

Concept Note: Evaluation of Co-financing

Summary

The [Updated Co-financing Policy](#) of the GEF (2018) states that co-financing enhances the effectiveness and sustainability of GEF projects and programs. It enables the GEF to achieve global environmental benefits on a larger scale and strengthens its partnerships with a wide range of stakeholders. Due to its significance, agencies regularly report on co-financing commitments for GEF projects and programs, as well as its realization during implementation. However, many aspects of co-financing, such as the factors that affect it and the extent to which it delivers its intended benefits, are not well understood. In the [June 2022 meeting](#) of the GEF Council, several members called for an evaluation of co-financing. In response to this request and to address the knowledge gaps, the GEF Independent Evaluation Office (IEO) is conducting the Evaluation of Co-financing. This evaluation will examine the GEF's approach to co-financing and assess the extent to which it is delivering its expected benefits. The GEF IEO will present the evaluation report to the GEF Council in June 2024.

Background

The Updated Co-financing Policy (2018) of the GEF defines co-financing as “financing that is additional to GEF Project Financing and supports the implementation of a GEF-financed project or program and the achievement of its objectives.” Project proponents are expected to raise co-financing for full-size and medium-sized projects and are encouraged to do so for enabling activities. While the GEF does not specify a minimum threshold of co-financing for individual projects, the co-financing policy sets a target of a 7:1 ratio of co-financing to GEF project financing for the GEF portfolio. The policy emphasizes the necessity of mobilizing investment, defined as the subset of co-financing that excludes recurrent expenditure, particularly in high and upper middle-income countries that are not LDCs or SIDS. Similar to the GEF, organizations such as the Green Climate Fund¹, Gavi², and IFAD³ also stress co-financing in their projects, articulating their approaches in policy documents.

GEF tracks project co-financing commitments and their realization during implementation and project completion. In full-size project proposals, and in medium size project proposals that follow a two-step approval process, GEF Agencies must specify indicative co-financing commitments during the PIF approval stage. Before a project may be approved or endorsed by the GEF CEO, the project proposal must provide evidence in support of co-financing commitments. Data on co-financing commitments are maintained in the GEF Portal. The Secretariat reports on its analysis of co-financing data, including investments mobilized, through publications such as the GEF Monitoring Report and GEF Scorecard. Its reporting shows that the level of co-financing differs based on project size, recipient country's income and economy size, and focal area. In recent years, the Secretariat has started tracking the reported realization of co-financing at project mid-term and completion.

The GEF IEO tracks co-financing realization by analyzing data from terminal evaluation reports. It presents this information regularly through the GEF Annual Performance Report (APR). The latest APR (APR 2023) noted that 62 percent of the completed GEF projects fully realized their committed co-financing and that on average for the GEF portfolio realized co-financing exceeded the committed

¹ Green Climate Fund (2019).

² Gavi (2023).

³ IFAD (2018).

amount by a third. The report noted that projects where less than half of the committed co-financing was realized during implementation were less likely to receive a satisfactory outcome rating. The IEO has explored various other aspects of co-financing in its evaluations as well. For instance, the Evaluation of the Effects of the Covid-19 Pandemic on GEF Activities (2022) revealed that co-financing commitments for projects prepared by non-development banks were adversely affected by the pandemic compared to those prepared by development banks.

Several scholarly papers have examined various aspects of co-financing for both GEF and non-GEF activities. In a study conducted by Sissoko, Toschi, and Martin (2019), the IFAD project portfolio was analyzed to identify the determinants of co-financing. The researchers found that factors such as a country's income level, fragility, size, quality of institutions, project size, and partner perception of IFAD's performance significantly influence the level of co-financing a project receives.

Another study by Gouglas et al. (2014) evaluated the co-financing policy of Gavi and concluded that the policy serves as an effective tool for encouraging co-financing from recipient countries, enhancing country ownership in projects. Miller and Yu (2012) discovered that regional projects funded by the GEF generally have lower levels of co-financing compared to projects limited to a single country.

Kotchen and Negi (2019) found that the GEF's emphasis on co-financing tends to favor larger projects focused on climate change, typically implemented by multilateral banks. Their research indicated that co-financing could contribute to improved project performance. They also found that GEF projects executed by the private sector, one of the targeted sources for co-financing, received lower outcome ratings.

