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INVESTING IN OUR PLANET

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## **THE USE OF FLEXIBILITY OF STAR**

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## INTRODUCTION

1. At the 54<sup>th</sup> Council meeting, the Council approved the GEF-7 STAR Policy, which updated and superseded relevant previous Council decisions regarding STAR. The Council approved the increase in flexibility, which “...increases the marginal adjustments across focal areas for recipient countries with STAR country allocations exceeding US\$7 million, while ensuring no more than 30% of total STAR country allocations is subject of flexibility”.<sup>1</sup> Participants to the Seventh Replenishment of the GEF Trust Fund 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”.<sup>2</sup>

2. This paper responds to that request by providing Council with a review of the experiences of the increase in flexibility, including an analysis of movements of funds across STAR focal areas under the existing flexibility provisions.

## THE HISTORY OF FLEXIBILITY

3. Flexibility of STAR resources measures the ability of countries to move their allocated resources across their focal area lines. All STAR recipient countries are defined as receiving either full flexibility or a marginal adjustment. Full flexibility allows countries with total STAR allocations under a certain threshold to program their allocations across focal areas without restrictions, while all other countries are permitted limited marginal adjustments to do so.<sup>3</sup>

4. Flexibility was introduced and approved by GEF Council in GEF-5, as recommended by the Mid-term review of the Resource Allocation Framework carried out by the Independent Evaluation Office (IEO).<sup>4</sup> The review concluded that “...maintaining flexibility for greater cost-effectiveness is indispensable” and suggested one integrated allocation per country that provided flexibility for a country to draw resources across focal areas in GEF-5.<sup>5</sup>

5. Since it was introduced in GEF-5,<sup>6</sup> the flexibility of STAR resources has been a core feature of the allocation system, with an increasing magnitude across every successive GEF cycle. The intervening STAR evaluations, therefore, have examined this feature and provided recommendations which have contributed to the evolution of the flexibility parameters. The

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<sup>1</sup> GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, ([https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.54.03.Rev\\_01\\_STAR.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_01_STAR.pdf))

<sup>2</sup> GEF/C.54/19.Rev.03, *Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund*, ([http://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.54.19.Rev\\_03\\_Replenishment.pdf](http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_03_Replenishment.pdf))

<sup>3</sup> GA/PL/01 and GA/GN/01: *Policy & Guidelines on System for Transparent Allocation of Resources (STAR)*, ([https://www.thegef.org/sites/default/files/documents/STAR\\_Policy\\_Guidelines.pdf](https://www.thegef.org/sites/default/files/documents/STAR_Policy_Guidelines.pdf))

<sup>4</sup> GEF/C.34/ME/Inf.02: *Mid-term Review of Resource Allocation Framework*, (<https://www.thegef.org/council-meeting-documents/mid-term-review-resource-allocation-framework-0>)

<sup>5</sup> Ibid.

<sup>6</sup> GEF/C.38/9/Rev.1, *GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR)*, ([https://www.thegef.org/sites/default/files/council-meeting-documents/C.38.9\\_Rev1\\_GEF-5\\_Operational\\_Procedures\\_for\\_STAR\\_0\\_1.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/C.38.9_Rev1_GEF-5_Operational_Procedures_for_STAR_0_1.pdf))

2014 Midterm Evaluation of the System of Transparent Allocation of Resources<sup>7</sup> recommended increasing flexibility limits for countries with marginal adjustments, and highlighted the need for countries with STAR allocation in the range of \$7-20 Mn to have a greater flexibility in their use of STAR resources. The most recent 2017 Evaluation of the GEF’s System for Transparent Allocation of Resources identified that “the increase in the marginal adjustment of focal area allocations has led to greater cross-focal area use of allocations by targeted countries”. This evaluation further argued that for GEF-6 “...it appears that the \$2 million marginal adjustment provided to countries with allocations above \$7 million is still conservative”.<sup>8</sup>

**Table 1: Flexibility Allowances across GEF phases (\$Mn USD)**

Total Country Allocation	GEF-4	GEF-5	GEF-6	GEF-7
<b>Up to \$7 Mn</b>	\$0	Full Flexibility	Full Flexibility	Full Flexibility
<b>\$7 Mn to \$20 Mn</b>	\$0	\$0.2 Mn		\$2 Mn or 13% of total country allocation, whichever is higher
<b>\$20Mn to \$100 Mn</b>	\$0	\$1 Mn	\$2 Mn	
<b>\$100Mn or more</b>	\$0	\$2 Mn		
<b>Share of total STAR allocations</b>	<b>0%</b>	<b>16%</b>	<b>20%</b>	<b>30%</b>

6. The threshold which delineates countries with full flexibility from countries with marginal adjustments was set at \$7 million (Mn) in GEF-5 and has remained at \$7 Mn USD in the successive cycles. The thresholds and bands for marginal adjustment, however, have structurally changed in the intervening replenishment cycles (Table 1).

