



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
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Dushanbe, Tajikistan  
Provisional agenda item 15

**GCF/B.45/18/Add.01**

17 June 2026

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# Response matrix for comments received on the draft document

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## **Summary**

The document compiles responses to comments received on the draft document titled “Policy on Fees” from the following stakeholders:

- (a) Board members
- (b) Active observers on behalf of the network and individual observer organizations
- (c) National Designated Authorities (NDAs)
- (d) Accredited Entities (AEs)

The Secretariat provided individual responses to comments submitted by Board members and active observers.

Due to the volume and thematic overlap of inputs, the comments from NDAs and AEs were summarized and consolidated by thematic area, with responses provided accordingly.

## I. Response matrix for Board

This section provides the response matrix that addresses the comments received from the Board in chronological order:

- Ghana and Uganda
- Switzerland and Finland
- Japan
- United Kingdom
- Sweden
- Canada
- France

Question	BMs and Seats	Response
<ul style="list-style-type: none"> <li>• <b>P15, I(6)</b> -Inclusion of a dedicated separate line item in the project budget to cover the monitoring of project indicators, periodic monitoring reports, and generation and collection of evaluative data for the Project is a welcome development</li> </ul>	Ghana and Uganda	<ul style="list-style-type: none"> <li>• The Secretariat appreciates the support for this provision.</li> </ul>
<ul style="list-style-type: none"> <li>• The revised policy removes the distinction between AE Fees and Project Management Cost integrating AE fees into a consolidated PMC budget item. The distinction between AE Fees and Project Management Cost should remain in the revised policy on fees as this provides a basis of what costs are project specific and which costs are AE specific.</li> <li>• The Secretariat’s rationale with the revised policy seems to assume that non-grants generate returns, therefore entities can recover costs elsewhere (does not seem to take into consideration that concessionality is passed on to project beneficiaries). The policy is potentially restrictive for large-scale non-grant/blended finance operations. The non-grant thresholds are quite low and may not reflect actual transaction complexity.</li> <li>• P7, III (22)- How will private sector partners demonstrate their higher capacity to assume a commensurate share of cost?</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat acknowledges this concern. The proposed consolidation is intended to improve transparency by bringing these costs together within a single PMC budget. While AE fees and PMC will no longer be presented as separate budget lines, the budget approach will provide guidance on the categorization and presentation of underlying cost components to maintain visibility over the nature of costs included within the PMC budget.</li> <li>• The proposed policy allows project-specific circumstances and complexity to be reflected through the budget review process.</li> <li>• The Secretariat acknowledges the concerns raised regarding the application of this provision to private sector operations.</li> </ul>

Question	BMs and Seats	Response
<p>Furthermore, how will cost recovery through financial return be implemented through various structures (blended finance structures, guarantee structures, equity)?</p> <ul style="list-style-type: none"> <li>• P8, 4.1(32)- As the PMC will incorporate cost components previously covered under the AE fees, proportional sharing of the PMC amongst co-financiers may not be applicable, as there are certain cost components which are GCF specific that partners would not be able to pass one to co-financiers, especially non-grant instrument co-financiers. In addition, how would this proportionality be implemented in programmatic funding proposal</li> <li>• P9, 4.2(37) – How will cost recovery through financial return be determined by the GCF? Are there previous examples on how this would work, and which specific cross subsidy risk is presented?</li> <li>• P15, I(4)(f) - Lowering the PMC costs for partners with more than one project with GCF could be punitive, as it does not cater for different scope of project, monitoring and supervision bespoke to that project</li> <li>• P16, I(10)(d) – For transparency it would be beneficial to include a scope of activities that are included as a Partners Core Cost. This would assist the partner in having a basis of what GCF considers core costs from a project perspective</li> <li>• P17, III- Implementation arrangements 24(b) – the budget approach document, the PMC thresholds etc. should be included to the board to gauge to assess the degree of the requirements placed on partners</li> <li>• P21, 6(iv) – Geographic area context is required wherein accommodation in hotels rated 4 stars or above is not permitted. Within certain jurisdictions, the safest available accommodation would be a hotel rated 4 stars, precluding this could put project related travel in jeopardy</li> </ul>		<p>We will review how best to address these considerations in the policy and/or budget approach.</p> <ul style="list-style-type: none"> <li>• The policy is intended to pay for reasonable project expenses resulting from GCF participation. The Secretariat will consider whether additional clarification is needed regarding the application of this provision within the policy or better reflected in the budget approach.</li> <li>• The provision is intended to recognize circumstances where project management costs may already be recovered through financial returns or other project-specific revenue streams. The objective is to avoid duplication and ensure the efficient use of GCF resources.</li> <li>• The economies of scale principle is intended to guide AEs in determining appropriate PMC levels where efficiencies can reasonably be achieved through the management of multiple GCF projects. The policy recognizes such economies of scale may be more difficult to achieve for DAEs.</li> <li>• The Secretariat agrees that additional clarity would be beneficial. The budget approach document will provide further guidance on the distinction between core and incremental costs to support consistent interpretation and application of the policy</li> <li>• The Secretariat acknowledges the importance of transparency regarding the operationalization of the policy. The Secretariat will consider appropriate mechanisms for keeping the Board informed regarding its development and implementation.</li> <li>• The Secretariat acknowledges that travel and accommodation requirements may vary significantly across implementation contexts. As such, this provision has been revised in the policy.</li> </ul>

