OPS4: Progress Toward Impact: Fourth Overall Performance Study of the GEF, GEF Evaluation Office, April 2010.

6. Appropriate weights are applied to each of these elements and the Country Score is calculated as their product. In GEF-5, the weightings were as follows: Country score = GBI 0.8 * CPI 1.0 * GDP -0.04

7. The Country Share is calculated as follows:

Country Share = Country Score / Sum of Country Scores for all eligible countries

8. Each country share is then multiplied by the available focal area resources to determine the preliminary country allocation. Final allocations are obtained by applying floor and ceiling values to the preliminary allocations in an iterative fashion. Table 1 outlines the floors and ceilings for each focal area of the STAR model.

Table 1: Floors and Ceilings of the STAR Model

Focal Area	Floor	Ceiling Percentage
Climate Change	2 million	11%
Biodiversity	1.5 million	10%
Land Degradation	0.5 million	10%

9. An allocation floor is the minimum indicative allocation for any country in the STAR. Floors ensure that every country receives an allocation of a certain size that will enable the generation of maximum global environmental benefits.

10. Ceiling figures, expressed as percentages of the total focal area envelope (that is, before any set-asides are taken) serve to cap very large country allocations in order to ensure a more equitable distribution of funds among countries.

11. The STAR model introduced a flexibility scheme, whereby a country with a total indicative STAR allocation that falls under a certain threshold is allowed to use its allocation within any of the focal areas under STAR, provided it is a party to the relevant Convention (Table 2).

Table 2: Flexibility Bands

Total Allocation X	Allowed Marginal Adjustment
$X \leq 7$ million	unlimited
$7 < X < 20$ million	200 000
$20 < X < 100$ million	1 million
$X > 100$ million	2 million

12. The size of a country's final allocation determines its flexibility status, with countries with a total allocation less than \$7 million is defined as "fully flexible". For all other countries with a total allocation greater than the flexibility threshold, a "marginal adjustment" among focal areas is allowed.

ANNEX 2: OPERATIONAL PROCEDURES FOR THE SYSTEM FOR A TRANSPARENT ALLOCATION OF RESOURCES (STAR)

1. This Annex further clarifies some operational rules and procedures related to the practical application of the STAR under GEF-6. This Annex is coherent with, and complementary to, the other documents that address various related elements of GEF-6 policies and procedures, including the project cycle and programmatic approaches, focal area strategies and sustainable forest management, and portfolio identification exercises.

Eligibility for STAR Allocations

2. Consistent with GEF/C.36/6/Rev.1, dated October 9, 2009, governing the STAR under GEF-5 cycle, a country has to meet the following three conditions to be eligible for STAR allocations in a particular focal area:

- (a) Be a party to the relevant Convention and meet the eligibility criteria decided by the Conference of the Parties to that Convention;
- (b) Not be a member of the European Union;¹⁹ and
- (c) Have had at least one national project²⁰ in the past five years.

Allocations of GEF-5 resources under the STAR

3. **Initial Allocations.** The initial allocations for GEF-6 are determined according to the STAR model. The model is run for the total GEF-6 replenishment level. Based on the GEF-5 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-6 replenishment figures, the STAR model will be run within one month after these resources become available and up until June 2018, 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-6. 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-6, 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.

¹⁹A recipient country cannot utilize (approval of resources for new project proposals) its STAR allocations once it becomes a member of the European Union.

²⁰“National Projects” do not include national reports or communications to the conventions.

6. **Cancellations.** During GEF-6, the cancellation of any project prior to the last six months of the replenishment (December 31, 2017) 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, 2016 by the GEF Secretariat to all countries reminding them that they have twelve months (through December 31, 2017) to formally submit all their project concepts for consideration and potential funding under GEF-6. 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, 2017.

8. **Re-allocation of additional or unused resources within focal areas.** For the final work programs of the GEF-6 replenishment in 2018, 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 threshold²¹ 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 individual²² focal area allocations.

11. Any increased allocation resulting from the distribution of additional resources that become available during the course of GEF-6 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

²¹The flexibility threshold for GEF-5 is set at \$7 million based on the replenishment figures as of May 2014 and on the STAR policy to “protect” 90% of biodiversity and climate change resources.

²²Resources utilized will be counted against the relevant specific focal area(s) so that the GEF can report to the Conventions.

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 at \$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. This provision is different from, and irrespective of, the possibility to develop multi-focal area projects, from focal areas under the STAR, and outside the STAR.

14. When a “marginal adjustment” provision is used in a STAR focal area, the additional funds will be taken proportionally from remaining resources in the other STAR focal areas. The level of unutilized resources will be reported on the GEF’s website under country profiles.

Country Endorsement of Proposals for GEF Funding

15. **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).

16. **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.

17. 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.

18. 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 that marginal flexibility provision is being exercised. It will also include explicit reference to any project preparation costs (PPG) and Agency fees.