7. In GEF-5, the allowed marginal adjustment amount was set at a maximum of \$0.2 Mn, \$1 Mn, and \$2 Mn respectively for countries with the total allocations in three country allocation bands,<sup>9</sup> as shown in Table 1. This allowed 16% of the aggregate available STAR resources to be subject to flexible use.

8. Based on the recommendations of the 2014 Midterm Evaluation of STAR<sup>10</sup>, flexibility was increased in the GEF-6 STAR model with the unification of the marginal adjustment provision: for all countries with total allocation more than \$7Mn USD, a marginal adjustment of

<sup>7</sup> GEF/ME/C.45/05, *Midterm Evaluation of the System of Transparent Allocation of Resources*, (<https://www.thegef.org/council-meeting-documents/management-response-mid-term-evaluation-system-transparent-allocation>)

<sup>8</sup> GEF/ME/C.53/Inf.10, *Evaluation of the GEF’s System for Transparent Allocation of Resources*, (<https://www.thegef.org/council-meeting-documents/review-gefs-system-transparent-allocation-resources>)

<sup>9</sup> GEF/ME/C.45/05, *Midterm Evaluation of the System of Transparent Allocation of Resources*, (<https://www.thegef.org/council-meeting-documents/management-response-mid-term-evaluation-system-transparent-allocation>)

<sup>10</sup> Ibid.

\$2Mn USD was implemented. Compared to GEF-5, 20% of total STAR resources were now subject to flexibility, providing greater amounts of flexible resources to 94 countries.

9. In GEF-7, flexibility was again increased through the marginal adjustment provision: the upper limit on marginal adjustments was now US\$2 Mn USD or 13% of countries’ STAR allocations, whichever was higher. This allowed 30% of total GEF-7 STAR country allocations to be open to flexible use and provided greater amounts of flexible resources to an additional 44 countries relative to GEF-6.

#### THE USE OF FLEXIBILITY ACROSS GEF PHASES

**Table 2: The Use of Flexibility across GEF Phases**

Used Flexibility	GEF-5	GEF-6	GEF-7	Trend line
Share of total number of STAR countries	37%	39%	80%	
Share of total STAR allocations	3%	5%	10%	

10. The increase in flexibility provisions across GEF phases has been accompanied by a simultaneous increase in countries’ utilization of their allowed flexibility. Although the use of flexibility increases exponentially at the end of a GEF cycle, as of November 2021 (with half year still left in GEF-7) the use of flexibility in GEF-7 already largely exceeds the flexibility utilization levels at the end of GEF-5 and GEF-6.<sup>11</sup>

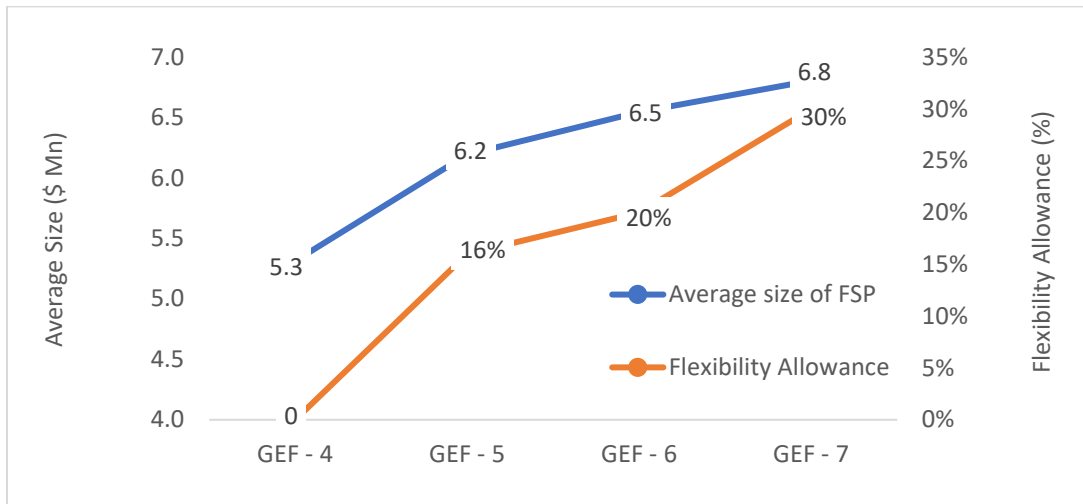
11. Similarly, of the countries that received a country allocation, 37% (53 countries) had used the flexibility feature in GEF-5 and 39% (56 countries) had used flexibility in GEF-6,<sup>12</sup> while the number of countries that have taken advantage of flexibility thus far in GEF-7 has already doubled, with 115 countries reaching 80%.

