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May 6, 2014

GEF Council Meeting
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Agenda Item 08

CO-FINANCING POLICY

Recommended Council Decision

The Council, having reviewed Council Document GEF/C.46/09, *Co-financing Policy*, approves the proposed policy attached as Annex 1 to the document. The Council requests the collaboration of recipient countries, GEF Partner Agencies, and the Secretariat in implementing the provisions of the Policy. This new policy replaces and supersedes the Co-financing policy of May 2003 set out in Council Document GEF/C.20/6/Rev.1, *Co-financing*.

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INTRODUCTION

1. This document responds to a policy recommendation from the negotiations for the Sixth Replenishment of the GEF Trust Fund (GEF-6)[1] that requested "the GEF Secretariat, in consultation with the appropriate GEF entities, to develop a policy for Council consideration by May 2014 that seeks to:

(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."

2. Replenishment participants acknowledged the GEF's "history of robust co-financing," and affirmed "that co-financing plays a critical role in creating strong partnerships on the ground." Participants also acknowledged "the roles played by national governments and the private sector in providing significant co-financing." While noting that "that co-financing ratios exhibit high levels of variability both among projects and individual countries," the replenishment participants affirmed that the GEF should continue to seek high levels of co-financing as a means to achieve greater environmental impact and to encourage country ownership." Participants also encouraged "greater co-financing in countries with greater capacity for co-financing as a means to achieve even greater impact and broader adoption."

3. This document proposes to the Council, for its approval, a revised GEF Policy on Co-financing (hereafter referred to as the "Co-financing Policy"), the draft of which is attached as Annex 1. The revised policy, inter-alia, adopts a clearer definition of co-financing for GEF Trust Fund projects, and includes clearer requirements for what needs to be included in proposals for GEF-financed projects during different stages in the GEF project cycle. The document also describes the GEF's approach to mobilizing co-financing during GEF-6.

4. This document and the proposed Policy have been developed through a consultative process with an inter-agency working group[2] that was established in the context of discussions on streamlining the project cycle. This paper draws on the analysis of co-financing in *Fifth*

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[1] Refer to Council Document, GEF/C.46/07, *Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund*)

[2] The Working Group was composed of representatives of the ten GEF Agencies, the GEF Secretariat, WWF-US, and the GEF IEO.

Overall Performance Study (OPS5) and its related recommendations[3] as well as analysis of co-financing undertaken by the GEF Secretariat for the GEF-6 replenishment.[4]

CURRENT CO-FINANCING POLICY AND PRACTICE

5. The Council approved a Co-Financing Policy for the GEF at its 20th Meeting in May 2003, the elements of which are contained in document GEF/C.20/6/Rev.1, *Co-Financing*.

6. There is a consensus among GEF stakeholders that co-financing is useful as it helps in bringing more resources to GEF-financed projects, increases country ownership, and helps to create strong partnership on the ground. Co-financing also helps to ensure that the GEF supports only the incremental costs of a project.[5]

7. The GEF also has a strong track record in attracting high levels of co-financing to support its projects. As shown in Table 1 in Annex 2, portfolio co-financing ratios[6] and the median project co-financing ratios[7] have increased significantly since the end of GEF-3. The portfolio ratio has been above 6:1 for the past two replenishment periods.

APPROACH TO CO-FINANCING IN GEF-6

8. The GEF will recalibrate its approach to co-financing during GEF-6, in keeping with the decisions by the GEF-6 replenishment participants to seek clarity in the definition and approaches to co-financing, aim for a portfolio ambition of 6:1 in GEF-6, and create expectations for higher co-financing in engagement with upper middle income and high income countries. The approach aims to attain co-financing that enhances the effectiveness and sustainability of GEF programming while strengthening partnerships in support of the delivery of global environmental benefits.

9. The main sources of co-financing for GEF projects have been, as shown in the tables included in Annex 2, national governments, multilateral agencies and the private sector. One way to pursue higher co-financing will be to explore the most effective ways to attract higher co-financing from these three sources.

