Co-Financing

GEF Introduction Seminar 2020
Washington DC
Co-financing is integral to how the GEF works

“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)
Co-financing is defined as …

…”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)”
Co-financing matters

Contributes to effectiveness, impacts and sustainability, by enabling the GEF to achieve longer-lasting and larger-scale global environmental benefits.

Plays a critical role in ensuring country ownership by supporting the translation of national priorities into action.

Maximizes the opportunities for partnerships by bringing more resources alongside GEF financing.
Co-financing is required for

- Full-sized projects
- Medium-sized projects
- Programs
- Co-financing is encouraged in enabling activities

Note: on an exceptional basis, in response to an emergency or other unforeseen circumstance, Agencies may propose FSPs/MSPs without co-financing
Co-financing can come in a variety of sources and types.

<table>
<thead>
<tr>
<th>Sources</th>
<th>Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEF Agencies</td>
<td>grant</td>
</tr>
<tr>
<td>donor agencies</td>
<td>loan</td>
</tr>
<tr>
<td>Governments</td>
<td>equity</td>
</tr>
<tr>
<td>private sector</td>
<td>guarantee</td>
</tr>
<tr>
<td>CSOs</td>
<td>in-kind</td>
</tr>
<tr>
<td>beneficiaries</td>
<td>other</td>
</tr>
<tr>
<td>other</td>
<td></td>
</tr>
</tbody>
</table>
In GEF-7, focus on investment financing

- Recurrent expenditures

- Investment mobilized
  (subset of co-financing that is not recurrent expenditure)
Co-financing in the project cycle

- **indicative** co-financing by source, type, and investment/recurrent

- **confirmed** co-financing by source, type, and investment/recurrent
  - supporting evidence (e.g. letter from entity that provides co-financing)

- **materialized** co-financing by source, type, and investment/recurrent at mid-term and completion

PIF/PFD

CEO Endorsement/Approval

post-approval
Level of ambition

The policy does not prescribe minimum thresholds and/or specific types or sources of co-financing for individual projects or countries.

Across the portfolio at large, the policy sets out an ambition to reach a co-financing ratio of at least 7:1.

For the portfolio in Upper-Middle Income Countries and High-Income Countries that are not Small Island Developing States or Least Developed Countries to reach a ratio of Investment Mobilized to GEF financing of at least 5:1.

Projects approved in GEF-7 (as of December 2019) has reached a co-financing ratio of 7.9:1.
References

Policy on Co-Financing

Guidelines on Co-Financing
For more information

Quynh Xuan Thi Phan
Senior Financial Officer
qphan1@worldbank.org