12. The total cross-focal area transfer amount under the STAR has also increased across GEF phases. So far in GEF-7, \$180Mn has been used across focal areas, representing 10% of the total GEF-7 STAR resources. Compared to GEF-5 and GEF-6, 3% and 5% of total GEF-5 and GEF-6 STAR resources had been used for flexibility respectively.

<sup>11</sup> GEF-7 data in the paper includes a cut-off date of November 3<sup>rd</sup>, 2021, including the December 2021 Work Program. GEF-5 and GEF-6 numbers are at the end of the respective replenishment cycle.

<sup>12</sup> It is noteworthy that the use of flexibility in GEF-6 was relatively similar to the level in GEF-5, in spite of the increased GEF-6 flexibility provisions. This is mainly due to the shortfall in available resources relative to the agreed GEF-6 replenishment target. GEF/C.51/04, *Update on GEF-6 Resource Availability*, (<https://www.thegef.org/council-meeting-documents/update-gef-6-resource-availability-0>) and GEF/C.55/03, *Annual Portfolio Monitoring Report 2018*, ([https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.55.03\\_APMR\\_1.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.03_APMR_1.pdf))

**Figure 1: Average Size of Standalone Full-size Projects, Programmed in STAR Focal Areas**



13. The growing flexibility usage could also be reflected in the increasing average size of full-size projects (FSPs) that are programmed in STAR focal areas. Figure 1 demonstrates a positive correlation between the flexibility allowance and the average size of standalone FSPs. As illustrated in the RAF Mid-term Review, the flexibility scheme was introduced with an aim to reduce higher transaction costs in accessing GEF funds and promote cost-effectiveness.<sup>13</sup> With the project size as a proxy of fragmentation of resources, it is instructive to note that the increasing level of flexibility allowance has enabled the GEF to pursue a more effective model that helps reduce fragmentation of GEF resources.

<sup>13</sup> GEF/C.34/ME/Inf.02: *Mid-term Review of Resource Allocation Framework*, (<https://www.thegef.org/council-meeting-documents/mid-term-review-resource-allocation-framework-0>)

