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**UNDP/GEF PROJECT ENTITLED “REDUCING ENVIRONMENTAL STRESS IN THE  
YELLOW SEA LARGE MARINE ECOSYSTEM”**

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UNDP/GEF/YS/RSTP.2/7  
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English only

**Second Regional Technical Meeting on  
Preparation of the Implementation Plan  
for the UNDP/GEF Yellow Sea Project**  
*Ansan, Korea, 3-5 March 2005*

**CONSIDERATION OF CO-FINANCING OF  
THE UNDP/GEF YELLOW SEA PROJECT**

**1. CO-FINANCING POLICY FOR GEF PROJECTS**

In order to have better understanding of the co-financing issue within the GEF project concept, the following texts were abstracted from a GEF official document:

*Co-financing Policy for GEF Projects*

1. Definition: *To ensure consistency of reporting, the following definitions will be used and the resulting data will be recorded in the GEF database for reporting and monitoring purposes.*

GEF funds. *These are the allocations approved by Council and any PDF resources. The agency fee is not included.*

Co-financing. *These are project resources that are committed by the GEF agency itself or by other non-GEF sources and which are essential for meeting the GEF project objectives. Typically, such resources are committed as part of the initial financing package, but in some cases part of the co-financing may actually be mobilized subsequently. In particular, note that:*

*(i) Finance for baseline activities is included in the definition only when such activities are essential for achieving the GEF objectives, as shown in the project logical framework within the project document;*

*(ii) Finance for activities that are not essential for achieving the GEF objectives, but which are processed for transactional convenience in the same loan or technical assistance package of the GEF Agency, are excluded from the definition of “co-finance”; and*

*(iii) Resources that are not committed as part of the essential financing package at the outset but which are mobilized frequently are not included as*

“co-finance”. Such leveraged resources are nevertheless important and will also be tracked.

*Related financing: the following financing are excluded from “co-financing”:*

- Associated financing. This is finance for other activities that are related to the project or to similar commitments but which is not essential for the project’s successful implementation. Associated financing may be reported for information but commitments are not required and the financing is not monitored.
- Leveraged resources. Leveraged resources are the additional resources – beyond those committed to the project itself – that are mobilized later as a direct result of the project, e.g., for further replication or through programmatic influence. As such, leveraged resources do not form part of the committed financing plan at the outset and so they are not defined as “co-finance.” Leverage is nevertheless a very important indicator of GEF’s catalytic effect.

2. Sources and types of co-financing<sup>1</sup>:

(a) Sources of co-finance include:

- (i) The Agency’s own co-financing;
- (ii) Government co-finance (counterpart commitments) e.g., for baseline or foundational activities upon which the project would build or without which the project could not be implemented; and
- (iii) Contributions mobilized for the project from other multilateral agencies, bilateral development cooperation agencies, NGOs, the private sector, and beneficiaries.

(b) Types of co-finance include:

- (i) Grants;
- (ii) Loans, concessional or market-rate;
- (iii) Credits;
- (iv) Equity investments;
- (v) Committed in-kind support<sup>2</sup>; and
- (vi) Other (specified) type.

3. Commitment of co-financing at different stages of the project cycle:

- (a) Concept Document/Pipeline Entry : At pipeline entry, the agreed concept will distinguish between the “initial” co-financing critical to project success – which would need to be committed prior to endorsement – from the “subsequent” co-financing that would be mobilized during implementation. Implementing Agency co-financing, Government counterpart commitments, and finance for all major critical activities would need to be secured initially, i.e., prior to endorsement. Co-financing mobilized subsequently would typically include that from sources which are individually small, such as when

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<sup>1</sup> GEF/C.20/6/Rev. 1

<sup>2</sup> For Work Program inclusion, a requirement that the agency provides assurances that the identified in-kind resources be: (a) dedicated uniquely to the GEF projects; (b) valued as the lesser of the cost and the market value of the required inputs they provide for the project; and (c) monitored, with documentation available for any evaluation or project audit.

*a number of private sector firms or community organizations are expected to join a program already under implementation. Where not all the co-financing can be committed initially, it must be shown to be likely that the remaining resources would actually be mobilized during implementation. Where known, and in accordance with current practice, the concept would continue to indicate potential sources of co-financing and identify the financing instrument that would be proposed;*

- (b) At Work Program Inclusion: the agency will identify specific sources covering all the initial co-financing needs, and document the corresponding expressions of interest from those sources. The agency would also estimate the co-financing by source that would be mobilized subsequently. The plan for disbursing GEF resources should ensure that disbursements be commensurate with the co-financing actually mobilized and should reflect the expected sequencing of GEF funding and co-financing; and*
- (c) At CEO Endorsement: the agency will provide to the Secretariat documentation (if in foreign language, should be translated into English) from the co-financiers confirming their commitments in relation to the initial co-financing, and update the financing plan with respect to the status of any co-financing that would be mobilized during implementation.*

*4. For CEO endorsement of Medium-Sized projects (MSP), the agency would be required to prepare a financing plan and provide to the Secretariat documentation from co-financiers on the status of their commitments.*

*5. The Implementing Agency, or Executing Agency where appropriate, will inform the Secretariat whenever there is a potentially substantive co-financing change (i.e., one affecting the project objectives, the underlying concept, scale, scope, strategic priority, conformity with GEF criteria, likelihood of project success, or outcome of the project). Such changes may occur during appraisal (that is, after Council approval but before CEO endorsement) or during implementation. The Secretariat will re-review the concept as thereby modified first to determine whether the modification is indeed substantive and second to recommend whether continuation or termination is appropriate in the circumstances. In the case of full-sized projects with substantive changes, the CEO will submit the revised project document, the explanations of the accountable agency, and the CEO's recommendation to Council members for their review using procedures adopted for projects submitted for intersessional approval<sup>3</sup>. In the case of MSPs, the CEO will make a determination and the revised project documents for continued projects will be reposted on the web using the procedures adopted for expedited processing of MSPs.*

## **2. CONSIDERATION OF CO-FINANCING COMMITMENTS OF THE PROJECT**

In the approved Project Document, the following commitments have been made by the participating countries in supporting the implementation of the project activities.

