



Policy: FI/GN/01
Approved on June 26, 2018

GUIDELINES ON CO-FINANCING

| | |
|--------------------------|---|
| Summary | The Guidelines are intended to support the effective implementation of the Co-Financing Policy by GEF Partner Agencies (hereafter “Agencies”), the Secretariat, as well as GEF Operational Focal Points in recipient countries, executing partners, and other stakeholders. |
| Approved By | GEF CEO |
| Approval Date | June 26, 2018 |
| Effective Date | July 1, 2018 |
| Applicability | The Guidelines apply to the Secretariat and all GEF Partner Agencies (hereafter referred to as “Agencies”); and all projects and programs financed with resources from the GEF Trust Fund. |
| Related Documents | Co-Financing Policy (FI/PL/01) Project and Program Cycle Policy (OP/PL/01) Project and Program Cycle Guidelines |
| Contact | Mr. Roland Sundstrom, Sr. Policy Officer GEF Secretariat |

Definitions

Agency Fee means the financial resources provided to a GEF Partner Agency in connection with the implementation of a GEF project or program

CEO Approval means the approval of a fully developed Medium-Sized Project or Enabling Activity by the GEF CEO

CEO Endorsement means the endorsement of a fully developed Full-Sized Project by the GEF CEO

Co-Financing means financing that is additional to GEF Project Financing, and that supports the implementation of a GEF-financed project or program and the achievement of its objective(s)

Enabling Activity means a project for the preparation of a plan, strategy or report to fulfill commitments under a Convention

Full-Sized Project means a project with GEF Project Financing exceeding US\$2 million

GEF Partner Agency means an agency eligible to request and receive GEF resources directly for the design, implementation, and supervision of GEF projects and programs

GEF Project Financing means a grant or concessional financing provided from any GEF-managed trust fund to support the implementation of any Full-Sized Project, Medium-Sized Project, Enabling Activity or Program, excluding Co-Financing, Agency Fees and Project Preparation Grants

Investment Mobilized means Co-Financing that excludes recurrent expenditures

Medium-Sized Project means a project with GEF Project Financing of up to US\$2 million

Program Framework Document means the document that sets forth the concept of a program that is proposed for GEF financing

Project Identification Form means the document that sets forth the concept of a Full-Sized Project or Medium-Sized Project that is requesting GEF financing

Work Program means a group of Full-Sized Projects and/ or Programs that is presented for Council approval in a Council meeting

Introduction

1. These Guidelines are intended to support the effective implementation of the Co-Financing Policy by GEF Partner Agencies (hereafter “Agencies”), the Secretariat, as well as GEF Operational Focal Points in recipient countries, executing partners, and other stakeholders.

Implementation of Policy Requirements

2. The Co-Financing Policy requires that Agencies, in collaboration with recipient countries and executing partners, identify, document, monitor and report on sources and types of Co-Financing for all GEF-financed projects and programs for which Co-Financing is available.

Co-Financing Throughout the Project Cycle

3. Agencies identify, document, monitor and report on Co-Financing and Investment Mobilized throughout the GEF project cycle, from concept stage to project completion.

Concept Stage

Relevant Policy Requirements:

In Project Identification Forms and Program Framework Documents submitted for Work Program entry or CEO Approval, Agencies provide indicative information regarding the expected amounts, sources and types of Co-Financing, and the sub-set of such Co-Financing that meets the definition of Investment Mobilized.

4. Agencies ensure that the indicative information provided reflects a realistic expectation of the Co-Financing and Investment Mobilized that would be available to support the achievement of the objectives of the project/ program.

5. The Secretariat, in its review of Project Identification Forms and Program Framework Documents submitted for Work Program entry or CEO Approval, assesses whether the indicative, expected amounts, sources and types of Co-Financing and Investment Mobilized are adequately documented and consistent with the requirements of the Co-Financing Policy.

CEO Endorsement/ Approval Stage

Relevant Policy Requirements:

At CEO Endorsement/ Approval, Agencies provide confirmed information regarding the expected amounts, sources and types of Co-Financing and Investment Mobilized, with appropriate supporting evidence.