Question	BMs and Seats	Response
<ul style="list-style-type: none"> <li>We thank the Secretariat for preparing the Revisions to the Policy on Fees. We agree with the approach to integrate the cost components previously included separately under Accredited Entity (AE) fees into project management costs (PMC) to improve transparency in the use of GCF funds and efficiency in managing and overseeing it and acknowledge the need to address the different contexts of countries and capacities of AEs. We would like to submit the following questions and comments regarding the proposed revisions</li> </ul>		<ul style="list-style-type: none"> <li>Thank you for the support of the proposed revisions to the Policy on Fees and for recognizing the rationale behind integrating cost components previously covered under AE fees into project management costs. The Secretariat welcomes the questions and comments provided and has addressed them below.</li> </ul>
<ul style="list-style-type: none"> <li><b>Economies of scale principle:</b> One of the principles states that AEs managing multiple GCF project are expected to seek synergies and pass on any resulting cost savings through reduced PMC claims. In this context,               <ol style="list-style-type: none"> <li>Did the external study provide evidence on whether managing multiple projects has effectively let to lower PMC in practice?</li> <li>The proposed policy notes that economy of scale may be more difficult to achieve for DAE. Could the Secretariat elaborate on the rationale for this assessment, considering that the DAE would probably implement the multiple projects in the same country, offering more options for rationalization than projects implemented in different countries.</li> <li>Given that the proposed thresholds are defined at the project level, it is unclear how the economies of scale principle would be operationalized in practice. Could further clarification be provided on this point?</li> </ol> </li> </ul>	Switzerland and Finland	<ul style="list-style-type: none"> <li>The external review noted that further guidance is needed, either within GCF policies or through supplementary guidance, on how economies of scale should be assessed and applied. In particular, the review highlighted the need to consider whether an AE's institutional capacity is sufficient to enable economies of scale in practice. This consideration is particularly relevant for DAEs, including those operating in LDCs, which may face constraints in institutional capacity and available resources.</li> <li>The policy recognizes that DAEs often operate with different capacities and portfolios than larger international entities, which may limit opportunities to spread fixed costs across multiple projects. However, this is not intended to suggest that DAEs cannot achieve economies of scale, and the Secretariat agrees that nationally focused portfolios may, in some cases, create additional opportunities for efficiencies.</li> <li>The economies of scale principle is intended to guide AEs in determining appropriate PMC levels. Working with GCF requires particular systems and capacities that may require upfront investments. However, once these systems and capacities are in place, the marginal cost of implementing GCF projects should fall with successive projects. Where efficiencies are achieved through managing multiple GCF projects, these should be reflected in PMC requests. While PMC thresholds are set at the project level, the Secretariat may consider an AE's broader portfolio when assessing the reasonableness of proposed PMC budgets.</li> </ul>
<ul style="list-style-type: none"> <li>On ensuring responsiveness to GCF operating environment: It is said the Secretariat may update the documentation thresholds for PMC,</li> </ul>		<ul style="list-style-type: none"> <li>The provision is intended to allow the Secretariat to make operational adjustments to implementation arrangements, such as documentation</li> </ul>

