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# Co-financing and incremental cost

GEF Introduction Seminar

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“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)*

## Instrument for the Establishment of the Restructured Global Environment Facility

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IEO 2006: “the **principle of incremental funding is alive and well** in GEF projects [...]

there remains weak understanding and much **confusion** about incremental cost [...]

A **shift** is required away from the cumbersome, complex and not always useful steps of incremental cost assessment to a focus on integrating **incremental reasoning** into project objectives and design”

(GEF/ME/C.30/2, *Evaluation of Incremental Cost Assessment*)



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in response to IEO's evaluation, the Secretariat developed the ***Operational Guidelines to Determining Incremental Costs (GEF/C.31/12)*** in 2007

- (a) determination of the environmental problem, threat, or barrier, and the “**business-as-usual**” scenario;
- (b) identification of the **global environmental benefits** and fit with GEF strategic programs and priorities linked to the GEF focal area;
- (c) development of the result framework of the intervention;
- (d) provision of the **incremental reasoning** and GEF's role; and
- (e) negotiation of the role of **co-financing**.

(GEF-6 PIF Template)

...and **incremental reasoning** remains a cornerstone of the GEF's concept template:

*"1. Project Description. Briefly describe: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the **baseline** scenario or any associated baseline projects; 3) the proposed **alternative scenario**, GEF focal area strategies, with a brief description of expected outcomes and components of the project; 4) **incremental/ additional cost reasoning** and expected contributions from the baseline, GEFTF, LDCF, SCCF, CBIT and **co-financing**; 5) **global environmental benefits** (GEFTF) and/or adaptation benefits (LDCF/SCCF); and 6) innovation, sustainability and potential for scaling up."*

*(GEF-6 PIF Template)*

**Co-financing** is an area where GEF policy has changed since 2007...

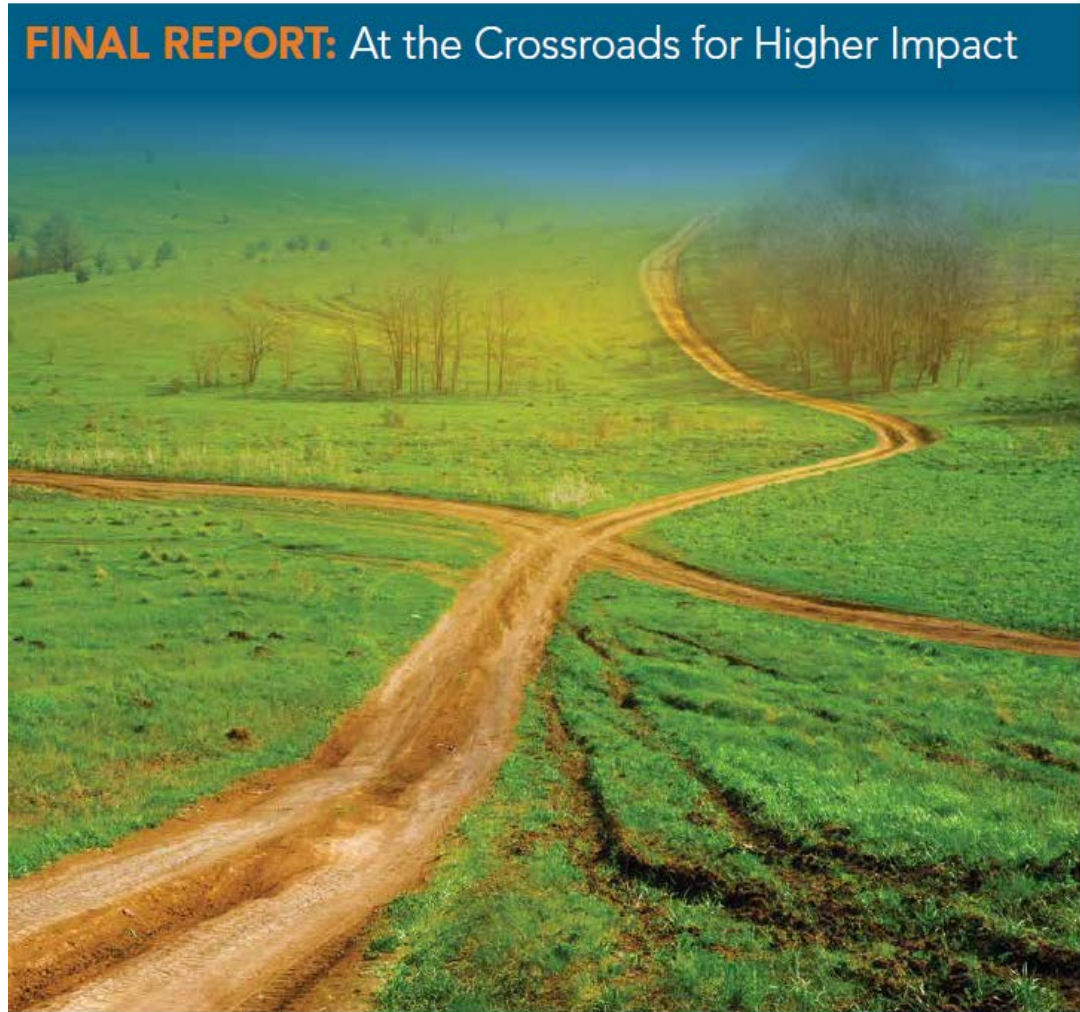
IEO 2013: general consensus that **co-financing is useful**, however, more **transparency and clarity** needed, higher-levels of co-financing not always desirable, and implications for the project cycle may be considerable...

*(OPS5 Technical document # 21: Co-Financing)*

**OPS5**

FIFTH OVERALL PERFORMANCE STUDY OF THE GEF

**FINAL REPORT:** At the Crossroads for Higher Impact





...following OPS5, **Participants to the sixth replenishment (GEF-6)** requested that the Secretariat:

- “(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.”

*(GEF-6 Policy Recommendations)*

A new **Co-financing Policy** (FI/PL/01) was adopted in May 2014, clarifying that:

“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.**”

*(Co-financing Policy)*



...the Policy also clarifies co-financing requirements and associated reporting needs throughout the project cycle:

- co-financing **required** for all FSPs, MSPs and programs, optional for enabling activities
- **no minimum thresholds** or sources prescribed
- **exceptions** allowed on an emergency basis and/or where other unforeseen circumstances
- **indicative** co-financing at concept stage, **confirmed** co-financing at CEO Endorsement/Approval, **materialized** co-financing during implementation and at closure

# Thank you

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