6. Supporting evidence may include:
 - (a) an official project document for an approved project financed fully or in part by the entity that provides the Co-Financing;
 - (b) a legal agreement or memorandum of understanding between the entity that provides the Co-Financing and the Agency, the recipient country government, or an executing partner;
 - (c) agreed minutes of negotiations (such as between a multi-lateral development bank [MDB] and a government);
 - (d) signed and dated letter from the entity that provides the Co-Financing; or
 - (e) other written documentation, provided that it meets the criteria set out in Paragraph 7 below.
7. Supporting evidence should:
 - (a) confirm the information provided by the Agency, including the name of the entity that provides the Co-Financing, the type of Co-Financing provided, the amount of Co-Financing, and the time frame over which the Co-Financing will be provided;
 - (b) confirm that the Co-Financing identified supports the implementation of the GEF-financed project or program for which GEF financing is sought, and the achievement of its objective(s); and
 - (c) be presented in English, where feasible, or be accompanied by an English translation of the original.
8. To facilitate public access to GEF project and program documentation, Agencies should, where feasible, use public documents as supporting evidence of Co-Financing. For supporting evidence that is restricted from public access, Agencies inform the Secretariat accordingly.

9. Agencies may report Co-Financing that is expected to be mobilized during project implementation from entities that are not known at the time of CEO Endorsement/ Approval, particularly in the case of Co-Financing from the private sector or beneficiaries. In such cases, Agencies may provide supporting evidence in the form of official project documentation with requirements that such Co-Financing be mobilized at a clearly expressed minimum level, over a pre-defined time frame.

10. The confirmed information regarding the expected amounts, sources and types of Co-Financing and Investment Mobilized provided at CEO Endorsement/ Approval may differ from the indicative information provided at concept stage. Agencies describe such changes as part of their Request for CEO Endorsement/ Approval. Where such changes include a significant reduction in total Co-Financing and/or a significant change in the sources or types of Co-Financing, Agencies describe how such changes have been reflected in the design of the project in such a way that it can still reach its intended objective(s).

11. The Secretariat, in its review of Requests for CEO Endorsement/ Approval, assesses whether the confirmed, expected amounts, sources and types of Co-Financing and Investment Mobilized – and any changes from the indicative information provided at concept stage – are adequately documented, and whether the Co-Financing and Investment Mobilized remain consistent with the requirements of the Co-Financing Policy.

During Project Implementation and at Project Completion

Relevant Policy Requirements:

Agencies provide information on the actual amounts, sources and types of Co-Financing and Investment Mobilized in their mid-term reviews and terminal evaluations.

12. Agencies supplement, where relevant, the information provided at CEO Endorsement/ Approval, including by identifying any entities that provide Co-Financing that were not known at the time of CEO Endorsement/ Approval.

13. Agencies also describe any changes from the expected amounts, sources and types of Co-Financing and Investment Mobilized provided at CEO Endorsement/ Approval.

Portfolio Monitoring and Reporting

Relevant Policy Requirements:

The Secretariat collects data and information on expected and actual Co-Financing and Investment Mobilized across all GEF-financed projects and programs and reports annually to the Council on trends and progress against the level of ambition indicated in Paragraph 4 [of the Co-Financing Policy].

14. Subject to the availability of data, the Secretariat's reports may include, *inter alia*:
- (a) the total amount of expected/ actual Co-Financing and Investment Mobilized, by fiscal year and replenishment phase;
 - (b) the expected and actual, portfolio-wide ratios of Co-Financing and Investment Mobilized to GEF Project Financing, and the ratio of Investment Mobilized to GEF Project Financing in Upper-Middle Income Countries (UMIC) and High-Income Countries (HIC) that are not Small Island Developing States (SIDS) or Least Developed Countries (LDC), by fiscal year and replenishment phase;
 - (c) the share of indicative, expected Co-Financing and Investment Mobilized at concept stage that is confirmed at CEO Endorsement/ Approval, and the share of confirmed, expected Co-Financing and Investment Mobilized that is materialized at mid-term and project completion, by fiscal year and replenishment phase; and
 - (d) a portfolio breakdown of Co-Financing by source and type, by fiscal year and replenishment phase.