Question	BMs and Seats	Response
<p>limits to AEs and other details of the policy following consultations with relevant stakeholders. Could you elaborate what is the proposed role for the Board in this process?</p> <ul style="list-style-type: none"> <li>• We propose to do a review of the impact of the new policy after three years from its coming into effect to compare what change it has made to overall PMC compared to when AE fees and PCM were separate.</li> <li>• From our understanding, this policy is intended to replace the Policy on Fees and Policy on fees for AE and EE. To avoid confusion and reduce the number of GCF policies, the decision text could explicitly state which existing policies the Policy on Project Management Costs replaces.</li> </ul>		<p>requirements and related guidance, in response to evolving experience with the policy and changing operational circumstances. Such adjustments would be undertaken following consultation with relevant stakeholders and would not alter the core policy principles. Any substantive policy changes would continue to require Board consideration and approval in accordance with established governance arrangements.</p> <ul style="list-style-type: none"> <li>• The draft policy states the Secretariat will monitor the implementation of the policy and report to the Board annually against metrics and targets in its multi-year work programme. The Secretariat will also conduct reviews periodically and make recommendations to the Board to update as necessary. This provides regular Board oversight while leaving the flexibility to review or amend the policy when needed.</li> <li>• Thank you for the suggestion. The decision text has been updated accordingly.</li> </ul>
<ul style="list-style-type: none"> <li>• We welcome and appreciate the improvements in the revised Policy on Fees, particularly the enhanced flexibility for projects in SIDS and LDCs and the more accommodating documentation thresholds in Appendix I compared to the previous version.</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat appreciates the support for the proposed enhancements, including the increased flexibility for projects in SIDS and LDCs and the revised documentation thresholds.</li> </ul>
<ul style="list-style-type: none"> <li>• At the same time, we wish to express strong concern about the newly introduced provision in Annex II, paragraph 9 (p. 15), which would subject IAEs' PMC to limits to be defined by the Secretariat in the budget approach document. We request a clear explanation of the rationale and evidence base for introducing IAE-specific limits. And, we request the budget approach document to be published promptly in order to assess its content, before judging whether it's appropriate. We also strongly urge that the application of any such limits retain sufficient flexibility so that projects can secure the PMC required for sound implementation and oversight. Finally, we note that if the limits are set too tightly or applied inflexibly, IAEs may be discouraged from undertaking projects, which could undermine the efficient and effective use of the Fund and reduce the quality of implementation oversight. We therefore urge careful calibration of</li> </ul>	Japan	<ul style="list-style-type: none"> <li>• Regarding the reference to limits for IAEs in the budget approach, the intent is to set the parameters to support the assessment of the reasonableness and consistency of PMC requests. The Secretariat notes the request to ensure sufficient flexibility in how the limits will be applied, for consideration in developing the budget approach document.</li> <li>• The Secretariat agrees on the importance of ensuring that PMC levels remain sufficient to support effective project implementation and oversight and does not intend for the thresholds nor the limits to create disincentives for entity participation. The Secretariat also agrees that stakeholder consultation will be important in the development and refinement of these and notes that implementation of the policy will be monitored to assess whether any adjustments may be warranted based on operational experience.</li> </ul>

Question	BMs and Seats	Response
<p>the limits to preserve appropriate incentives for IAEs while meeting the policy’s efficiency and transparency objectives, alongside active monitoring of impacts on IAE participation and implementation quality, with prompt adjustments as needed. We further request continued, robust consultation and coordination with stakeholders, including IAEs.</p>		
<ul style="list-style-type: none"> <li>We agree and endorse the overall objectives of the policy, to reduce transaction costs, minimise duplication and ensure the GCF is providing the required funding to AEs to implement impactful projects that the Board approves.</li> </ul>		<p>1. The Secretariat appreciates the support for the objectives of the proposed policy.</p>
<ul style="list-style-type: none"> <li><b>Pp 8 para 28:</b> The para states DAEs will no longer be subject to any cap, could you confirm whether this is the case for IAEs, the specificity of a subset of AEs infers that IAEs remain subject to a cap and no mention is made of a cap anywhere else in the paper.</li> <li><b>Pp8, para 32:</b> It is unclear why the expectation of sovereign or sub-sovereign co-financiers providing a ‘proportionate’ share of PMC’s is a ‘disproportionate cost burden’, please clarify and please provide a definition of sovereign or sub-sovereign.</li> <li><b>Pp 11, Para 50:</b> We would welcome regular reporting on the overall cost of PMC and where concern can be managed, portfolio level data on the costs for DAEs, IAEs, by region and programme size</li> </ul>	<p>United Kingdom</p>	<ul style="list-style-type: none"> <li>Documentation thresholds replace a hard cap, although IAEs are subject to PMC limits in US dollar terms above the thresholds.</li> <li>The Secretariat will clarify the rationale in the text. For the purposes of the policy, sovereign sources refer to national government entities, while sub-sovereign sources refer to state, provincial, municipal, or other sub-national government entities.</li> <li>The Secretariat agrees that monitoring implementation of the policy will be important and will consider opportunities to report portfolio-level information on PMC, including relevant trends and disaggregated data where feasible and appropriate.</li> </ul>
<ul style="list-style-type: none"> <li>We suggest a table clearly outlining each of the relevant IEU recommendations to this policy, and how this proposed policy responses to each of those recommendations.</li> <li>We suggest a table setting out the changes in process for the AE’s as a result of these reforms, illustrating the change in administrative burden of this new approach to fees</li> <li>We would welcome clarification on the basis upon which the proposed thresholds detailed within the first table of Appendix I have changed since those proposed in the previous iteration shared for consultation with the board earlier this year.</li> </ul>		<ul style="list-style-type: none"> <li>Additional background on the findings of the IEU evaluation has been incorporated into the paper.</li> <li>The Secretariat notes that the proposed policy does not fundamentally change the existing process for developing and reviewing PMC requests. The principal change is the introduction of a more structured, bottom-up budgeting approach for PMC requests, supported by clearer documentation requirements. Additional supporting documentation would generally only be required where PMC requests exceed the applicable thresholds. The Secretariat will consider incorporating in the budget approach whether a summary of these changes would assist stakeholders in understanding the practical implications of the proposed policy.</li> </ul>