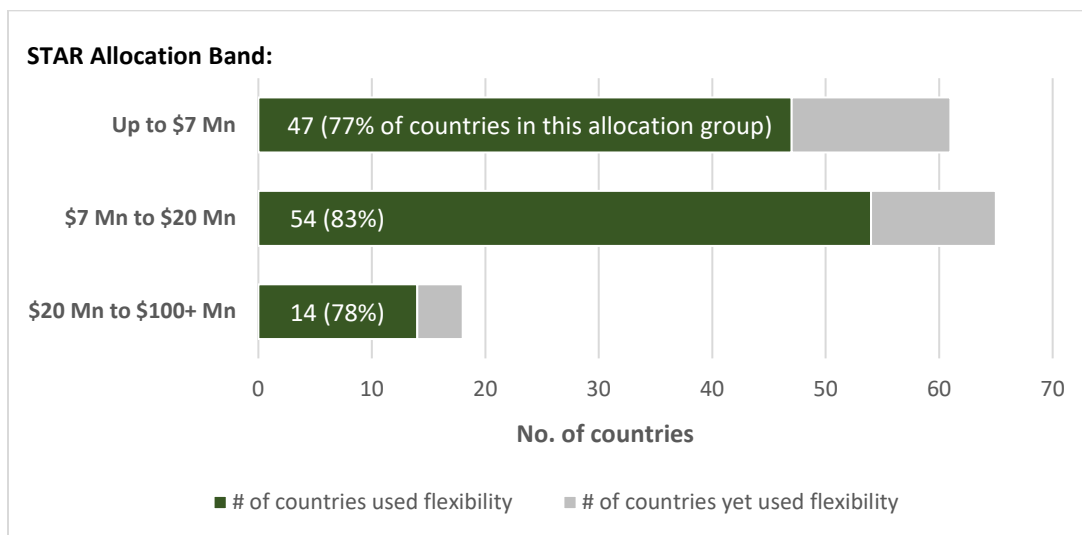
THE USE OF FLEXIBILITY IN GEF-7

Table 3: The Use of Flexibility in GEF-7 by Flexibility Category

	Count of country		Used flexible amount		Flexibility Allowances	
	Number	Share of STAR countries	\$Mn	Share of total STAR allocations	\$Mn	Share of total STAR allocations
Countries with full flexibility	61	42%	80	4%	323	17%
did not use STAR	2	1%	NA	NA		
used STAR but not flexibility	12	8%	NA	NA		
<b>used flexibility</b>	<b>47</b>	<b>33%</b>	<b>80</b>	<b>4%</b>		
Countries with marginal adjustments	83	58%	100	5%	244	13%
did not use STAR	2	1%	NA	NA		
used STAR but not flexibility	13	9%	NA	NA		
<b>used flexibility</b>	<b>68</b>	<b>47%</b>	<b>100</b>	<b>5%</b>		
<b>Total Used Flexibility</b>	<b>115</b>	<b>80%</b>	<b>180</b>	<b>10%</b>	<b>566</b>	<b>30%</b>

14. As of November 2021, 115 out of 144 (80%) STAR eligible countries have used their flexibility provisions, representing 10% of the total STAR resources that are subjected to flexibility (Table 3). Among 115 countries that used flexibility, 47 countries are fully flexible, and 68 countries are subject to marginal adjustment. Of the \$180 Mn total net flow across focal areas, \$80 Mn was consumed by fully flexible countries and \$100 Mn was used by countries with marginal adjustments. Countries with marginal adjustment have more greatly utilized their flexibility provisions than fully flexible countries, notwithstanding the fact that flexibility allowances of countries with marginal adjustments (\$244 Mn) are lower than the provisions provided for countries with full flexibility (\$323 Mn).

**Figure 2: Number of Countries that Used Flexibility in GEF-7 by STAR Allocation Band**

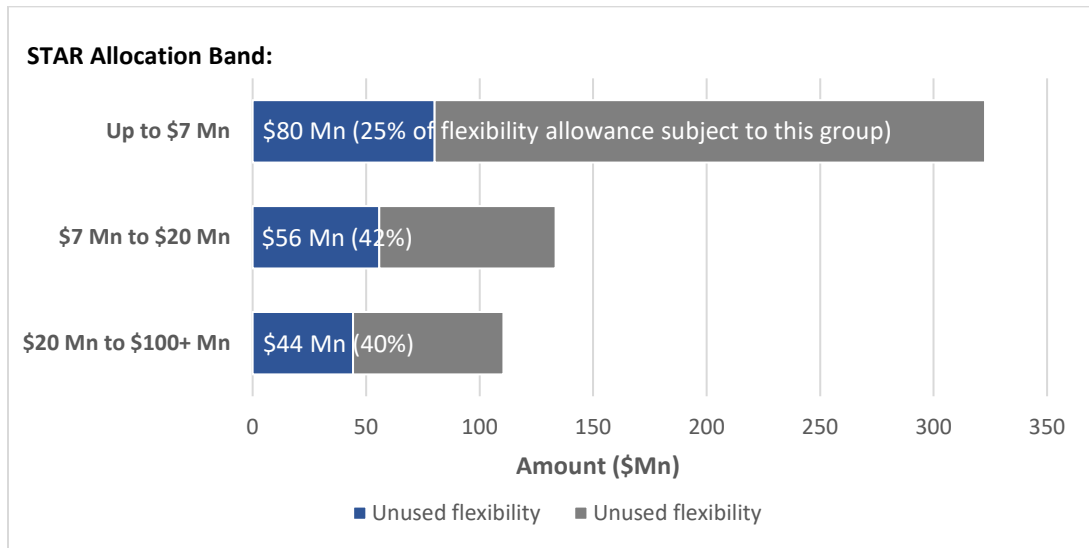


15. Figure 2 above illustrates the distribution of countries that have used flexibility, organized by STAR allocation band, as of November 2021<sup>14</sup>. Countries with allocations in the \$7 - 20 Mn range show the greatest usage of and demand for flexibility – 54 countries have used flexibility so far, representing 83% of the countries in this allocation group. 47 fully flexible countries, representing 77% of total countries with allocations up to \$7 Mn, have used flexibility. Interestingly, 78% of countries with larger allocations (in the \$20 Mn to \$100+ Mn range) have already used flexibility. This is a somewhat surprising result, given that it is not unreasonable to expect that countries with larger allocations might have sufficient resources to program projects within their focal area lines. Evidence suggests that when participating in Integrated Approach Programs, some countries with large STAR allocations used their flexibility features to adjust focal area contributions towards the relevant global environmental benefits associated with the program objectives. The detailed analysis of this is presented in the section “The use of flexibility in Integrated Approach Pilots and Impact Programs”.

