

Annex IX: General principles and indicative list of eligible costs covered under GCF fees and project management costs

I. General principles

1. Schedule of fees disbursement:
 - (a) Ninety per cent (90%) of the agreed total fee will be disbursed following one of the following options, to be agreed upon between the Secretariat and the accredited entity (AE) or delivery partner (DP) and represented in the funded activity agreement (FAA) or other relevant agreements:
 - (i) Disbursement in amounts proportional to and coincident with disbursement of project funds; or
 - (ii) Disbursement according to a schedule proposed by the AE or DP, with substantiation of anticipated costs and their schedule, to be agreed with the Secretariat, with disbursement of fees along with the first disbursement of project funds not exceeding 50 per cent of the agreed total fee;
 - (b) Ten per cent of the agreed total fee will be disbursed after the recipient submits to the Secretariat the project completion report and any other requirement on project completion as specified in the FAA or other relevant agreement, with the substance of the submission to the satisfaction of the Secretariat.
2. Non-Duplication: the fees paid to an AE or DP will not duplicate other forms of support provided to the entity, such as technical assistance.
3. Purpose and intended use: the use of fees by the AE or DP will be subject to reporting and certification. It is intended that fees are used to support the implementation of GCF projects and other eligible GCF-related activities.
4. Periodic review: the fee structure (as presented under annex II) will be reviewed in 2 years and adjusted based on the business realities. The Secretariat should, on an annual basis, provide an analysis of fee levels across the different types of projects to the Board.
5. Economies of Scale: AEs or DPs managing more than five GCF projects or readiness support projects, respectively, are expected to explore synergies in the management of projects in their GCF portfolio, which should result in cost savings across the portfolio of projects under management, which is to be reflected in the fee request.
6. Where the AE also undertakes an executing entity (EE) role in the same project that it would serve as an AE,¹ the AE must clearly differentiate between its responsibilities as an AE (e.g. oversight, supervision and management) and its responsibilities as the EE.
7. The percent of project management costs (PMC) financed by GCF should not be more than the percentage share of the overall budget financed by GCF. The PMC should be shown as a separate component in the project budget. A detailed breakdown and explanation of the components of PMC should be provided.
8. PMC exceeding 5 per cent for a funding proposal exceeding USD 3 million will require detailed documentation supporting the entire PMC budget.

¹ Per the accreditation master agreement template considered by the Board at its twelfth meeting and contained in annex XXVI to decision B.12/31, "executing entity" means any entity, which includes, as the case may be, a developing country that is a party to the Convention, through which GCF proceeds are channeled or used for the purposes of a funded activity or parts thereof, and/or any entity that executes, carries out or implements a funded activity, or any part thereof. For the avoidance of doubt, the accredited entity may also carry out the functions of an executing entity.

9. PMC exceeding 7.5 per cent for funding proposals, Readiness proposals (including national adaptation plans, or NAPs), and Project Preparation Facility (PPF) proposals up to USD 3 million will require detailed documentation and justification supporting the entire PMC budget.
10. In cases where the AE or DP also undertakes an EE role in the same project that it would serve as an AE or readiness activity that it would serve as a DP, the same should be clearly identified in the funding proposal or readiness proposal, respectively. The AE or DP must clearly differentiate between its role as an AE or DP (e.g. oversight, supervision and management) and the EE role in the project and establish appropriate institutional arrangements, clear lines of responsibilities and accountabilities.

II. Applicability of the fees policy

11. The revised fee policy applies to public sector grant instruments for projects/programmes, PPFs and the Readiness Programme, including NAPs or other adaptation planning processes, approved by GCF after B.19.
12. Fees for private sector projects/programmes and fees for non-grant public sector projects/programmes are negotiated on a case-by-case basis and shall not exceed the fees cap as set out in Annex II.

