GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

POLICY: FI/PL/01
Issued on June 30, 2014

CO-FINANCING POLICY

http://www.thegef.org/gef/policies_procedures

Summary: This Policy (i) establishes the objectives for co-financing in GEF-financed projects; (ii) defines co-financing in GEF-financed projects; and (iii) sets forth the general principles and approaches for co-financing in GEF-financed projects, including how co-financing will be monitored and evaluated.

Approval: This Policy was approved by the **GEF Council** at its 46th Meeting on **May 25-27, 2014** in accordance with Council Document GEF/C.46/9, *Co-financing Policy*. It supersedes the previous Co-financing policy contained in Council Document GEF/C.20/6/Rev.1, *Cofinancing*.

Applicability: This Policy applies to projects and programs financed with resources from the GEF Trust Fund and the Nagoya Protocol Implementation Fund (GEF-financed projects). It does not apply to projects financed with resources from the Least Developed Countries Fund (LDCF) or the Special Climate Change Fund (SCCF).

Date of Effectiveness: July 1, 2014.

Sponsor and Contacts: GEF Secretariat, Operations and Business Strategy Team (Contacts: Mr. Andrew Velthaus: avelthaus@thegef.org or Ms. Seo-Jeong Yoon: syoon@thegef.org).

I. INTRODUCTION

1. This Policy provides rules on co-financing for GEF-financed projects and programs, and contributes to an ambition for the overall GEF portfolio to reach a co-financing ratio of at least 6:1, with expectations for greater co-financing in upper middle income countries that are not SIDS.

II. OBJECTIVES

2. The purpose of this Policy is to set out the principles for the GEF, working with its partners, to attain adequate levels of co-financing as a means to:

(a) enhance the effectiveness and sustainability of the GEF in achieving global environmental benefits; and

(b) strengthen partnerships with recipient country governments, multilateral and bilateral financing entities, the private sector, and civil society.

III. DEFINITION OF CO-FINANCING

3. Co-financing for GEF-financed projects, excluding LDCF and SCCF projects, is defined as resources that are additional to the GEF grant[1] and that are provided by the GEF Partner Agency itself and/or by other non-GEF sources that support the implementation of the GEF-financed project and the achievement of its objectives.

IV. CO-FINANCING REQUIREMENTS

4. Co-financing is required for all GEF full-size projects (FSPs), medium-side projects (MSPs), and GEF programmatic approaches. Co-financing is optional for GEF enabling activities.

5. GEF-financed projects and programmatic approach proposals include co-financing[2] as follows:

(a) All GEF FSP concepts list *indicative co-financing* in order to be included as part of a GEF Work Program. At this stage, indicative co-financing represents a best estimate by the GEF Partner Agency and is not yet a commitment.

(b) FSPs provide evidence of *confirmed co-financing* prior to being considered for CEO endorsement.

[1] GEF financing is determined on the basis of the agreed incremental cost principle.

[2] Co-financing that is expected to be secured or mobilized from private sector entities or project beneficiaries during project implementation, but after CEO endorsement, may be counted as confirmed co-financing if the Agency's project document includes clear requirements that such co-financing be mobilized during implementation at a clearly expressed minimum level. Such contributions will often be mobilized during project implementation through match requirements in the project or similar project design features.

(c) All MSP concepts list *indicative co-financing* prior to being considered for CEO approval. Final MSP proposals provide evidence of *confirmed co-financing* prior to being considered for CEO approval.

(d) All programmatic approaches list *indicative financing* prior to being included as part of a GEF Work Program.

6. For project concepts and requests for CEO endorsement or approval, GEF Partner Agencies classify the co-financing included in their project submissions according to the type and source of the financing. Types of co-financing include grants, loans, guarantees, and in-kind resources.

7. The Secretariat will:

(a) review proposals for consistency with the requirements of this Policy;

(b) establish and maintain standard project proposal formats to record co-financing data during the stages of the GEF project cycle;

(c) enter information on co-financing into its project database and update such information during project preparation; and

(d) engage in discussions with recipient countries and Partner Agencies to help develop programming approaches that, among other features, also aim at achieving higher co-financing.