<sup>14</sup> The analysis includes the proposed December 2021 Work Program projects.



**Figure 3: Utilized Flexibility Amounts in GEF-7 by STAR Allocation Band**



16. Figure 3 shows the flexibility amounts used by the three allocation bands, by comparing against the flexibility provisions provided to each band. The results are consistent with the findings drawn from Figure 2: countries with allocations in the \$7 - 20 Mn range have the highest flexibility utilization rate (42%), followed by countries with allocation in the \$20 -100+ Mn range (40%). Fully flexible countries with allocations up to \$7 Mn initiate the largest net transfer across focal areas (\$80 Mn), while it only comprises 25% of the flexibility provision of this group.

17. The flexibility utilization rates for GEF-7 as of November 2021<sup>15</sup> have not yet reached the maximum allowed flexibility provisions.<sup>16</sup> This is an unsurprising result for a number of reasons. Firstly, using flexibility is driven by country choice. Secondly, the GEF-7 STAR is not fully utilized - 12% of GEF-7 STAR resources have not been programmed yet<sup>17</sup>; as discussed above, the use of flexibility will disproportionally increase towards the end of the programming cycle and the final GEF-7 number will be therefore higher following processing of the last work program. Thirdly, it is clear that an effective review mechanism is in place to ensure countries program their resources along project objectives and utilize flexibility only when it is justifiable, notwithstanding the increase of flexibility provisions in GEF-7.

<sup>15</sup> This analysis includes the proposed December 2021 Work Program projects.

<sup>16</sup> As the IEO pointed out in the STAR evaluation (GEF-6), it is unjustified to expect countries to fully utilize their flexibility provisions, because mathematically it is impractical. Take full flexibility for example: the actual used flexibility would need to deduct the amount contributed by the recipient focal area. We can see that in GEF-7, the maximum used flexibility hardly exceeds \$5 Mn. Therefore, the total use of flexibility could never reach the 30% flexibility upper limit, which was set at the GEF-7 Replenishment negotiation.

<sup>17</sup> GEF Corporate Scorecard December 2021, pending.

18. The findings from both Figure 2 and Figure 3 largely support the assessment of the earlier Midterm Evaluation of the STAR in GEF-5<sup>18</sup> that the non-fully flexible countries with smaller country allocations (in the range of \$7-20 Mn) have a greater need for cross-focal marginal adjustment, and that when sufficient marginal adjustment is provided, they are more likely to use it. Furthermore, the evidence is strong that countries with larger STAR allocations (in the range of \$20-100+ Mn) make full use of their increasing flexibility provisions, even if their focal area resources may be sufficient for programming. With the notion of integration in GEF-7, it is therefore clear that the increasing level of flexibility enables countries to better deploy their GEF resources to fully support and dimension project opportunities which have higher potential to materialize global environmental benefits.

**Table 4: The Net Transfer of Flexible Funds TO Focal Areas in GEF-7**

	# of countries using flexibility	Cross-focal area utilization (\$Mn)			Total transfer across focal areas
		Net transfer to BD	Net transfer to CC	Net transfer to LD	
Countries with full flexibility	47	30.4	18.4	31.4	<b>80.2</b>
Countries with marginal adjustments	68	21.9	22.3	55.9	<b>100.1</b>
<b>Total</b>	<b>115</b>	<b>52.3</b>	<b>40.7</b>	<b>87.2</b>	<b>180.2</b>

19. For the 115 countries that have used flexibility provisions in GEF-7 to date, it is useful to analyze how resources are flowing thus far across the STAR focal areas. Table 4 shows that of the \$180 Mn total transferred across focal areas, \$87.2 Mn went to the land degradation focal area, followed by \$52.3 Mn to the biodiversity focal area and \$40.7 Mn to climate change. The largest net transfer comes to the land degradation focal area. And the second-largest net transfer comes to the biodiversity focal area, despite the fact that the biodiversity focal area received the largest STAR allocation in GEF-7. Interestingly, the smallest net transfer flows accrued to the climate change focal area, in spite of the fact that its allocation decreased significantly in GEF-7.