III. Indicative list of eligible costs covered under GCF fees

13. The following is a list of activities to be financed by AE or DP fees:

3.1 Project implementation and supervision

- (a) Appraise and finalize project implementation arrangements, including mission travel;
- (b) Assist and advise the project proponent on the establishment of project management structure in the recipient country/countries;
- (c) Assist project management to draft terms of reference (TOR) and advise on the selection of experts for implementation;
- (d) Advise on and participate in project start-up workshops;
- (e) Conduct at least one supervision mission per year, including briefing operational focal points on project progress;
- (f) Provide technical guidance, as necessary, for project implementation'
- (g) As necessary, include technical consultants during supervision missions to advise government officials on technical matters and provide technical assistance for the project as needed;
- (h) Oversee procurement and financial management to ensure implementation is in line with the policies and timelines of the AEs or DPs;
- (i) Disburse funds to the EEs/vendors (as applicable) and review financial reports;
- (j) Assist/oversee the audit process throughout the project life cycle;
- (k) Oversee the preparation of the required reports for submission to the Secretariat;
- (l) Monitor and review project expenditure reports;
- (m) Prepare periodic revisions to reflect changes in annual expense category budgets; and

- (n) Undertake a midterm review, including possible project restructuring.

3.2 Project completion and evaluation

- (a) Oversee the preparation of the project completion report/independent terminal evaluation, and submit the report to the Secretariat;
- (b) Prepare project closing documents for submission to the Secretariat; and
- (c) Prepare the financial closure of the project for submission to the Secretariat.

3.3 Reporting

- (a) Include all the reporting requirements as agreed in the accreditation master agreement (AMA) and funded activity agreement (FAA).

IV. Indicative list of eligible project management costs

14. The following list provides a useful illustration of the project management activities and costs that can be included in funding proposals under project management costs.

4.1 Project management activities

- (a) Preparation of the annual project work plans/programmes and budgets, including analysis and reporting;
- (b) Preparation of procurement plans;
- (c) Preparation of the project withdrawal requests for disbursement;
- (d) Preparation of TOR and procurement packages;
- (e) Tracking and monitoring of project costs and deliverables to plan;
- (f) Maintenance of a knowledge and records management system;
- (g) Preparation of progress reports and financial management reports;
- (h) Support to the project steering committee/project board or equivalent body; and
- (i) Liaisons with the auditors on any audit related matters.

4.2 Eligible project management costs

4.2.1. Project staffing and consultants

- (a) Project manager;
- (b) Project assistant;
- (c) Procurement personnel;
- (d) Finance personnel; and
- (e) Support/administrative personnel.

4.2.2. Other direct costs

- (a) Office equipment;

- (b) Mission-related travel costs of the project management unit;
- (c) Project management systems and information technology; and
- (d) Office supplies.

4.2.3. Project activities and costs not covered in project management costs

- (a) Costs of salaries and benefits of seconded staff from the EEs, unless pre-approved by GCF;
- (b) Costs of salaries and fees for AE staff or consultants, unless these have been pre-approved by GCF;
- (c) Budgeted costs under general classifications such as miscellaneous or unspecified;
- (d) Any budgeted costs indicated as contingent costs; and
- (e) Monitoring of project indicators and periodic monitoring reports (these are budgeted under the measurement and evaluation budget and is a separate line of the project costs).

Appendix A: Interim policy on fees decision B.11/10

1. The table below shows the proposed interim fees structure for accredited entities of the Green Climate Fund (GCF). The percentages shown in the table below represent the maximum fees for the size categories.

Table 1. Schedule of cap on fees applicable to public sector projects/programmes

Size*	Fee cap % of GCF funding (on grant)
Micro (<USD 10 million)	10%
Small (USD 10–50 million)	9%
Medium (USD 50–250 million)	8%
Large (>USD 250 million)	7%

2. The present value of the fees paid over the life of a loan (disbursement and repayment periods) will be equivalent to the total amount of fees paid for a similar grant-funded project.
3. The fees cap on readiness grants will be 10 per cent.
4. The following services will be covered by the GCF fees:
 - (a) Project or programme implementation and supervision;
 - (b) Project or programme completion and evaluations; and
 - (c) Reporting.
5. The GCF amount approved for a project/programme will not include fees to be paid to the accredited entity.
6. The fees paid to an accredited entity will not duplicate other forms of support provided to the entity, such as technical assistance.
7. Under decision B.09/04, the Board decided that “the financial terms and conditions for non-grant instruments to the public sector, other than concessional loans, will be established on a case-by-case basis. It also decided that all non-grant instruments extended to the private sector shall be determined on a case-by-case basis, taking into consideration Annex III to decision B.05/07 and section III in Annex XIV to decision B.07/06.
8. In line with this, the fees for the private sector and fees for non-grant instruments other than concessional loans to the public sector should be decided on a case-by-case basis.
9. Timing of fees disbursement:
 - (a) Fees on grants will be proportionally disbursed along with each grant instalment; and
 - (b) Fees on loans will be paid semi-annually in advance.