10. Dialogue with national governments will be an important avenue to help recipient countries seek higher co-financing to the extent that it suits their needs. In recent years, more

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[3] *Final Report of the Fifth Overall Performance Study of the GEF: At Crossroads for Higher Impact*, Replenishment Document GEF/R.6/17. The findings on co-financing are supported by the analysis from *OPS5 Technical Document #21: Co-Financing* (November 18, 2013):

http://www.gefieo.org/documents/ops5-co-financing.

[4] Refer to Replenishment Document GEF/R.6/19, *Strategic Positioning for the GEF*.

[5] These are among the findings of OPS5.

[6] This represents the total amount of confirmed co-financing compared to the total amount of GEF grants during a replenishment period.

[7] This represents the median co-financing ratio among individual projects. Thus, during OPS5, there were an equal number of projects with co-financing ratios both higher and lower than a ratio of 4.5:1.

resources have been mobilized by governments, national development institutions and by commercial banks. This trend could be reinforced. There are increasing expressions of interest from several national governments to learn how to further mainstream the environmental agenda in national development plans and budgets so that sufficient domestic resources are mobilized. There are equally strong interests to learn how to mobilize private sector resources. The GEF will help make sure that best practices in mobilizing resources to their sectors of interest are shared among recipient countries.

11. Co-financing will also be encouraged from the GEF Partner Agencies, in the context of their respective country assistance/engagement strategies, to support the implementation of GEF-financed projects and achievement of their objectives.

12. The private sector is also undergoing a rapid transformation in the mainstreaming of the environment as a strategic business proposition, opening additional opportunities for resource mobilization. In this regard, strategies and policies for GEF-6 have already incorporated several promising measures. For instance, the GEF-6 policy recommendations aim to strengthen private sector engagement through a couple of targeted measures. The newly introduced non-grant instrument pilot will provide a means to leverage private sector resources. It is expected that once the effectiveness of non-grant instruments is demonstrated and proven, they will also be employed when programming with country STAR allocations. The integrated approach pilots also provide opportunities to mobilize resources from the private sector. The clarification in the proposed new policy that private sector resources mobilized during project implementation will be counted as co-financing should help better account for such resources.

13. The Secretariat and the GEF Partner Agencies will engage with recipient countries in the context of discussions of country programming, e.g., through National Portfolio Formulation Exercises (NPFEs),[8] National Dialogues, and other tailored discussions and consultations, to help countries develop programming approaches that support higher co-financing.

14. It should be emphasized, however, that the GEF experience demonstrates that an overly mechanistic approach to co-financing – in which high co-financing ratios become an end in themselves – is not practical and can often be counter- productive. High levels of co-financing may not be achievable or relevant in all instances.[9] An effective approach to co-financing needs to take into account the specificity of GEF–financed projects – in terms of a project's intervention model, its focal area,[10] sector of engagement, or partners to be engaged.

[8] This is a voluntary exercise led by GEF recipient countries intended to review and propose resource programming during a particular replenishment period. The expected output of such an exercise is a National Portfolio Formulation Document, in which the country outlines how the GEF resources allocated through the System for Transparent Allocation of Resources (STAR) could be programmed.

[9] Some successful GEF projects have comparatively lower levels of co-financing – e.g., the *Brazil Amazon Region Protected Areas (ARPA)* project has a co-financing ratio of 1.7:1; the *Mexico Climate Friendly Measures in Transport* project has a co-financing ratio of 1.1:1.

[10] See Tables included in Annex 2, which shows the variance between focal areas in portfolio co-financing ratios. Biodiversity projects are often less able to attract co-financing, particularly in the form of loans and private sector investments than climate change projects, particularly in the energy and transport sectors.