Question	BMs and Seats	Response
<ul style="list-style-type: none"> <li>• <b>Pp 6, para 19b /pp 8, para 29b /pp 8 para 30:</b> The policy currently recognises and provides an explicit mechanism to allow for additional and/or greater costs associated with delivering projects in LDCs and SIDS. We welcome this inclusion, but despite the document and the IEU evaluation explicitly outlining the challenges faced by fragile countries, no explicit reasoning has been provided for omitting FCAS from the same approach.</li> </ul> <p>We question the relevance of the Policy on Fees for Accreditation that has seemingly been included to provide a basis for the exclusion of FCAS. We ask that FCAS be included alongside SIDS and LDCs.</p> <ul style="list-style-type: none"> <li>• <b>Pp 8 para 33:</b> We request the inclusion of an explicit commitment to informing the Board in a timely manner when such decisions are made should be included (informing the Board could be done through existing, regular reporting). We would also suggest the inclusion of minimal lengths of time for a set of thresholds to be maintained before the GCF revisits the thresholds and for sufficient lead in time before their implementation to aid AE's seeking funding from the GCF.</li> <li>• <b>Pp 8 para 35:</b> We request this paragraph is clearer on the scenarios under which this additional documentation is required (we understand this refers to those projects seeking fee levels above the threshold and potentially fees that use non-grant financial mechanisms), and suggest that this paragraph is included after the paragraphs referring to documentation necessary by all AEs, to provide greater clarity.</li> <li>• <b>Pp 8 para 36:</b> It remains unclear why IAE's are subject to specific limits as detailed within this paragraph, this seems unnecessary given the wider requirements of the policy. Please could the Secretariat provide a clear rationale on the necessity for these additional limits, and the additional documentation this necessitates.</li> </ul>		<ul style="list-style-type: none"> <li>• The thresholds were revised following stakeholder feedback received during consultations, further analysis of PMC data, and consideration of the need to balance flexibility, accountability, and ensure that Partners can cover incremental costs incurred to meet GCF policies and requirements.</li> <li>• The Secretariat acknowledges the challenges associated with project implementation in conflict-affected countries. The specific provisions for SIDS and LDCs reflect categories recognized in existing GCF policies and frameworks. The Secretariat will further address this in the policy.</li> <li>• The Secretariat agrees on the importance of transparency regarding any future updates to operational thresholds and guidance. The Secretariat will consider how such updates could be communicated to the Board through existing reporting mechanisms.</li> <li>• In regard to the clarification on circumstances requiring additional documentation, the Secretariat agrees that further clarity would be beneficial and will review the drafting and structure of this section to better distinguish between baseline documentation requirements and circumstances where additional justification may be required.</li> <li>• The budget approach is intended to provide guidance for assessing the reasonableness and consistency of PMC requests. The intent is to set the parameters to support the assessment of the reasonableness and consistency of PMC requests. This is noted; the Secretariat will consider how best to modify the paragraph for clarity.</li> <li>• This is noted. The Secretariat will consider how such updates could be communicated to the Board through existing reporting mechanisms.</li> <li>• On the definition of sovereign and sub-sovereign sources, the Secretariat appreciates the suggestion and will consider further clarification of the intended scope of the provision, including its application to recipient-country sovereign and sub-sovereign sources.</li> </ul>

Question	BMs and Seats	Response
<ul style="list-style-type: none"> <li>• <b>Pp 8 para 36:</b> Please consider editing the final sentence of this paragraph for clarity.</li> <li>• <b>Pp 10 para 41:</b> Request noted in comment on 8 para 33 potentially relevant here, instead of 8 para 33. Please explicitly include the details requested above.</li> <li>• <b>Pg 16 para 10b:</b> A definition of sovereign and sub sovereign sources should be included, and should only be applied to co-financing by sovereign sources from the recipient countries of the projects themselves and not other sovereign co-financers.</li> </ul>		
<ul style="list-style-type: none"> <li>• <b>Overarching comment:</b> Sweden welcomes the proposed revisions and the aim to enhance efficiency, flexibility, and transparency in the use of GCF resources, as outlined in the policy rationale. These objectives are important for ensuring effective use of limited resources while responding to diverse country contexts. At the same time, further elaboration of the underlying rationale – supported where possible by benchmarking against comparable funds and institutions – would be helpful to strengthen confidence in the approach and inform the balance between flexibility and cost discipline.</li> <li>• <b>Documentation:</b> The documentation is at times difficult to interpret, particularly regarding what concretely would change compared to the current policy, the expected implications for overall cost levels, and what the new approach means in practice for AEs. Clearer explanation, including practical examples, would be beneficial to improve understanding and support consistent application.</li> <li>• <b>IEU evaluation (pp. 3, 6):</b> While the IEU evaluation is referenced, the document would benefit from a clearer and more concise presentation of the key recommendations and how the Secretariat has analysed and incorporated these into the proposed policy.</li> </ul>	Sweden	<ul style="list-style-type: none"> <li>• The Secretariat appreciates Sweden's comments. The Secretariat agrees that further explanation of the policy rationale would be beneficial and will consider providing additional context in the revised document to better explain how the proposed approach seeks to balance flexibility, transparency and cost efficiency.</li> <li>• The Secretariat acknowledges that certain aspects of the proposed policy may benefit from additional clarification. While the overall process for developing and reviewing PMC requests remains broadly consistent with current practice, the key changes include the adoption of a more structured, bottom-up budgeting approach for PMC requests and the introduction of additional strict detailed documentation requirements where PMC requests exceed the applicable thresholds (previously only additional documentation was required). We will provide a clearer explanation of what is changing in the paper.</li> <li>• Additional background on the findings of the IEU evaluation has been incorporated into the paper.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Consultation process (pp.11–12):</b> While consultations are described, it remains unclear what feedback was received from AEs and other stakeholders, including potential differences between IAEs and DAEs, and how this feedback has informed the proposal. A more transparent summary of stakeholder views and how they have been</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat appreciates the importance of transparency in the consultation process. A summary of stakeholder feedback, including key themes raised by AEs, NDAs, Board members and other stakeholders, as well as how this feedback has informed the proposed revisions, will be included in the revised document.</li> </ul>