8. The Secretariat will not impose minimum thresholds and/or specific co-financing sources in the review of individual projects or work programs, since co-financing may not always be achievable or relevant.

V. MONITORING AND EVALUATION

9. During project implementation and at project closure, GEF Partner Agencies will report on *materialized co-financing* according to source and type. This will include resources secured or mobilized during project implementation that are in addition to the co-financing confirmed at CEO endorsement. All such financing will count as materialized co-financing in monitoring and evaluation documents.

10. The GEF Secretariat will monitor overall portfolio co-financing and will report to the Council on levels of co-financing through the Annual Monitoring Review or other such reports as the Council may determine.

VI. EXCEPTIONS

11. With reference to the requirements in paragraph 4, upon the request of the GEF Partner Agency, the GEF CEO may, on an exceptional basis, approve or endorse a specific GEF financed project without co-financing where the project is being processed on an emergency basis and/or

where other unforeseen circumstances arise,[3] and where the project objectives can be met without co-financing. The GEF Secretariat will report annually to the GEF Council on GEF projects approved with exceptions to the co-financing requirement.

VII. GLOSSARY OF TERMS

1. **Annual Monitoring Review (AMR)**: The Annual Monitoring Review (AMR) is an assessment of the GEF's active portfolio and is presented to the GEF Council in two parts. Part I contains an overview of the portfolio under implementation and is presented to the Council at its fall meeting. Part II is presented to the Council at its Spring meeting and contains a deeper assessment of outcomes, experiences, and lessons learned from the GEF's active portfolio of projects, with an emphasis on those projects for which a mid-term evaluation report or terminal evaluation report have been completed.

2. **Co-financing Ratio**: The co-financing ratio is determined by the total of non-GEF resources provided for a project compared to GEF grant resources, including the GEF Project Grant and Project Preparation Grants. Enabling activities, which do not require co-financing, will not be counted in the overall portfolio co-financing ratio.

3. **Confirmed Co-financing**: Co-financing that is included in the request for CEO endorsement/approval that a GEF Partner Agency confirms will be delivered during project implementation.

4. **Indicative Co-financing**: Tentative co-financing that is included in the project concept (the Project Identification Form or PIF), which is presented for inclusion in a GEF Work Program. It represents the best estimate of the Partner Agency and project executing entities of the co-financing that they expect will be part of the final financial package.

5. **GEF Grant**: This is the amount of total GEF funds provided to the recipient country. It includes the GEF Project Grant (see below) and the project preparation grant.

6. **GEF Project Grant:** This is the amount of GEF funds provided for the GEF-financed project, a full-size project, a medium-size project, or an enabling activity. It does not include project preparation grants or GEF Agency fees.

7. **GEF Agency**: Any one of the 10 institutions that were entitled to receive GEF Trust Fund resources directly as of November 2010. They include the following organizations: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Fund for Agricultural Development, the United Nations Development Program, United Nations Environment Program, and the United Nations Industrial Development Organization.

[3] Emergency and unforeseen circumstances means a project which is being processed under a GEF Partner Agency's emergency or expedited procedures due to natural disasters, conflict, or post conflict situations.

8. **GEF Partner Agency:** Any of the entities eligible to request and receive GEF resources directly from the GEF Trustee. This category includes both the ten *GEF Agencies* and *GEF Project Agencies*.

9. **GEF Project Agency:** Any of the institutions that the GEF has accredited to receive GEF resources to implement GEF-financed projects apart from the ten GEF Agencies.

10. **Materialized Co-financing**: The amount of co-financing that is actually delivered for a project during its implementation.

11. **Project Executing Entity**: The project executing entity is the organization that will execute projects financed by GEF resources under the supervision of a GEF Partner Agency. It could be a national or sub-national government agency, a CSO, a private sector entity, or another type of entity that is in charge of project execution.

12. **Project Proponent**: An entity that proposes a project requesting GEF financing. A project proponent could be a government ministry, an agency within a ministry, a private sector entity, or a CSO which proposes the project through a country's GEF Operational Focal Point.