



25
years



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Co-financing and incremental cost

GEF Introduction Seminar

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“The GEF shall operate [...] for the purpose of providing new and additional grant and concessional funding to meet the **agreed incremental costs** of measures to achieve agreed global environmental benefits”

(Instrument for the Establishment of the Restructured Global Environment Facility, paragraph 2)

Instrument for the Establishment of the Restructured Global Environment Facility

March 2015



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IEO 2006: “the **principle of incremental funding is alive and well** in GEF projects [...]

there remains weak understanding and much **confusion** about incremental cost [...]

A **shift** is required away from the cumbersome, complex and not always useful steps of incremental cost assessment to a focus on integrating **incremental reasoning** into project objectives and design”

(GEF/ME/C.30/2, Evaluation of Incremental Cost Assessment)



**Independent
Evaluation Office**
GLOBAL ENVIRONMENT FACILITY

in response to IEO's evaluation, the Secretariat developed the ***Operational Guidelines to Determining Incremental Costs (GEF/C.31/12)*** in 2007

- (a) determination of the environmental problem, threat, or barrier, and the **“business-as-usual” scenario**;
- (b) identification of the **global environmental benefits** and fit with GEF strategic programs and priorities linked to the GEF focal area;
- (c) development of the result framework of the intervention;
- (d) provision of the **incremental reasoning** and GEF's role; and
- (e) negotiation of the role of **co-financing**.

(GEF-6 PIF Template)

...and **incremental reasoning** remains a cornerstone of the GEF's concept template:

“1. *Project Description*. Briefly describe: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the **baseline** scenario or any associated baseline projects; 3) the proposed **alternative scenario**, GEF focal area strategies, with a brief description of expected outcomes and components of the project; 4) **incremental/ additional cost reasoning** and expected contributions from the baseline, GEFTF, LDCF, SCCF, CBIT and **co-financing**; 5) **global environmental benefits** (GEFTF) and/or adaptation benefits (LDCF/SCCF); and 6) innovation, sustainability and potential for scaling up.”

(GEF-6 PIF Template)

Co-financing is an area where GEF policy has changed since 2007...