Question	BMs and Seats	Response
<p>reflected would strengthen confidence in the process.</p> <ul style="list-style-type: none"> <li>• <b>pp. 7:</b> Sweden sees merit in the integration of AE fees into a consolidated PMC budget as a simplification that may improve administrative efficiency and transparency. However, a clearer description of the current system and how it functions in practice would help better assess the significance of this change. In this context, it would be helpful to provide a clearer explanation of how the current three budget lines - (i) PMC, (ii) AE fees, and (iii) the additional 2–5% for evaluable data – translate into the proposed structure of (i) PMC and (ii) a separate 2–5% evaluation budget. As currently formulated, this remains somewhat unclear.</li> <li>• <b>pp. 8, 10-11, 15, 18:</b> The shift to a needs-based, itemised budgeting approach has the potential to improve transparency by making cost structures more explicit and traceable, while also supporting more robust assessment, oversight, and justification of costs. To support effective implementation, further clarification of expected cost implications and practical application would be beneficial.</li> <li>• <b>pp. 6-8:</b> Sweden supports increased flexibility to reflect different country contexts, including LDCs, SIDS, and direct access entities, which may support country ownership where justified. At the same time, it will be important to ensure that flexibility does not reduce incentives for cost efficiency or dilute responsibilities of AEs and EEs.</li> <li>• <b>p. 7-8, Appendix I:</b> The introduction of documentation thresholds could help streamline processes in some cases. However, further clarification of how these thresholds were derived and how they will function in practice is needed to ensure adequate scrutiny and consistency.</li> <li>• <b>Implementation period and cost eligibility:</b> Please clarify whether both AE fees and PMC are limited to the FAA implementation period (i.e. that such costs cannot be incurred or covered outside the agreed project implementation timeline as defined in the FAA).</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat agrees that additional explanation of the proposed changes would be beneficial, and these will be incorporated in the paper. We would also like to note that the budget approach will provide clear guidance on the structure and presentation of PMC budgets, including how costs should be categorized and justified.</li> <li>• The Secretariat agrees that further clarification regarding the practical application of the budget approach would be useful. Additional guidance will be provided on the preparation, review, and assessment of PMC budgets. While the proposed approach is intended to improve transparency and strengthen the justification of costs, its impact on overall PMC levels will depend on project-specific circumstances and the resulting budgets submitted by Partners.</li> <li>• The proposed policy seeks to balance these objectives through the use of detailed documentation requirements, bottom-up budget requests, and thresholds, designed to ensure that PMC requests remain reasonable, justified, and proportionate to project needs.</li> <li>• The thresholds were informed by analysis of historical PMC data, and stakeholder feedback received through consultations. The thresholds are intended to ensure that requests exceeding the thresholds are supported by additional justification and scrutiny. The Secretariat will provide further explanation of the thresholds in the revised document and in the respective budget approach document.</li> <li>• Regarding the implementation period, PMC is intended to support project management and implementation activities during the project implementation period as defined in the FAA. The Secretariat will review whether additional clarification regarding the eligibility period for PMC expenditures should be included in the policy or accompanying guidance.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>pp. 8:</b> The removal of fee caps for DAEs raises concerns regarding cost discipline and potential upward pressure on costs. A more cautious approach – potentially retaining some form of cap or ceiling</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat notes the concern regarding the removal of PMC caps for DAEs. Rather than relying on caps, the proposed framework uses a bottom-up budget setting, thresholds, and supporting documentation</li> </ul>

