



GEF/C.67/10  
June 3, 2024

---

67<sup>th</sup> GEF Council Meeting  
June 17-20, 2024  
Washington DC, USA

Agenda Item 07

**MANAGEMENT RESPONSE TO EVALUATION OF CO-FINANCING IN THE GEF**

**RECOMMENDED COUNCIL DECISION**

The Council, having considered documents GEF/E/C.67/01, *Evaluation of Co-financing in the GEF*, and GEF/C.67/10, the *Management Response*, takes note of the related evaluation recommendations and endorses the management response to address them.

## INTRODUCTION

1. The GEF Secretariat welcomes the IEO report *Evaluation of Co-financing in the GEF* and appreciates the findings, conclusions, and recommendations as a basis for further improvements toward incentivizing, tracking, and reporting on co-financing. The Secretariat also welcomes the report's assessment of the overall effectiveness of co-financing in achieving its intended benefits, including scaling up activities, achieving results, ensuring the sustainability of outcomes, and strengthening partnerships.

2. The GEF Secretariat is encouraged by the IEO findings that confirm that there is widespread acknowledgement of the critical role co-financing plays in amplifying the environmental benefits pursued by GEF. The evaluation confirms that stakeholders recognize that co-financing facilitates the expansion of project scope, enabling the GEF to address environmental challenges on a larger scale. It is perceived as fostering enhanced national ownership, evidenced by governments' commitment to providing additional funding, consequently enhancing project outcomes and sustainability.

3. The GEF Secretariat also appreciates the focus on co-financing realization. The evaluation confirms that on average, GEF projects achieve the expected level of co-financing, and that from GEF-6 through GEF-7, GEF projects secured co-financing commitments averaging \$7.70 for every dollar provided by the GEF Trust Fund. It states that full realization of co-financing commitments shows a positive correlation with both the outcome and the sustainability rating of GEF projects.

4. The GEF Secretariat is pleased to see the IEO's findings that the GEF's flexible approach to co-financing results in high ratios given that its broad definition of co-financing helps attract substantial funds. The Secretariat also agrees that refining this definition will further clarify what should be included or excluded to improve the credibility of reports on co-financing generated.

5. Additionally, the GEF Secretariat appreciates that the evaluation highlights improvements in tracking and reporting of co-financing commitments and realization due to (i) updates in the Co-financing Policy<sup>1</sup> and (ii) the ability of the GEF Portal to provide real time aggregated information. These result in improved compliance with co-financing requirements during project preparation.

## RECOMMENDATIONS

***Recommendation (a): Re-evaluate the GEF approach to co-financing. The GEF Secretariat should assess whether the co-financing targets at the portfolio level are sufficiently ambitious while remaining realistically achievable to maintain credibility; establish precise criteria for the inclusion***

---

<sup>1</sup> GEF/C.54/10/Rev.01, Updated Co-Financing Policy, June 25, 2018, <https://www.thegef.org/council-meeting-documents/updated-co-financing-policy>

*and exclusion of co-financing components; and assess adequacy and quality of co-financing within project proposals.*

6. The GEF Secretariat partially agrees with this recommendation.

7. An assessment of the ambition and realism of co-financing targets at the portfolio level will be undertaken as part of the GEF-9 replenishment, leading to the establishment of targets for the next phase. The findings of this Evaluation will be an essential input into those discussions.

8. However, the establishment of precise criteria for inclusion or exclusion of certain components and assessment thereof could act against the flexibility that IEO notes as an advantage of co-financing arrangements at the GEF and reflecting the diverse nature of the GEF's 18 Agencies. Co-financing confirmations are provided in the course of project preparation and negotiations among Agencies and third parties, not the Secretariat. Implementing this recommendation would require: 1) ascertaining the extent of the contribution of each co-financier to the project objectives, 2) a capacity to assess the details of co-financing that would be available only at the country, Agency, project levels, and 3) additional capacity and resources at the Secretariat level and effort at the Agency level to assess the terms, source, and quality of the supportive evidence. This is outside the scope of the mandate and resources of the Secretariat and would result in a significant increase in reporting and compliance efforts that would undermine ongoing, simultaneous efforts at streamlining.

9. The Secretariat believes that an assessment of the 'quality' of co-financing would similarly require the Secretariat to assess funding coming from GEF's donors, recipients, private sector, and other partners that would be challenging and potentially sensitive, particularly from a stakeholder engagement perspective.

10. The Secretariat will nevertheless revisit the guidelines relevant to co-financing in the context of the review of applicable policies in GEF-8. Where needed, additional guidance to Agencies on the nature of evidence required through revisions to these guidelines.

***Recommendation (b): Revise the requirement concerning proportionality in covering management costs through co-financing, taking into account that the majority of GEF projects rely on in kind contributions for co-financing, and a significant portion of raised co-financing is administered by entities separate from the GEF project's management unit. The existing requirement is not aligned with prevailing practices and definitions of co-financing, resulting in substantial administrative exchanges between the GEF Secretariat and Agencies.***

11. The GEF Secretariat partially agrees with this recommendation.

12. The proportionality requirement is designed to promote equitable sharing of project management costs among the GEF and co-financing entities, so that the GEF Trust Fund does not bear a disproportionate burden of the Project Management Costs (PMC) for administration. The Secretariat already allows for some flexibility in this proportionality requirement of management costs if project co-financing is mainly in kind. The rationale behind this requirement not only involves the 'burden-sharing' rule but also the reasonableness, cost-effectiveness, and accuracy

of management and administrative costs for projects. When co-financing is entirely 'in-kind', the costs associated with the project's execution that cannot be covered by the PMC are covered by the project components (i.e., project budget) if there are clear terms of reference specifying the specific deliverables associated with the component.

13. The Secretariat is not in agreement with the conclusion that a revision of this requirement is the solution to the issues identified by IEO at this time. Notwithstanding, the Secretariat will revisit the merits of requiring strict proportionality, in the context of a planned broader review of Project Management Costs and streamlining efforts.

***Recommendation (c): Strengthen the monitoring of co-financing realization by verifying information provided by Agencies and rectifying any discrepancies. The GEF Secretariat must ensure quality control on data concerning the realization of co-financing. In particular, when Agencies report on a newly realized co-financing contribution that was not originally included in the CEO endorsement/approval request, such new contribution should require the same verification as that required during CEO endorsement.***

14. The GEF partially agrees with this recommendation.

15. The requirements in the co-financing policy and guidelines at the PIF & CEO Endorsement stages differ from those applicable at the Midterm Review and Terminal Evaluation stages.

16. The Secretariat has already made progress, as noted in the evaluation, on tracking and reporting of co-financing commitments and realization following updates in the co-financing policy and the GEF Portal that provides real time aggregated information. In this context, although the Secretariat has initiated reporting on co-financing realization, it must be noted that the Secretariat largely relies on data from the Agencies.

17. The GEF Secretariat will continue to work with Agencies to provide monitoring data through mid-term reviews and terminal evaluations that better show the quality of information on the realization of co-financing.

## CONCLUSION

18. The GEF Secretariat will track progress on the implementation of the recommendations as part of its reporting to Council, as well as through the IEO's standard Management Action Record. Where appropriate, the GEF Secretariat will also mainstream the findings and recommendation of this evaluation into its preparations for the GEF-9 replenishment negotiations.