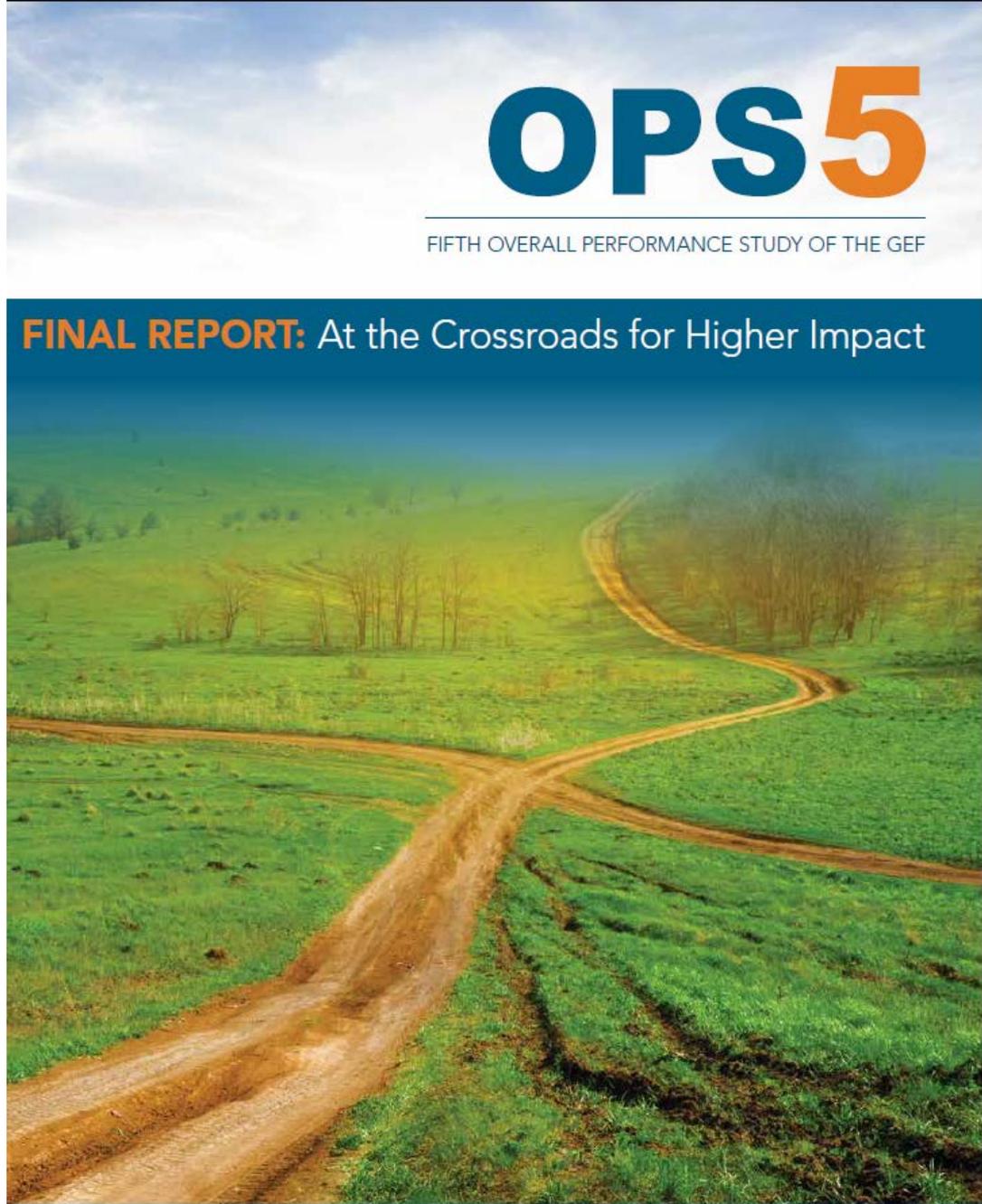
IEO 2013: general consensus that **co-financing is useful**, however, more **transparency and clarity** needed, higher-levels of co-financing not always desirable, and implications for the project cycle may be considerable...

(OPS5 Technical document # 21: Co-Financing)

OPS5

FIFTH OVERALL PERFORMANCE STUDY OF THE GEF

FINAL REPORT: At the Crossroads for Higher Impact



...following OPS5, **Participants to the sixth replenishment (GEF-6)** requested that the **Secretariat:**

- “(a) provide **clarity in the definitions and approaches** to promoting effective co-financing;
- (b) indicate a level of **ambition for the overall GEF portfolio to reach a co-financing ratio of at least 6:1** (total co-financing to total GEF resources); and
- (c) create expectations for **greater co-financing for upper middle income countries** that are not SIDS.”

(GEF-6 Policy Recommendations)

A new **Co-financing Policy** (FI/PL/01) was adopted in May 2014, clarifying that:

“Co-financing for GEF-financed projects, excluding LDCF and SCCF projects, is defined as resources that are **additional to the GEF grant** 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.**”

(Co-financing Policy)

...the Policy also clarifies co-financing requirements and associated reporting needs throughout the project cycle:

- co-financing **required** for all FSPs, MSPs and programs, optional for enabling activities
- **no minimum thresholds** or sources prescribed
- **exceptions** allowed on an emergency basis and/or where other unforeseen circumstances
- **indicative** co-financing at concept stage, **confirmed** co-financing at CEO Endorsement/Approval, **materialized** co-financing during implementation and at closure

A black and white photograph of mangrove seedlings in a nursery. The foreground shows several young plants with thick, waxy leaves and emerging roots. The background is filled with more seedlings, slightly out of focus, set against a bright, possibly overcast sky.

Thank you

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