15. Specifically, an across-the-board requirement for minimum co-financing thresholds can create disincentives for undertaking projects where there is high potential for achieving global environmental benefits but prospects for co-financing are low. This is true for projects that take on higher levels of risk (e.g. supporting first entrants in new markets or the deployment of advanced, untested technology) and can often be the case for technical assistance projects and projects seeking to support policy reform. Finally, an excessive focus on high co-financing ratios can also lead to delays in project preparation and may contribute to lower effectiveness of projects in situations where timeliness is at a premium.[11]

16. Taking into account these considerations, the GEF Secretariat will continue to review project co-financing as part of its assessment of whether the project is supported by an adequate financing package in light of the needs of the project. The Secretariat will not impose minimum thresholds and/or specific co-financing sources in the review of individual projects or Work Programs.

17. The above-described approach is reflected in the new proposed Policy attached as Annex 1, which clarifies the definition of co-financing and other key requirements.

Key Clarifications to the Policy

18. One key improvement in the proposed Policy in Annex 1, compared to the 2003 Policy, is improved clarity of definitions and requirements. Among the clarifications are that the new policy:

(a) Explicitly states the objectives for the GEF to seek co-financing for its projects.

(b) Adopts a clearer definition of co-financing for GEF Trust Fund projects. It foregoes the imprecise terminology of being “essential for meeting the GEF-financed project objectives,” which has proven to be difficult to determine in practice. Rather, it defines co-financing “as resources that are additional to the GEF grant… that support the implementation of the GEF-financed project and the achievement of its objectives.”

(c) Avoids the confusing terminology of the 2003 policy, including “leveraged resources,” “essential financing package,” “mobilized resources,” and “associated financing,” which are not always used consistently in the project.

(d) Includes clearer requirements for what needs to be included in GEF-financed project proposals during the different stages of the GEF project cycle.

(e) Includes an updated explanation of how certain resources are counted in the determination of co-financing. In this regard, the 2003 policy states that resources not committed as part of “the essential financing package at the outset[12] but which

[11] See OPS5 *Technical Document #21: Co-Financing* (November 18, 2013), page 9.

[12] This is understood to mean at the time of CEO endorsement.

are mobilized subsequently” cannot count as co-financing. In practice, however, this is how private sector resources and resources from project beneficiaries are often mobilized. To date, certain projects have required (e.g., through matching requirements or other project design elements) that private sector entities or project beneficiaries provide resources as a condition for their participating in the project, at a level that can be predicted or estimated at CEO endorsement. [13] The draft policy clarifies such resources count as co-financing.

Implementation

19. The Secretariat will report on co-financing ratios in each Work Program. The GEF Secretariat will also include an expanded section on co-financing in the Annual Monitoring Report, through which it will report on the GEF Trust Fund’s co-financing on a cumulative basis, with a focus on the overall portfolio, co-financing by-focal area, and by country. This reporting will be based on the indicative co-financing levels included in PIFs.

20. After the Policy has been issued, the Secretariat will consult with the GEF Partner Agencies to determine whether additional guidelines are needed to further support implementation of the Policy.

[13] Indeed, such resources have been counted as co-financing in projects. As an example, the Earth Fund Project, approved by Council in 2007, counted as co-financing resources that would be mobilized during the life of the project through a 3:1 match requirement. Many private sector projects have counted equity, loan, or other resources that the Agency would require the project to mobilize during implementation. Finally, many projects working with rural communities have required cash or in-kind contributions from beneficiaries, which has been counted as co-financing. This includes the ADB Integrated Natural Resources and Environmental Management Project in the Philippines (GEF# 3980) and the IFAD Catchments and Landscape Management Project in Eritrea (GEF# 3362).

GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

POLICY: FI/PL/01
May 6, 2014

ANNEX 1: PROPOSED CO-FINANCING POLICY

Summary: The proposed Policy on co-financing (Annex 1): (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.

Background: This Policy was approved by the GEF Council on [date]. It replaces the Policy in Council Document GEF/C.20/6/Rev.01

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: This Policy will be effective from July 1, 2014.

Sponsors and Contact: GEF Secretariat, Operations and Business Strategy Team.

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 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[14] 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.

[14] 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 the project implementation through match requirements in the project or similar project design features.

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

(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, 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**: 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 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, either 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.