<sup>18</sup> GEF/ME/C.45/05, *Midterm Evaluation of the System of Transparent Allocation of Resources*, (<https://www.thegef.org/council-meeting-documents/management-response-mid-term-evaluation-system-transparent-allocation>)

**Table 5: The Net Transfer of Flexible Funds FROM Focal Areas in GEF-7**

	# of countries using flexibility	Cross-focal area utilization (\$Mn)			Total transfer across focal areas
		Net transfer from BD	Net transfer from CC	Net transfer from LD	
Countries with full flexibility	29	14.1	21.8	13.8	<b>49.8</b>
Countries with marginal adjustments	28	10.9	15.2	8.8	<b>35.0</b>
<b>Total</b>	<b>57</b>	<b>25.1</b>	<b>36.9</b>	<b>22.7</b>	<b>84.7</b>

20. As of November 2021<sup>19</sup>, 57 countries have fully utilized their GEF-7 STAR resources<sup>20</sup> and did so while using flexibility. Table 5 above tracks how these funds have been sourced across focal areas through the allowed flexibility provisions. Of the \$84.7 Mn total transfer from countries that fully utilized STAR, \$36.9 Mn have been sourced from the climate change focal area, which is the largest contribution among the three focal areas. The biodiversity and land degradation focal areas have provided \$25.1 Mn and \$22.7 Mn respectively for the cross-focal area transfer.

21. Among three STAR focal areas, Land degradation benefits the most from the flexibility feature, while this focal area is traditionally the smallest recipient of STAR resources. In GEF-7, land degradation focal area received the largest amount of flexibility for cross-focal area use and contributed the smallest amount. This is also consistent with the IEO overall observation that “... land degradation tends to be the net recipient of the cross-focal utilization of resources.”<sup>21</sup> Given that land degradation is indeed a cross-sectoral focal area, it is encouraging to see that countries prioritize the usage of flexibility feature for this focal area.

22. It is instructive to note that the climate change focal area has thus far not only utilized the smallest net transfer, but also contributed the largest amounts to flexibility, notwithstanding its decreased allocation in GEF-7. However, as of November 2021, the climate change core indicator (Greenhouse Gas Emissions Mitigated) was well on its way to achieving its GEF-7 target (96.4%) and, although CCM comprised only 18% of GEF-7 programmed resources, 80% of the GEF-7 financing (including programs) is to date climate related, as indicated by Rio markers.<sup>22</sup> This is a clear demonstration of the effectiveness of the multiple benefits framework that was initialized in GEF-7 programming. It also shows that integrated

<sup>19</sup> This analysis includes the proposed December 2021 Work Program projects.

<sup>20</sup> For the purposes of this analysis, “fully utilized countries” are defined as countries with a STAR balance of less than \$10,000 USD.

<sup>21</sup> GEF/ME/C.53/Inf.10, *Evaluation of the GEF’s System for Transparent Allocation of Resources*, (<https://www.thegef.org/council-meeting-documents/review-gefs-system-transparent-allocation-resources>)

<sup>22</sup> GEF Corporate Scorecard December 2021, pending.

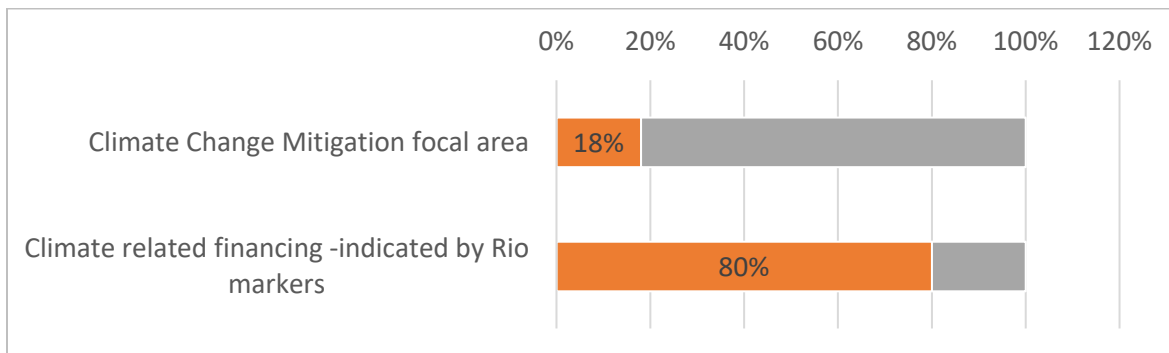
programming lessens the sometimes-expected relationship between source and amount of funding, and focal area results.