Question	BMs and Seats	Response
<p>for both DAEs and IAEs – could be considered unless a stronger and more detailed justification is provided.</p> <ul style="list-style-type: none"> <li>• <b>pp. 7–8, Appendix I:</b> While the intention to streamline processes is understood, further explanation of how these thresholds were derived and intended effect, would strengthen confidence in their effectiveness as a cost control mechanism within the overall framework.</li> <li>• <b>pp. 8-9:</b> Different treatment of entities, including uncapped PMC for DAEs and continued limits for IAEs, may create uneven incentives and weaken overall pressure for efficiency across the portfolio. While recognising the rationale to support DAEs and enhance country ownership, it would be important to further elaborate why such asymmetry is necessary and proportionate. In particular, clarification is needed on how the framework ensures consistent, well-balanced incentives and maintains robust cost discipline across all entity types.</li> <li>• <b>pp. 9:</b> The policy does not clearly establish a link between costs and performance, limiting incentives for cost efficiency and the delivery of results. Further consideration could be given to how such a link could be more explicitly and effectively embedded in practice.</li> <li>• <b>pp. 9–10, 15–16:</b> The expanded role of the Secretariat in setting thresholds, determining eligible costs, and approving PMC underscores the need for strong Board oversight and transparent reporting. This would help ensure predictability, consistency, and confidence in the application of the framework.</li> </ul>		<p>requirements to promote cost discipline while providing flexibility where justified.</p> <ul style="list-style-type: none"> <li>• The Secretariat takes note of this comment and will provide further details in the revised document.</li> <li>• The differentiated treatment of DAEs and IAEs reflects the differing institutional capacities, portfolio sizes, and operating contexts. The proposed approach seeks to support country ownership and direct access while maintaining appropriate accountabilities for all entities. The Secretariat will provide additional explanation of the rationale for this differentiation.</li> <li>• The request to consider linking costs and performance is noted. However, the policy seeks to cover the incremental cost of GCF requirements, rather than pay for performance. This is because the project management costs will be shared with GCF and will be needed to apply GCF policies.</li> <li>• The Secretariat agrees on the importance of transparency, consistency, and accountability in implementing the policy. While the proposed framework provides the Secretariat with authority to establish operational guidance and thresholds, substantive policy changes would remain subject to Board approval. The Secretariat will consider opportunities to strengthen reporting and communication on the implementation of the policy through existing reporting mechanisms.</li> </ul>
<ul style="list-style-type: none"> <li>• Canada recognizes the importance of updating the GCF’s approach to project management costs (PMCs) and related fees to allow for effective implementation of GCF projects, including by accounting for regional cost variations. We are supportive of the revised, flexible nature of the policy in this regard. We are equally supportive of an emphasis on the promotion of effective use of resources, both for GCF, accredited entities and executing entities, including through documentation that demonstrates a financially prudent approach to</li> </ul>	<p>Canada</p>	<ul style="list-style-type: none"> <li>• The Secretariat appreciates Canada's support for the proposed revisions and its recognition of the need to balance flexibility with the effective use of resources.</li> </ul>

Question	BMs and Seats	Response
<p>PMCs, in line with industry standards and relevant benchmarks, to ensure that all funded activities are as impactful as possible.</p>		
<ul style="list-style-type: none"> <li>• Page 21: PMU (for project and program) and Evaluation costs (Mid and Final Term) should be borne by the Project and defined in the project budget and not in the PMC. We would then suggest to modify Appendix II, 5 (f) (i) to be deleted accordingly and to add a 6 (vii) evaluation. In other word, the evaluation cost wouldn't be covered by the PMC, but be included in the project budget.</li> <li>• Applying lower remuneration to non-grant financial instruments is not straightforward, given the fact that the costs of instruction and implementation of these projects are higher. The appraisal, execution and supervision of reimbursable funds extend over longer term. This needs to be taken into account somehow (since all GCF fees are returned back to the GCF twice a year).</li> <li>• Program-based approaches (which involve in general bigger amounts of grant allocations i.e superior to 250 M USD) can entail higher costs that would not be covered by what is proposed as fees. That is why we request reconsidering the PMC threshold currently set at from 2/3% (for grants / non-grants) back to a 5% proper fees as is currently the case. The current proposal of 2-3% PMC cap would make programming unsustainable. As recipient countries move progressively towards a country-platform approach (an approach that we support like the rest of the G7 and the G20), we wouldn't want the revised policy to hinder these efforts.</li> <li>• Also, we believe the focus of the revision of the policy that participates in increasing access to finance for the most vulnerable - i.e. the proposed additional +0,5% for SIDS and LDCs that we very much support - should be strengthened: we support extending this additional cap to the conflict-affected countries</li> <li>• Moreover, we believe that this focus on the context of the country of intervention should also be applied to IAEs. In this regard, we also</li> </ul>	<p>France</p>	<ul style="list-style-type: none"> <li>• The Secretariat takes note of this comment. Under the current proposal, these costs are included within the PMC. The Secretariat will further consider this issue during the development of the budget approach document and assess whether additional clarification or adjustments may be warranted.</li> <li>• The Secretariat recognizes the importance of ensuring that the policy adequately reflects project complexity and will continue to review stakeholder feedback on the treatment of non-grant instruments.</li> <li>• The thresholds are designed to ensure that PMC requests remain reasonable, justified, and proportionate to project needs. The Secretariat will continue to consider stakeholder feedback regarding the application of the framework to large-scale operations.</li> <li>• The Secretariat acknowledges the challenges associated with project implementation in conflict-affected countries. The specific provisions for SIDS and LDCs reflect categories recognized in existing GCF policies and frameworks. The Secretariat will further address this in the policy.</li> <li>• The Secretariat acknowledges this comment. The threshold adjustments included in the proposed policy are intended to support DAEs and implementation in SIDS, LDCs, and African States. At the same time, the proposed policy allows higher costs to be justified where warranted by project-specific circumstances, including implementation in fragile and conflict-affected contexts.</li> </ul>