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

ANNEX 2: CO-FINANCING DATA

1. The GEF Secretariat conducted an analysis of co-financing, which covers the period from the Pilot Phase of the GEF through November 2013. It includes full-size and medium-size projects financed by the GEF Trust Fund and excludes Enabling Activity (EA) projects and projects financed by the LDCF and SCCF. EA projects have been excluded from the analysis because co-financing is not required for these projects. To enhance comparability over time, the sample of countries was confined to those that were eligible for allocations under STAR during GEF-5 (e.g. projects in countries that were GEF eligible in earlier GEF phases, but were not in GEF-5, are not included in the analysis).

PORTFOLIO LEVEL CO-FINANCING

2. Tables 1 through 3 below present co-financing data for the GEF Trust Fund portfolio as a whole. This includes financing data for national (e.g. single country) projects as well as global and regional projects.

3. **The level of co-financing mobilized by the GEF and its partners has steadily increased** through the various replenishment phases, as shown in Table 1. The portfolio co-financing ratio[15] for GEF Trust Fund FSPs and MSPs has increased from 2.5 in GEF-1[16] to 6.3 in GEF-4 and 6.8 in GEF-5 (through November 2013).

Table 1: Co-financing Ratios - Pilot Phase through GEF-5

GEF Period		Full-sized Projects	Medium-sized Projects	Overall
Pilot Phase	Portfolio	4.1	-	4.1
	Median	0.4	-	0.4
GEF-1	Portfolio	2.5	1.7	2.5
	Median	1.0	1.2	1.1
GEF-2	Portfolio	4.0	2.5	3.9
	Median	1.7	1.1	1.3
GEF-3	Portfolio	4.5	3.1	4.4
	Median	2.6	1.3	2.0
GEF-4	Portfolio	6.6	3.2	6.3
	Median	3.0	1.7	2.7
GEF-5	Portfolio	6.9	3.9	6.8
	Median	4.4	2.6	4.2
GEF-4 & 5	Portfolio	6.8	3.4	6.6
	Median	3.9	1.8	3.4

[15] Co-financing ratios are determined by comparing project co-financing to the total GEF grant resources, includes both the GEF Project Grant and Project Preparation Grants.

[16] The Pilot Phase includes several projects with very large co-financing, primarily from World Bank loans, which increased the portfolio co-financing ratio significantly during this period

4. Caution should be exercised in looking only at the portfolio co-financing ratio, which can mask the high variability in project co-financing ratios. For example, for projects in upper middle and high income countries (excluding SIDs), project-level co-financing ratios vary from a low of 0 to a high of 99:4. The ratio also does not account for the impact that particularly large projects (e.g. outliers) with high co-financing ratios can have. To enable a better assessment of these factors, Table 1 includes median co-financing ratios.[17] The influence of outlier projects can be seen in the fact that the portfolio co-financing ratio is significantly higher than the median co-financing ratios. The median project ratio is also useful as it illustrates the co-financing efforts made for the typical, "middle-of-the-road" GEF project.

5. Co-financing ratios have increased across all focal areas, but there is considerable variability between focal areas. Since the GEF's inception, the climate change focal area has had the highest co-financing ratio (reaching 12.2 in GEF-5) and has accounted for about 50 percent of total mobilized co-financing to date. During GEF-4 and 5, multi-focal area (MFA) projects – which are mostly financed with biodiversity and climate change mitigation resources – have become the second largest source of co-financing. The biodiversity focal area has more modest levels of co-financing, but the portfolio ratio has also increased over time. Co-financing ratios in the chemicals focal areas have been lower, in part reflecting the relative scarcity of other funding sources for this important work.

Table 2: Co-financing Data by Focal Areas

GEF Phase	Pilot Phase through GEF - 3		GEF - 4 and GEF - 5	
Focal Area	**Share of Co-financing**	**Portfolio Co-financing Ratio**	**Share of Co-financing**	**Portfolio Co-financing Ratio**
Biodiversity	21.6%	2.3	13.6%	4.0
Climate Change	54.1%	6.7	45.6%	12.2
International Waters	13.0%	3.3	10.1%	8.8
Land Degradation	4.3%	4.7	4.2%	6.2
Multi Focal Area	5.7%	2.1	20.9%	4.4
Ozone Depleting Substances	0.7%	1.0	0.1%	2.4
POPs	0.6%	0.8	5.5%	3.5
Grand Total	**100.0%**	**3.7**	**100.0%**	**6.5**

Source: Secretariat calculations based on PMIS data through November 2013.