In a study conducted by Kotchen and Vogt (2023), data from the GEF and Green Climate Fund were analyzed. The research suggested that a strong emphasis on high co-financing ratios might lead to higher results for these funds. However, it could also result in inefficient global allocation, as projects with high co-financing ratios might offer less value for money when considering gross investment. These collective contributions have enriched our understanding of co-financing.

However, co-financing remains mostly a black box. For instance, determinants of the realization of co-financing are not well understood. There is limited information on the risks associated with co-financing. Similarly, questions arise regarding actual leveraging and the credibility of in-kind co-financing. A sizable share of co-financing is in form of in-kind contributions but how these contributions are monetized is not well understood. Furthermore, it is uncertain to what extent the reporting practices of the Agencies are harmonized. Most importantly, it is unclear whether co-financing holds the same meaning across the GEF partnership. This evaluation aims to fill these information gaps.

Key questions

The evaluation will address the following questions:

How does GEF's approach to co-financing compare with that of other organizations and partnerships?

Several organizations have defined co-financing and have developed policies, strategies, and guidelines outlining their approach. The evaluation will compare GEF's approach with that of other organizations. It will identify common elements and differences, exploring their implications for expected and realized co-financing.

To what extent are the co-financing practices of GEF Agencies harmonized?

The evaluation will examine the approaches used by GEF Agencies to secure co-financing and monitor its realization. It will assess whether the Agencies have developed formal guidance or thumb-rules to address the GEF requirements for co-financing, for example how do they respond to the GEF target of 7:1 cofinancing ratio for the portfolio at the portfolio and project level. Similarly, are there differences in the approach that the GEF Agencies adopt for raising cofinancing for GEF projects versus those funded through other sources of financing. It will seek to understand how responsibilities for raising cofinancing are shared when an Agency responsible for implementation of a project also executes it in a dual role. It will assess the degree of harmonization in co-financing practices among GEF Agencies, particularly in measuring and monetizing in-kind co-financing. The evaluation will identify good practices of the GEF Agencies in developing policies and guidance related to cofinancing.

Why are various modalities employed for co-financing, and how is co-financing managed?

GEF project partners contribute co-financing through different means, such as cash or in-kind contributions, grants, equity, or loans. These contributions can be managed directly by the GEF Agency or project management, or they can be executed as parallel financing outside of the GEF project's execution structure. The evaluation will explore the reasons behind the use of different co-financing modalities by partners. It will also examine the coordination methods for implementing activities funded through parallel financing. The evaluation will identify good practices in managing co-financing.

To what extent does GEF financing raise non-ODA co-financing?

The evaluation will examine the expected and realized non-ODA co-financing for GEF projects and programs. It aims to enhance the understanding of recipient country contributions whether using loans or other partnerships that might contribute to GEF initiatives.

What factors influence co-financing commitments?

The evaluation aims to assess a range of factors that impact co-financing commitments. It will explore the patterns in co-financing commitments across different project categories and analyze the role of recipient country-related factors, such as income, economic size, fragility, and institutional quality. The evaluation will investigate the influence of project characteristics, GEF Agency and executing agency attributes, in determining the level of co-financing. Furthermore, it will explore how the project appraisal process affects co-financing commitments, including the associated transaction costs involved in raising co-financing.

What factors influence the realization of co-financing?

The evaluation will examine the extent to which the financing committed by co-financing partners is realized during project preparation and implementation. It will assess how country-related factors, project characteristics, and features of GEF Agencies and executing agencies, impact the realization of co-financing. In cases where the realization of co-financing is delayed or not achieved, the evaluation will investigate the reasons behind it, including potential risks associated with specific co-financing modalities or contributor categories.

How does co-financing influence project outcomes?

The evaluation will explore the influence of co-financing on project results by analyzing the relationship between the levels of GEF financing and gross financing, encompassing both GEF and co-financing. It will investigate how the realization of co-financing influences project outcomes and, if applicable, determine whether specific types of co-financing have a greater impact on results than others.

How effectively is co-financing delivering its anticipated benefits?