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Question	BMs and Seats	Response
believe IAEs that are intervening in LDCs, SIDS and conflict-affected countries should get an incentive.		

## II. Response matrix for Active Observers

This section provides the response matrix that addresses the comments from Active Observers including the observer network of civil society, Indigenous Peoples, and local communities.

Question	Entity	Response
<ul style="list-style-type: none"> <li>We generally welcome the proposed flexibility for Direct Access Entities and the recognition that implementation costs vary across contexts, such as for LDCs and SIDS. We do remain concerned that the country-level understanding of vulnerability, though, can obscure geographical focus areas of particular need, such as in fragile-and-conflict affected situations, which are not necessarily at state level.</li> <li>These contexts should also be considered in greater detail considering different funding approaches, as explored in more detailed comments below. As one example, the context of projects and programmes with unidentified subprojects (and their countries) introduces great variance in project management requirements. As shared previously, “Given the particular concerns when subprojects have not been identified at the time of approval of the project management costs, it is particularly unfortunate that a draft of the programmatic approach is not yet available, nor does this policy seem to make any distinction between projects and programmes. This oversight will therefore need to be grappled with as part of the programmatic approach.”</li> </ul>	<p>GCF Observer Network of Civil Society Organizations, Indigenous Peoples, and Local Communities</p>	<ul style="list-style-type: none"> <li>The Secretariat appreciates the support for the proposed flexibility afforded to DAEs and the recognition that implementation costs vary across contexts.</li> <li>The Secretariat acknowledges the importance of considering situations of fragility and vulnerability and notes that the policy seeks to provide flexibility through the application of thresholds allowing project-specific circumstances to be considered. The Secretariat takes note of the comments and will take this into consideration in the development of related operational guidance.</li> </ul>
<ul style="list-style-type: none"> <li>We appreciate that this policy and draft decision no longer sets annual targets for limiting costs as a percentage of GCF funding, as did a previous draft. With para. (d) of the decision, though, we do think it is important to note that setting annual targets is indeed prescribing parameters of the portfolio to be approved given the differences in fees across different types of projects. Setting a cap, for instance, does bias against the higher fees for projects and programmes serving LDCs and SIDS.</li> </ul>		<ul style="list-style-type: none"> <li>The Secretariat appreciates the concerns raised regarding portfolio-level cost targets. The Secretariat agrees that PMC levels should be considered in the broader context of portfolio composition, project characteristics, funding instruments, and country circumstances. The Secretariat also agrees on the importance of transparency and will consider opportunities to strengthen reporting on PMC trends and implementation experience through existing reporting mechanisms.</li> </ul>

Question	Entity	Response
<p>If such a provision is adopted as part of the multi-year work programme, it should be reported on within the context of the most updated strategic plan and any particular prescriptions and directions on portfolio mix - beyond the GCF's standard provisions for African States, LDCs, SIDS, and adaptation (noting LDCs and SIDS merit higher fees and adaptation is often grantbased, also requiring higher fees). Additionally, the anticipated fees should be reported on within the consideration of funding proposal documents, as is the anticipated impact on the overall portfolio. As stated before, the "emphasis should remain on monitoring the costs with robust and disaggregated data made publicly available and subject to Board discussion as part of Board meeting documentation."</p> <p>The fees are not a standalone item that can be managed separately for some sort of misguided sense of efficiency - any goals, caps, prescriptions regarding them entail trade-offs in the mix of projects/programmes in the portfolio. We remain concerned that an overall target for fees can insert additional bias into the pipeline on which projects and programmes are prioritized within a certain year to remain below a cap, resulting in fewer grant-based, LDC, and SIDS projects at the last board meeting of the year, for instance. And, as previously stated, "if indeed ex ante cofinance levels are being used to determine share of PMC, it could further drive AEs - and even Secretariat staff shepherding through proposals - to inflate these anticipated levels of cofinancing to appear more efficient."</p>		
<ul style="list-style-type: none"> <li>• <b>Page 5 Para. 10:</b> As stated in previous comments, "There is currently no transparency in the case-by-case negotiation outcomes for private sector projects and programs. These costs should be made public as part of the funding proposal documentation; the proposal to apply a case-by-case consideration more widely in the new policy should not undermine the principle of maximum transparency and accountability for fees paid by the GCF."</li> </ul>		<ul style="list-style-type: none"> <li>• Thank you for raising this item. The Secretariat agrees that transparency is an important principle of the policy. PMC budgets approved by the Board form part of the funding proposal documentation. The Secretariat will further consider how best to address private sector documentation.</li> <li>• The Secretariat appreciates the suggestions regarding the presentation of the underlying analysis. The analysis was intended to provide indicative observations to support policy development rather than a</li> </ul>