Appendix B: Market practices

I. Global Environment Facility²

1. In May 2017, the Global Environment Facility (GEF) Council adopted guidelines on the project and programme cycle policy. In this document, the fee structure and PMC are provided as follows:

	Project/Programme		
	Up to USD 10 ³ million	Over USD 10 million	Small grants
Agency fees	9.5%	9%	4%

2. Cost components covered by the Global Environment Facility fees are as follows:

- (a) Project identification;
- (b) Preparation of project concept;
- (c) Preparation of detailed project document;
- (d) Project approval and start-up;
- (e) Project implementation and supervision;
- (f) Project completion and evaluation;
- (g) Policy support;
- (h) Portfolio management;
- (i) Reporting;
- (j) Outreach and knowledge-sharing; and
- (k) Support to the Independent Evaluation Office.

Project management costs

- (a) PMCs are not recommended to exceed 5 per cent of GEF project financing (which is above USD 2 million);
- (b) PMCs shall not exceed 10 per cent of GEF project financing (which is up to USD 2 million).

II. Adaptation Fund⁴

3. Implementing entity fees are set by the Adaptation Fund Board on a case-by-case basis, but capped at 8.5 per cent. There is also a separate cap for execution (9.5 per cent), which covers activities directly related to the project.

² Available at <<https://www.thegef.org/council-meeting-documents/guidelines-project-and-program-cycle-policy-0>>.

³ For the eight GEF Agencies accredited through the Pilot Program on Accrediting GEF Agencies, the fee structure is 9.0 per cent for all types and sizes of projects and programmes irrespective of the GEF project financing size.

⁴ Available at <https://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.PPRC_14.14%20Effects%20of%20multiple%20executing%20entities%20partners%20on%20administrative%20costs.pdf>.

4. In practice, project data indicate that implementing entity fees amount effectively to 8.3 per cent. Execution costs are included in the project cost and not separated.

		Implementing entity fees	Execution costs
Project and programme operational costs		8.5% cap	9.5% cap
Rationale		To avoid administrative costs exceeding 18% of the total programme budget	

III. Climate Investment Funds

5. Under the Climate Investment Funds (CIF), the cost of programme delivery falls into two broad categories:

- (a) Programme-related costs: administrative budget; and
- (b) Project-related costs: the multilateral development bank project implementation services (MPIS).

6. Multilateral development banks (MDBs) recover programme-related costs via the administrative budget, and project-related costs through MPIS.

7. MPIS: MDBs recover project management-related costs through payments for MPIS, which are determined on a case-by-case basis for the Strategic Climate Fund projects as well as for project grant funding and private sector projects from the Clean Technology Fund.

8. The payment structure of MPIS.

3.1 Clean Technology Fund

	Loans and guarantees	Grants
Multilateral development bank project implementation support and supervision (MPIS) services funding as a percentage of project funding	0.18% paid semi-annually 0.45% paid up-front ⁵	Cannot exceed 5% of the total grant
Function	Reimburse the multilateral development bank for its incremental staff, consultants, travel and related costs of project development, appraisal, implementation support, supervision and reporting	

⁵ Available at <http://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_financing_products_terms_public_sector_nov2013_0_0_1.pdf>.