### THE USE OF RIO MARKERS IN GEF-7

23. Based on the request of Participants to the GEF-7 Replenishment,<sup>23</sup> the Secretariat has throughout GEF-7 already been using Rio Markers to routinely monitor the share of climate-related financing, setting the aggregate target of 60% of all funding commitments over the replenishment period.<sup>24</sup> Climate-related financing is defined as GEF financing that contributes towards climate change mitigation or adaptation as a principal or a significant objective, consistent with the Rio Marker methodology.<sup>25</sup>

24. As demonstrated in the analysis above, Rio-markers play an important role to track the total amount of funds that contribute towards global environmental benefits in a particular focal area. Table 8 illustrates that, thus far, 80% of the GEF-7 programmed resources contributed towards climate change mitigation or adaptation as a principal or a significant objective, while Table 9 shows the breakdown of the total resources programmed in GEF-7 to date by the climate change Rio Marker. It is noteworthy that, had the reporting been limited to resources that had been programmed in the Climate Change focal area, the associated conclusion would have been that only 18% of GEF-7 programmed resources to date were relevant to climate objectives (Table 8).

**Table 6: The GEF-7 Climate-related Financing**



Source: *The GEF Corporate Scorecard, December 2021 edition*

<sup>23</sup> GEF/C.54/19/Rev.03, *Negotiations of the Seventh Replenishment of the GEF Trust Fund*, ([https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.54.19.Rev\\_03\\_Replenishment.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_03_Replenishment.pdf))

<sup>24</sup> Ibid.

<sup>25</sup> *OECD DAC Rio Markers for Climate Handbook*, ([https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook\\_FINAL.pdf](https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf))

**Table 7 Breakdown of GEF Project Financing by Rio Marker (\$Mn)**

	No Contribution to CCA ("0")	CCA a Significant Objective ("1")	CCA the Principal Objective ("2")
No Contribution to CCM ("0")	688	398	73
CCM a Significant Objective ("1")	791	651	137
CCA the Principal Objective ("2")	340	297	4

*Source: The GEF Corporate Scorecard, December 2021 edition*

25. Based on the growing experience of the routine tracking and reporting of climate-related financing through GEF-7 using the Rio Markers, and in light of the full flexibility feedback received during the GEF-8 Replenishment negotiation, the Secretariat is considering an expansion of the use of the Rio Marker methodology to biodiversity-related and land degradation-related financing. This would ensure that the objectives from the three Rio Conventions (the Convention on Biological Diversity, the United Nations Convention to Combat Desertification, and the United Nations Framework Convention on Climate Change) are systematically traced. Together with the climate-related financing, the share of biodiversity-related financing and land degradation-related financing in GEF-8 would also be monitored and regularly reported to the GEF Council through the usual channels of the Work Program Cover Notes, Corporate Scorecards and Monitoring Reports, alongside the traditional tracking of programming against focal area amounts.

#### **THE USE OF FLEXIBILITY IN INTEGRATED APPROACH PILOTS AND IMPACT PROGRAMS**

26. The GEF has started to invest in a series of integrated approach programs designed to tackle large scale drivers of global environmental degradation by integrating solutions across the different focal areas. Three were launched as Integrated Approach Pilot (IAP) programs during the sixth replenishment cycle (2014-2018)<sup>26</sup>, and five were launched as Impact Programs (IPs) during the seventh replenishment cycle (2018-2022).<sup>27</sup> Thirty (30) child projects were approved under GEF-6 IAPs and sixty-five (65) child projects were approved under GEF-7 IPs.<sup>28</sup>

<sup>26</sup> GEF/A.5/07/Rev.01, *Report on the Sixth Replenishment of the GEF Trust Fund*, ([https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A.5.07.Rev\\_01\\_Report\\_on\\_the\\_Sixth\\_Replenishment\\_of\\_the\\_GEF\\_Trust\\_Fund\\_May\\_22\\_2014\\_1.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A.5.07.Rev_01_Report_on_the_Sixth_Replenishment_of_the_GEF_Trust_Fund_May_22_2014_1.pdf)). Three programs are namely: Sustainable Cities, Taking Deforestation out of Commodity Supply Chains, Sustainability and Resilience for Food Security in Sub-Saharan Africa.