Breakdown of Co-Financing in Project/ Program Documentation

15. Agencies provide a complete breakdown of Co-Financing by amount, name, source and type throughout the GEF project cycle, in their Project Identification Forms, Program Framework Documents, Requests for CEO Endorsement/ Approval, as well as mid-term reviews and terminal evaluations. Agencies also indicate whether an amount meets the definition of Investment Mobilized. This breakdown is detailed in Table 1.

Table 1: Breakdown of Co-Financing in Project Identification Forms, Program Framework Documents, Requests for CEO Endorsement/ Approval, Mid-Term Reviews and Terminal Evaluations

| Category | Sub-Category | Definition |
|----------------------|------------------------------|--|
| Amount | | Amount of Co-Financing in US dollars |
| Name | | Name of the entity that provides the Co-Financing |
| Source | GEF Agency | GEF Partner Agency that implements the project/ program |
| | Donor Agency | Multi-lateral or bilateral aid agency |
| | Recipient Country Government | National or sub-national governmental entity in a recipient country |
| | Private Sector | Commercial/ for-profit entity |
| | Civil Society Organization | Non-profit, non-governmental entity |
| | Beneficiaries | Individual or community that directly benefits from the project/ program |
| | Other | Other source of Co-Financing that does not match those defined above |
| Type | Grant | Resources provided without expectation of repayment |
| | Loan | Resources provided with an expectation of repayment |
| | Equity Investment | Investment into a company or asset with the possibility of financial returns |
| | Guarantee | Commitment to partially or fully reimburse a lender if the borrower fails to repay a loan |
| | In-Kind | Contributions in the form of goods or services other than money, including but not limited to salaries and wages, office space, and utilities ¹ |
| | Public Investment | Contributions from Recipient Country Governments in types that do not match those defined above |
| | Other | Other type of Co-Financing that does not match those defined above |
| Investment Mobilized | | Co-Financing that excludes recurrent expenditures |

¹ The GEF will accept in kind Co-Financing provided that in-kind resources are accounted for with the same diligence as other Co-Financing. Agencies ensure that any in-kind Co-Financing has been valued as the lesser of the cost or market value of the required inputs they provide for the project.

Further Guidance on Applying the Concept of Investment Mobilized

Relevant Policy Definition:

Investment Mobilized means Co-Financing that excludes recurrent expenditures

16. In accordance with the Co-Financing Policy, Agencies identify, document, monitor and report on expected and actual Investment Mobilized across all projects and programs for which Investment Mobilized is available. The level of ambition for the ratio of Investment Mobilized to GEF Project Financing – at 5:1 as per Paragraph 4 of the Co-Financing Policy – applies to the total portfolio of projects and programs approved in UMICs and HICs that are not LDCs or SIDS. It does not apply to individual countries, focal areas or Agencies, and the Secretariat does not impose minimum thresholds for Investment Mobilized in its review of individual projects or programs.

17. In identifying the sub-set of Co-Financing that meets the definition of Investment Mobilized, Agencies – in collaboration with recipient countries and executing partners – may apply the established classification of expenditures used by the entity that provides the Co-Financing, in such a way that Investment Mobilized includes any Co-Financing not classified as recurrent expenditures². Agencies may also apply their own established systems, or other well-established and publicly available international standards. In their Project Identification Forms, Program Framework Documents and Requests for CEO Endorsement/ Approval, Agencies describe how they identified the sub-set of Co-Financing that meets the definition of Investment Mobilized.

18. To support a systematic capture of experiences and lessons learned from the identification, documentation, monitoring and reporting of Investment Mobilized, Agencies are encouraged to share with the Secretariat their experiences of applying the concepts of Investment Mobilized and Co-Financing in GEF projects and programs.

References and Related Documents

- Co-Financing Policy (FI/PL/01)
- Project and Program Cycle Policy (OP/PL/01)
- Guidelines on the Project and Program Cycle Policy (GEF/C.52/Inf.06)

² Different governments, companies and organizations may use different terms to refer to “recurrent expenditures”, such as “current expenditures” or “operational/ operating expenditures”.