6. **National governments have been the main sources of co-financing for GEF projects.** Of the $ 31.5 billion that the GEF has mobilized in co-financing during GEF-4 and GEF-5 (through November 2013), $12.8 billion has been provided by national governments, equivalent to about 41 percent of all co-financing. GEF agencies are the second highest providers of co-financing, accounting for $8 billion during the combined GEF4-5 period, or about 25 percent of total co-financing in this period. The private sector is also an important source of co-financing, accounting for about 18 percent of co-financing of full-size and medium-size GEF projects. The remaining co-financing is mobilized from bilateral and multilateral sources or from beneficiaries, foundations, and NGOs.

[17] This represents the median co-financing ratio among individual projects during a particular period or within a given portfolio. Thus, during GEF5, there were an equal number of projects with co-financing ratios both higher and lower than a median ratio of 4.2.

Table 3: Co-financing by Focal Area and Source – GEF-4 and GEF-5[18]

($ million)

Focal Area	National Govt.	GEF Agency	Private Sector	Bilateral or Multilateral Donor	Other	Total
Biodiversity	2,568.3	713.6	155.4	388.89	445.6	**4,271.7**
Climate Change	4,789.9	3,837.0	4,236.8	700.4	817/1	**14,381.3**
International Waters	1,757.8	576.0	190.1	491.5	166.7	**3,182.0**
Land Degradation	477.6	449.2	22.1	178.3	202.7	**1,330.0**
Multi Focal Area	2,436.2	2,151.6	657.0	869.1	475.7	**6,589.6**
ODS + POPs	731.0	280.1	384.0	273.94	88.6	**1,757.6**
Total	**12,760.9**	**8,007.5**	**5,645.3**	**2902.0**	**2,196.5**	**31,512.2**

Source: Secretariat calculations based on PMIS data through November 2013.

ANALYSIS BY COUNTRY INCOME GROUP

7. The analysis below (of countries according to income category) includes only national (e.g. single country) projects (*excluding global and regional projects*, as well as EAs), which reflects the difficulty of attributing global and regional project co-financing to individual countries. If focuses on projects from the GEF-4 and 5 replenishment periods to offer a more up-to-date picture of co-financing.

8. **Co-financing ratios are generally higher for higher-income countries**. The portfolio co-financing ratio in low income countries (LICs) during GEF-4 and GEF-5 was 5.5. For upper and lower middle income countries (UMICs and LMICs), it was 7.7 and 7.1, respectively (See Table 4 below). High income countries (HICs) had the highest portfolio co-financing ratio of 11.6.[19] Project outliers are influential in all income categories, as shown by the considerable difference between median and portfolio co-financing ratios. Median co-finance ratios for UMICs and LMICs are similar – at 3.9 and 3.6 respectively. The median ratio is higher for HICs (at 4.3) and lower for LICs (at 3.1)

[18] This table focuses on GEF-4 and 5 to offer a more up-to-date and relevant picture of sources of co-financing.

[19] It should be noted that the group of HIC countries is small (only 10 countries) and quite diverse, including an equal number of SIDSs and non-SIDs.

Table 4: Co-financing Ratios by Country Income Groups, GEF-4 and GEF-5 (National FSPs and MSPs only; $ million)

Income Category	Number of Projects	Total GEF Grant	Total Co-financing	Co-financing Ratio		
				Portfolio	Median	Max
HIC	60	$264.3	$3,070.1	11.6	4.3	41.8
UMIC	371	$1,624.3	$12,427.9	7.7	3.9	99.3
LMIC	293	$998.5	$7,104.6	7.1	3.6	86.3
LIC	146	$395.9	$2,197.0	5.5	3.1	54.1
Grand Total	**870**	**$3,283.0**	**$24,798.5**	**7.6**	**3.8**	**99.3**

Source: Secretariat calculations based on PMIS data through November 2013.