The evaluation seeks to assess the extent to which co-financing is delivering benefits such as increased scale of investments for generation of global environmental goods, enhanced sustainability of GEF supported projects and programs, and strengthening of GEF partnerships, as articulated in the GEF Co-financing Policy.

Evaluation Approach

The evaluation will utilize multiple information sources to address the key questions (Table 1). These sources encompass the examination of co-financing policies and strategies of peer organizations, GEF project documents analysis, scrutiny of GEF Portal and terminal evaluation validation data, review of operational guidance on co-financing provided by GEF Agencies, interviews with key informants, and an online survey.

For the purposes of the evaluation expected cofinancing is the term used for the cofinancing commitments listed in the CEO endorsement or approval documents, and indicative cofinancing listed in the project information form (PIF). The term realized cofinancing is use for cofinancing that is reported to have been provided by the cofinancing partners to the project. In addition to the ex-ante cofinancing commitments, new contributions may also realize during project implementation.

Loans provided by the MDBs will be split between ODA and contributions of the recipient countries based on an assessment of the implicit grant component in the loans provided by the MDBs. The implied grant component in a subsidized loan will be credited to the respective MDB, whereas the remainder will be credited to the respective recipient country.

Desk Review

The evaluation will review co-financing policies and strategy documents of peer organizations, including the GEF, Green Climate Fund, IFAD, and GAVI. This analysis will focus on the definition of co-financing, requirements, expected benefits, and tracking methodologies. Additionally, the evaluation will examine the operational guidance on co-financing provided by the GEF Agencies, documenting their definitions, practices for raising cofinancing, management strategies, and calculations for – and monetization of – in-kind co-financing.

The examination will extend to project documents submitted at various stages, from CEO's approval/endorsement to the first Project Implementation Report (PIR), mid-term review, and terminal evaluation. The focus will be on projects approved from GEF-5 onwards. Detailed analysis of full-size projects' documentation at the PIF approval and CEO's endorsement stages will provide insights into co-financing partnerships and commitment evolution. The evaluation will also explore co-financing realization during project initiation and examine the consequences of delayed realization, utilizing information from the first PIR and mid-term review. Terminal evaluations will provide data on co-financing reporting, including realization rates for different co-financing categories and identification of new sources during implementation.

Table 1: Means to Answer Key Questions

Key Questions	Means to answer	Coverage
How does GEF's approach to co-financing compare with that of other organizations?	Desk review Interviews	Desk review of co-financing policies, strategies, and guidelines of select organizations including GEF.
To what extent are the co-financing practices of GEF Agencies harmonized?	Desk review Interviews	Desk review of internal guidelines of GEF Agencies, and interviews of GEF Agency and Secretariat staff.
Why are various modalities employed for co-financing, and how is co-financing managed?	Desk review Interviews GEF Portal	Analysis of GEF Portal to determine the extent to which different modalities are used for co-financing. Interviews of GEF Agency, executing agency, and co-financing partner staff to understand why different modalities are used and how co-financing is managed. Desk review of project documents to gather information on management of co-financing.
To what extent does GEF financing raise non-ODA co-financing?	Desk review GEF Portal	Will cover a sample of GEF-7 projects that have been CEO Endorsed/Approved and completed GEF-6 projects.
What factors influence co-financing commitments?	GEF Portal Interviews Online survey	Analysis of the GEF Portal data for approved projects. Interviews of the GEF Agency Staff, OFPs, executing Agency staff. Online survey of GEF Agency and executing partner staff.
What factors influence the realization of co-financing?	GEF Portal TE Validation Desk Review Interviews Online survey	Analysis of GEF Portal and terminal evaluation validation data on completed projects for from GEF-5 onwards. Review of PIRs, midterm reviews, and terminal evaluations for completed projects approved from GEF-6 onwards. Interviews and online survey of GEF Agency and executing partner staff.
How does co-financing impact project outcomes?	TE Validation Desk Review	Analysis of terminal evaluation review data for completed projects approved from GEF-5 onwards. Review of PIRs, midterm reviews, and terminal evaluations approved from GEF-6 onwards. Interviews and online survey of GEF Agency and executing partner staff.
How effectively is co-financing delivering its anticipated benefits?	TE Validation Interviews	Quantitative analysis of the terminal evaluation review dataset. Interviews of GEF Agency and executing partners, OFPs. GEF Secretariat, and GEF Council members.

