

**Proposed Decision on Agenda Item 7
Evaluation of Incremental Cost Assessment**

1. The Council, having reviewed document GEF/ME/C.30/2, *Evaluation of Incremental Cost Assessment*, and the management response (GEF/ME/C.30/3), takes note of the conclusions of the evaluation. The Council particularly welcomes the conclusion that the principle of incremental funding is being achieved throughout the GEF.
2. On the basis of the evaluation's conclusion that the current process for incremental cost assessment and reporting does not add any value to the quality of projects, the Council decides that:
 - (a) the incremental reasoning in project objectives and design should be explicitly addressed in appropriate documentation, particularly at the project concept stage, during implementation and at completion;
 - (b) the current incremental cost assessment and reporting requirements for GEF projects should be reformed so as to result in a simplified demonstration of the project baseline, incremental costs and co-funding;
 - (c) monitoring for progress towards achieving global environmental benefits and for achieving co-funding should be included in Project Information Reports and the Portfolio Performance Report; and
 - (d) terminal evaluations should evaluate achievement of global environmental benefits and co-funding, followed by an independent assessment in the Annual Performance Reports of the GEF Evaluation Office;
3. The Council requests the GEF Secretariat to incorporate in the paper on the revised project cycle to be presented to the Council in June 2007, new operational guidelines to implement the above sub-paragraphs.
4. On-going efforts need to be strengthened to have a better identification of global environmental benefits in GEF activities, including improved dissemination and raising of awareness of the focal area strategic priorities and objectives.
5. The Council also requests the GEF Evaluation Office to record any follow-up action taken to implement this decision and to report on these actions through the Management Action Record.