Note: Income classifications follow most recent World Bank data as accessed via http://data.worldbank.org/about/country-classifications//country-and-lending-groups. SIDs are included in each category as relevant.

9. **Co-financing for climate change projects account for a significantly higher share of total co-financing in high-income countries compared to low income countries**. (See table 6 below.) Two factors explain this. First, the share of climate change projects in LIC's portfolio is lower than for middle income countries and HICs. Moreover, the portfolio co-financing ratio for climate change projects is also lower for LIC's than it is for other countries. By contrast, co-financing mobilized in the land degradation focal are accounts for the largest share in LICs. As noted above (see Table 2), across the GEF portfolio of climate change projects account for about 46 percent of all co-financing in the GEF4-5 period. For LICs the share is significantly lower, at 26 percent, while it is highest for HICs at 76 percent. The share is 55 percent and 45 percent, respectively for UMICs and LMICs.

Table 5: Focal Area Contributions to Co-financing, by Country Income Group, GEF-4 and GEF-5 (National FSPs and MSPs only)

	Biodiversity	Climate Change	International Waters	Land Degradation	Multi Focal Area	ODS & POPs	Total
HIC	6.1%	76.2%	0.3%	0.0%	15.6%	1.8%	100%
UMIC	20.3%	54.7%	3.6%	2.0%	14.4%	5.0%	100%
LMIC	10.6%	45.1%	10.6%	5.8%	19.2%	8.7%	100%
LIC	21.7%	26.3%	0.0%	26.5%	23.0%	2.5%	100%

Source: Secretariat calculations based on PMIS data through November 2013.
Note: Income classifications follow most recent World Bank data as accessed via http://data.worldbank.org/about/country-classifications/country-and-lending-groups. SIDs are included in each category as relevant.

10. **Middle income countries mobilize a significantly larger share of co-financing from their national governments than high income or low-income countries do.** Close to half of all co-financing in these countries originates from the national government. By contrast, in LICs the share is only 27 percent, reflecting the higher availability of co-financing from the GEF-agencies

and other donors. The role of the private sector is the greatest in high income countries, where it accounts for 29.7 percent of all co-financing mobilized, – which is driven by climate change projects, compared to slightly below 20 percent in LMICs and UMICs and only 6.6 percent in LICs. This is a clear indication of the challenges of mobilizing private sector financing in LICs compared to these other groups.

Table 6: Source of Co-financing, by Country Income Group, GEF-4 and GEF-5

(National FSPs and MSPs only)

	Government	GEF Agency	Private Sector	Bilateral Donors	Others	Grand Total
HIC	29.3%	36.7%	29.7%	3.4%	0.9%	100%
UMIC	47.0%	21.1%	18.1%	5.3%	8.6%	100%
LMIC	46.1%	22.8%	19.0%	7.6%	4.5%	100%
LIC	27.0%	40.4%	6.6%	17.7%	8.3%	100%

Source: Secretariat calculations based on PMIS data through November 2013.

Note: Income classifications follow most recent World Bank data as accessed via http://data.worldbank.org/about/country-classifications/country-and-lending-groups. SIDs are included in each category as relevant.

11. There is considerable variation in co-financing ratios among the group of upper middle income and high income countries as a whole, as shown in Table 7. While six countries have portfolio co-financing ratios higher than 9, one-third of the countries have ratios below 4. The median ratio ranges from a high of 6.8 to a low of 1.6.