<sup>27</sup> GEF/R.7/19, *GEF-7 Replenishment Programming Directions*, ([https://www.thegef.org/sites/default/files/publications/GEF-7%20Programming%20Directions%20-%20GEF\\_R.7\\_19.pdf](https://www.thegef.org/sites/default/files/publications/GEF-7%20Programming%20Directions%20-%20GEF_R.7_19.pdf)). Five programs are namely: Food Systems, Land Use and Restoration, Sustainable Cities, Sustainable Forest Management (Amazon, Congo Basin and Drylands).

<sup>28</sup> Each program has a regional or global coordination project which ensures coherence among participating countries and promotes knowledge exchange. These coordination projects are solely funded by the IAP or IP incentives, therefore not considered in this analysis. In addition, the Commodities program has been designed by

27. Table 6 summarizes the flexibility used in IPs/IAPs. Around 9% of countries participating in IPs/IAPs used flexibility, with a slightly higher percentage in the GEF-7 IPs. Child projects under IAP and IPs should be treated slightly differently from regular projects when looking at flexibility as IP child projects typically invest across focal areas, as they deploy an integrated approach. All country projects approved under integrated approach programs were matched with incentives (1:1 for IAP and approximately 2:1 for IPs) which are not tied to any focal areas. Furthermore, focal area resources with IAP/IP incentives are pooled together into one program objective. In addition, most country projects under IAPs and IPs were programmed in an earlier stage of the replenishment cycle at a time when, as discussed above, countries likely had enough STAR resources under each focal area, therefore no or minimum need to use flexibility under IAP/IP programs.

**Table 8: The Use of Flexibility in Integrated Approach Programs (GEF-6 IAP, GEF-7 IP)**

GEF phase	Count of country			Used flexible amount	
	committed STAR allocation	used flexibility	percentage	\$Mn	Share of total STAR allocation
GEF-6 IAP	23	2	9%	0.16	0.3%
GEF-7 IP	60	6	10%	6.32	1.4%

28. However, in some cases, such as Argentina participating in Sustainable Cities Impact Program (USD 2.6M) and Brazil participating in FOLUR Impact Program (USD 0.48M), countries with large STAR allocations used flexibility to enable higher global environmental benefit returns through the choice of a fully integrated approach that enabled the design of country projects that closely aligned the focal area contribution to the program objective. Table 7 shows the net transfer to each program, showing how countries utilized flexibility to enhance the fit with the objective of each program.

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the phase of the supply chain (production, demand, and transaction), not by country child projects, for this reason, entirely funded by incentives without countries' STAR resources and so also not considered for this analysis. In addition, the IAP/IP analysis did not count countries already given fully flexibility.

**Table 9: The Net Transfer of Flexible Funds TO Focal Areas**

GEF phase	Program	Cross focal area utilization (\$Mn)			
		Net transfer to BD	Net transfer to CC	Net transfer to LD	Total transfer across FAs
GEF-6 IAP	Resilient Food Security	-	-	0.06	0.06
	Sustainable Cities	-	1.00	-	1.00
	Total	-	1.00	0.06	1.06
GEF-7 IP	FOLUR	-	-	1.20	1.20
	Dryland SFM	-	-	1.60	1.60
	Sustainable Cities	-	3.52	-	3.52
	Total	-	3.52	2.80	6.32

29. The relevance of flexibility to countries efforts to adopt integrated approaches in GEF-7 is well illustrated by the analysis above. By the same logic, it is expected that further increases in flexibility would be beneficial for countries to further optimize their participation in integrated programming – particularly LDCs and SIDS.

#### CONCLUSIONS

30. This analysis confirms that the increase in flexibility provisions across GEF phases has been accompanied by a simultaneous increase in countries' utilization of flexibility. Countries with marginal adjustment (i.e., countries with STAR country allocations exceeding US\$7 Mn) have the greatest need for flexibility and have made greater aggregate use of the opportunity than even fully flexible countries.

31. In particular, examples show that when countries with larger allocations participated in IAPs, some used flexibility to adjust their focal area contributions to strengthen the relevance of focal area resource use with the expected global environmental benefits of the country projects. Available data also demonstrates that, now that we are able to capture project multiple benefits, as was done systematically since GEF-7, focal area results are no longer directly linked to source of funds.

32. This analysis identifies a trend towards greater country appetite for flexibility as well as increased levels of experience and capacity in making use of the opportunity. It also illustrates the opportunity and relevance of expanding the use of Rio markers which have already been successfully used to trace climate-related financing in GEF-7. Finally, it demonstrates the usefulness for the Secretariat to continue to conduct periodic analyses on the use of flexibility, analyzing and reflecting on countries' needs and choices as they, move funds across their notional focal area allocations.