GEF Portal data

The GEF Portal contains easily accessible data on expected co-financing for all approved projects at major project preparation stages. Further, it also includes data on realized cofinancing reported by the Agencies. The evaluation team will analyze the data on expected co-financing to assess trends and variances related to project specifics, recipient country characteristics, implementing Agencies, and executing partners. The analysis will concentrate on projects approved from GEF-6 onwards to ensure a focus on recent practices. The data will offer insights into changes in expected co-financing for full-size projects from PIF approval to CEO endorsement, and modalities utilized. The GEF Portal data on realized

cofinancing will be used in tandem with the terminal evaluation validation dataset to assess trends in realization of cofinancing.

Terminal Evaluation Validation dataset

Terminal evaluations submitted to the GEF IEO through the GEF Portal undergo validation either by the GEF IEO or the evaluation unit of the respective GEF Agency. Validated data extracted from these reports is compiled into a regularly updated dataset. This dataset offers summaries of project performance, including co-financing realization. The data will be analyzed in tandem with the data from the GEF Portal to assess the extent of co-financing realization and variations across project categories. Focus will be on data for completed projects approved from GEF-5 onwards – greater attention will be given to completed projects that were approved from GEF-6 onwards as these will also be covered through desk reviews of project documents.

Online survey

The evaluation team will conduct an online survey covering individuals engaged in raising co-financing commitments for GEF projects. The survey aims to collect data on the incentives and primary motivations for pursuing co-financing, its management practices, as well as the associated benefits and costs. A sample of CEO approved or endorsed projects from GEF-7 onwards will be drawn to gather information on aspects related to raising cofinancing commitments, and a sample of completed projects approved from GEF-6 onwards will be drawn to gather information on aspects related to realization of cofinancing. The samples will provide representation to projects categories based on whether expected and/or realized cofinancing changed. For the sampled projects survey participants will be identified and invited in consultations with the respective Agencies.

Interviews

The evaluation team will interview key informants from the GEF Secretariat, the GEF Agencies, and from peer organizations. These informants will be identified in consultation with the GEF Secretariat and the Agencies. These interviews will provide information on the GEF approach to cofinancing, cofinancing practices of the GEF Agencies, factors that affect cofinancing commitments and its realization, and its effect on project outcomes, sustainability, and GEF partnership with its stakeholders.

Limitations

The quantitative analysis of data aims to identify associations among various variables concerning co-financing commitments and realization. However, disentangling causal relationships poses challenges. To address this limitation, the evaluation will explore these causal relationships through qualitative analysis of terminal evaluations and information obtained from interviews with key informants.

Evaluation team

Neeraj Kumar Negi, Senior Evaluation Officer at the GEF IEO, will lead the evaluation. Mariana Calderon Cerbon, Evaluation Analyst, and Aneesh Kotru, Consultant, are the other members of the evaluation team.

Reference Group

The evaluation team will work in consultation with a reference group that the IEO will establish. The IEO will request the Agencies and the GEF Secretariat to nominate members to this group. The reference group would facilitate the evaluation team in accessing relevant policy and guidance documents and provide feedback on the analysis and evidence presented in the evaluation.

Activity calendar

Activities related to Evaluation of Co-financing started in September 2023 and will end in June 2024 (Table 2).

Table 2: Activity Calendar

Activity	Duration	End by – cut-off date
Preparation of concept note	Sept-Nov 2023	Nov 2023
Desk reviews	Nov2023-Feb 2024	Mid Feb 2024
Analysis of GEF Portal data	Jan2024-Feb 2024	Mid Feb 2024
Analysis of terminal evaluation validation data	Jan2024-Feb 2024	Mid Feb 2024
Interviews	Jan 2024-Feb 2024	Mid Feb 2024
Online Survey	Feb 2024	End of Feb 2024
Draft report	Feb 2024	Early March 2024
Final report including its presentation to the Council	March 2024	May/June 2024

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