Table 7: Co-financing Ratios for HICs and UMICs (excluding SIDS), GEF-4 and 5[20]

		Country Portfolio Statistics ($ million)			Co-financing Ratios			
Category	**Country**	**Projects (Number)**	**GEF Grant Total**	**Total Co-financing**	**Portfolio**	**Median**	**Min**	**Max**
HIC	Chile	11	42.9	281.8	6.6	5.1	1.9	15.1
HIC	Croatia	2	5.6	17.8	3.2	2.2	1.0	3.4
HIC	Equatorial Guinea	2	5.5	44.9	8.2	6.8	2.7	11.0
HIC	Russian Federation	28	178.8	2,605.1	14.6	4.5	0.0	41.8
HIC	Uruguay	10	15.3	61.4	4.0	3.5	1.0	7.6
UMIC	Albania	5	6.3	30.6	4.8	2.0	0.6	7.8
UMIC	Algeria	3	20.1	62.9	3.1	3.1	2.6	4.0
UMIC	Angola	3	11.0	34.6	3.1	3.1	2.7	3.9
UMIC	Argentina	13	48.0	196.2	4.1	4.3	1.5	7.3
UMIC	Azerbaijan	5	15.7	63.7	4.1	2.5	2.0	9.3
UMIC	Belarus	6	20.4	92.6	4.5	4.6	3.2	7.1
UMIC	Bosnia-Herzegovina	4	9.0	23.1	2.6	1.6	1.1	3.3
UMIC	Botswana	5	8.4	42.3	5.0	5.0	1.7	11.8
UMIC	Brazil	20	189.6	988.7	5.2	4.7	1.0	12.7
UMIC	China	67	418.3	5,519.4	13.2	5.8	0.0	88.9
UMIC	Colombia	19	75.1	317.6	4.2	3.4	1.1	13.2
UMIC	Costa Rica	9	24.9	96.2	3.9	4.3	1.0	13.8
UMIC	Ecuador	14	40.0	146.6	3.7	3.9	1.1	12.9
UMIC	Gabon	1	0.9	2.0	2.2	2.2	2.2	2.2
UMIC	Iran, Islamic Rep.	6	19.7	73.9	3.7	2.8	1.1	7.0
UMIC	Iraq	2	3.5	13.7	3.9	3.6	2.8	4.4
UMIC	Jordan	10	19.4	116.7	6.0	3.2	1.0	44.3
UMIC	Kazakhstan	11	51.1	384.5	7.5	6.0	1.3	15.2
UMIC	Lebanon	6	10.3	35.8	3.5	1.7	1.2	7.7
UMIC	Libya	0	0.0	0.0	n.a.	n.a.	0.0	0.0
UMIC	Macedonia	5	7.1	24.3	3.4	3.9	0.6	4.2
UMIC	Malaysia	8	39.9	168.1	4.2	4.1	2.4	7.7
UMIC	Mexico	23	171.8	1,599.4	9.3	3.8	1.0	99.3
UMIC	Montenegro	6	10.7	105.5	9.9	5.0	1.3	22.2
UMIC	Namibia	8	18.9	67.6	3.6	3.3	0.5	5.8
UMIC	Panama	5	10.5	35.4	3.4	2.4	1.0	7.9
UMIC	Peru	11	50.4	223.8	4.4	3.5	1.3	9.9
UMIC	Serbia	4	7.1	33.6	4.7	4.7	3.9	6.5
UMIC	South Africa	12	65.2	552.5	8.5	4.5	1.4	29.4
UMIC	Thailand	12	34.4	157.7	4.6	3.9	2.4	11.7
UMIC	Tunisia	7	42.8	283.3	6.6	6.0	1.1	17.5
UMIC	Turkey	11	44.1	443.9	10.1	3.0	1.1	83.0
UMIC	Turkmenistan	3	3.9	46.5	12.0	2.6	0.6	16.8
UMIC	Venezuela	4	20.4	56.1	2.7	3.0	2.1	3.6
39	**Grand Total**	**381**	**1,767.2**	**15,049.5**	**8.5**	**4.2**	**0**	**99.3**

[20] This table lists the 39 countries that the World Bank classifies as UMICs or HICs which (a) are not SIDs and (b) have STAR allocations. Based on 2012 data, the World Bank classifies as UMICS those countries with gross national income (GNI) of between US$4,086 to US$12,615. HICs are those with annual GNI of $12,616 or more. Table includes data for national FSPs and MSPs and excludes global and regional projects and EAs.