*Co-financing contributions consist of government provision of office space, facilities, personnel, and other actions directly supporting the GEF YSLME Project both generally and specifically. Co-financing contributions from each country are as follows (see separate pdf files with each country's letter of co-financing commitment):*

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<sup>3</sup> Project implementation arrangements may change for other reasons as well, and Council will be informed on an ad-hoc basis. These procedures will be codified in the subsequent update of the GEF Project Cycle.

Republic of Korea	\$2,077,500
People's Republic of China	\$6,566,465
<b>Total</b>	<b>\$8,643,965</b>

**PRC co-financing contributions (Unit: US\$ --- 1US\$ = 8.3RMB )**

<b>ITEMS</b>	<b>1<sup>st</sup> year</b>	<b>2<sup>nd</sup> year</b>	<b>3<sup>rd</sup> year</b>	<b>4<sup>th</sup> year</b>	<b>5<sup>th</sup> year</b>
Staff <sup>4</sup>	491,968	491,968	491,968	316,265	316,265
Services <sup>5</sup>	527,577	527,577	527,577	339,157	339,157
Equipment <sup>6</sup>	182,309	182,309	182,309	117,199	117,199
Other <sup>7</sup>	274,096	274,096	274,096	176,204	176,204
Operational Costs <sup>8</sup>	56,225	56,225	56,225	36,145	36,145
<b>Sum</b>	<b>1,532,175</b>	<b>1,532,175</b>	<b>1,532,175</b>	<b>984,970</b>	<b>984,970</b>
<b>PRC total</b>	<b>6,566,465</b>				

**ROK co-financing contributions (Unit: US\$ --- 1 US\$ = 1,250KRW)**

<b>ITEMS</b>	<b>1<sup>st</sup> year</b>	<b>2<sup>nd</sup> year</b>	<b>3<sup>rd</sup> year</b>	<b>4<sup>th</sup> year</b>	<b>5<sup>th</sup> year</b>
Project Coordination Unit	31,000	6,000	6,000	6,000	6,000
Fisheries Surveys <sup>9</sup>	380,834	380,834	190,416	190,416	-
Ecosystem/Water Quality Analysis <sup>10</sup>	320,000	160,000	160,000	160,000	-
Data Management	20,000	20,000	20,000	20,000	-
<b>Sum</b>	<b>751,834</b>	<b>566,834</b>	<b>376,416</b>	<b>376,416</b>	<b>6,000</b>
<b>ROK total</b>	<b>2,077,500</b>				

Due to the delay in implementing the project activities for about 4 years, the situations have been changed in some aspects in the participating countries. Therefore, there is a need to review the commitments and to consider re-allocation of the co-financing resources if deemed necessary.

It should be noted that the total amount of co-financing resources was a condition for GEF Council to approve the project, as indicated in the GEF co-financing policy. Therefore, any proposal to increase the co-financing resources will be highly appreciated, but any reduction will not be acceptable.

### 3. CONSIDERATION OF CALCULATION OF CO-FINANCING RESOURCES

During the first Regional Technical Meeting, the participants felt that there was a need to prepare a common coefficient to calculate the national contribution to the project in terms of staff time allocated to the identified project activities, such as the meetings of IMC and national working groups.

With understanding of different social economic conditions in the participating countries, any "standard" coefficient for calculating the co-financing contribution will be debatable. In the meantime, there is a need to have an agreed regional "standard" coefficient. Considering the following elements:

- (i) salary scale of the participating countries;

<sup>4</sup> 20 senior scientists and 25 technicians X 12 months/year

<sup>5</sup> Lab analysis and experiment, cultivation and hatchery, and fish sampling

<sup>6</sup> National fisheries surveys, and ship time

<sup>7</sup> Lab, hatchery station, and office space (50m<sup>2</sup>)

<sup>8</sup> Energy and communications for the lab, hatchery station, and the office

<sup>9</sup> Stock assessment, surveys, ship time, salary (7 scientists/30%), carrying capacity analysis

<sup>10</sup> Carrying capacity of ecosystem, contaminant levels

- (ii) supporting costs in the participating countries, including social benefits, office and office facilities, supporting systems of the institutions;
- (iii) middle level of UN professional staff salary; and
- (iv) practice of another GEF IW project (UNEP/GEF South China Sea Project);

it is proposed to use US\$ 120 per person per day as the regional coefficient to calculate co-financing contribution from the participating countries.

*Example of the calculation:*

*If (i) there are three IMC meetings organised in the participating countries; (ii) 2 days for each meeting; and 12 persons attend each meeting; the total co-financing contribution can be calculated as follows:*

*3 (meetings) x 2 (days) x 12 (persons) x US\$ 120 (coefficient)/person/day = US\$ 8,640*