3.2 Strategic Climate Fund

Multilateral development bank project implementation services (MPIS) funding as a percentage of project funding	3.4% on average
Function	Reimburse the multilateral development bank for its incremental staff, consultants, travel and related costs of project development, appraisal, implementation support, supervision and reporting

IV. Multilateral Fund for the Implementation of the Montreal Protocol⁶

9. The Multilateral Fund for the Implementation of the Montreal Protocol (MLF), which has two agency fee regimes: one for the United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO) and the World Bank that deal primarily with investment projects and national programmes, and the other for the United Nations Environment Programme (UNEP) and bilateral agencies. Each agency has trust funds for its MLF projects. The agency fee regime is reviewed prior to each replenishment, that is, every three years. A list of project-related and administrative costs provides guidance to agencies on eligible administrative versus project-related costs. Project management costs are approved as project cost components and assessed on a case-by-case basis. Project preparation costs are provided as standalone projects and are assessed on a case-by-case basis.

10. The regime for UNDP, UNIDO and the World Bank has two components:

- (a) A core unit cost, in the form of an annual budget, that addresses the office in the agency that addresses Montreal Protocol matters. It addresses business planning and policy support. Unused funds are returned, and project overruns are not reimbursed; and
- (b) A 9 per cent fee for implementation supervision for projects with a value of below USD 500,000; a 7 per cent fee for implementation supervision for projects with a value above USD 500,000 but below USD 5 million and on a case-by-case basis for those valued above USD 5 million.

10. The agency fee regime deals for UNEP with primarily non-investment (readiness activities) and bilateral agencies have agency fees of 11 per cent for projects below USD 250,000 and 13 per cent for those above USD 250,000. Projects/programmes valued above USD 5 million are assessed on a case-by-case basis. Additionally, an annual budget is provided to UNEP for a compliance assistance/regional networking programme. It is worth noting that the MLF activities are related to technical assistance, investment, and capacity-building with respect to the control of ozone depleting substances and hydrofluorocarbons used by those industrial sectors.

⁶ Available at <<http://multilateralfund.org/Our%20Work/policy/default.aspx>> (Summarized by a former officer of the Multilateral Fund).

V. The Global Fund⁷

Administrative fees

11. Administration fees are paid to local fund agents or principal recipients who act as “implementing entities”, with which The Global Fund signs a legal grant agreement. Principal recipients are responsible for preparing and submitting a grant proposal with a budget, including their “overhead costs”. Management fees are usually included in such overhead costs, and the budget is negotiated between the principal recipients and the Secretariat for each grant.
12. Overhead costs differ depending on who the principal recipient is.

	INGOs	Local NGOs
Indirect cost recovery as a percentage of direct costs incurred by PR	For health products – up to 3%	For health products – Up to 2%
	All other direct cost incurred by PR – up to 7%	All other direct cost incurred by PR – up to 5%
	Funds managed by sub-recipient – up to 5%	Funds managed by sub-recipient – up to 3%

Abbreviations: INGO = international non-governmental organization, NGO = non-governmental organization, PR = principal recipient.

VI. GAVI Alliance

13. The types of support that the GAVI Alliance offers include immunization services support, new and underused vaccines support, injection safety support, health system strengthening and civil society organization support.

Support for project management

14. The GAVI Alliance encourages countries to align the implementation arrangements for its support with existing country mechanisms. Therefore, applicants are strongly discouraged from establishing a project management unit for GAVI Alliance supported initiatives. The support for any project management unit is generally examined under exceptional conditions only, and on the basis of strong justification.

Project preparation costs

15. Countries can request up to USD 50,000 to prepare proposals on health system strengthening support. Also, technical support to prepare proposals is provided by the World Health Organization, the United Nations Children’s Fund or bilateral agencies.

VII. European Commission

16. Indirect costs may be either funded on a flat-rate basis or on a real-cost basis. These two options are mutually exclusive. The use of flat-rate funding is encouraged, since no supporting documents are required for these costs once agreed in the contract. In the case of flat-rate reimbursement, the maximum allowed indirect cost is 7 per cent.⁸ This 7 per cent is the maximum but if it is not justified then a smaller percentage will be envisaged.

⁷ Available at <https://www.theglobalfund.org/media/3266/core_operationalpolicy_manual_en.pdf> (page 66-69).

⁸ Available at <<http://ec.europa.eu/europeaid/companion/document.do?nodeNumber=19.3.1.5>>.