Question	Entity	Response
<ul style="list-style-type: none"> <li>• <b>Page 5 Section 2.1:</b> As stated in previous comments, “The results of this analysis of 173 projects should be available in tabular or other appropriate data-rich format as an annex, rather than some (not all) data being available in written summary in paragraphs [15, 16, and 17]. The tables or other graphical presentation should cover the suite of project sizes with separate columns/calculations for average costs, costs for grant instruments, costs for non-grant instruments, cost for public projects, costs for IAEs and costs for DAEs. Other variables, such as costs for single-country or multi-country projects, could be considered.</li> </ul> <p><b>Page 5 Section 2.1:</b> As stated in previous comments, “Additionally and critically, there is no mention of cost differences between projects and programmes, which seems an important data point that must be included. Likewise, it is mentioned in [para. 14] that the analysis examined the approved AE fee and approved PMC in relation to total project costs, including co-financing. We are seeking clarification if this was an analysis of expected co-financing, which in many cases is higher than the realized co-financing. If there is no downward adjustment for AE and PMC fees in cases of unrealized co-financing expectations, then the analysis will underestimate AE and PMC fees for co-financed activities, making them seem more cost-efficient than they are. Some clarity on the parameters and details of the analysis are therefore needed.”</p> <ul style="list-style-type: none"> <li>• <b>Page 5 Footnote 4:</b> As stated in previous comments, “Some description of the non-standard elements in the omitted FPs should be included in at least one paragraph of the 2.1 analysis, including the basic information of the number of FPs that were omitted - is this the matter of a handful or a dozen? Policymaking must cover the unusual cases as well as the expected ones, and without this information from the Secretariat’s analysis, decisions are being made without appropriate information.” Nearly one-third of the FPs having non-standard elements is indeed substantive.</li> </ul>		<p>comprehensive portfolio assessment. We will further consider how best to provide more information within the paper on the results of this analysis.</p> <ul style="list-style-type: none"> <li>• The Secretariat acknowledges the importance of understanding the drivers of cost variation across different project types, implementation approaches, and financial instruments. The analysis was intended to provide indicative observations to support policy development rather than a comprehensive portfolio assessment.</li> <li>• The Secretariat agrees that multiple factors may influence cost differences across projects and financial instruments. The analysis was intended to identify broad trends rather than establish causal relationships, and additional contextual explanation will be considered.</li> <li>• The Secretariat appreciates the support for consolidating AE fees and PMC. The proposed approach is intended to improve transparency through a single PMC budget and documentation requirements. The budget approach document will provide further guidance to support consistency and comparability across projects and programmes.</li> </ul>

Question	Entity	Response
<ul style="list-style-type: none"> <li>• <b>Page 6 Para. 16:</b> As stated in previous comments, “Likewise, the findings in [para. 16] that non-grant financial instruments had lower than average AE fees should be better explained/contextualized; many AEs with projects/programs with non-grants instruments are just engaging in financial intermediation/structuring, but not in project management, while most grant-financed projects and programs have the AE also overseeing project management or implementing projects themselves. The statement as presented is thus deceptive; it is not the financial instrument, but the type of activity supported by the financial instrument (intermediation vs. direct project implementation) that explains the cost differences. And again, this difference in non-grant financial instruments may be linked to the previous point on how calculations include cofinancing (anticipated and realized), since projects/programmes using non-grant instruments are more likely to have higher ex ante co-financing ratios.</li> <li>• <b>Page 7-8 Para. 23-25:</b> As stated in previous comments, “We generally agree that a consolidation of the AE fees into the PMC will facilitate greater visibility of project-related costs and streamline Secretariat review. This visibility, however, is dependent on the transparency of these costs, which should be included within all (public and private) funding proposal documentation. The new guidance and formats to be completed once the policy is adopted should allow for fair, accurate comparisons across projects and programmes and between public and private sector activities..” With regard to this documentation, the GCF’s Information Disclosure Policy provides for maximum access to information as its first principle.</li> </ul>		
<ul style="list-style-type: none"> <li>• <b>Page 8 Para. 26:</b> PMC flexibility is needed not only because accredited entities have differences, but because projects and programmes have differences, as mentioned above. And as mentioned in previous comments, “For instance, a locally-led approach redistributing grants and potentially technical assistance to local</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat agrees that PMC may vary significantly depending on implementation approaches, including locally led climate action, enhanced direct access, on-granting arrangements, and other delivery models. The proposed policy is intended to allow these factors to be considered through project-specific budget assessments. The</li> </ul>

Question	Entity	Response
<p>CSOs may have higher PMC, while the funds being spent at that local level will drive better outcomes, in line with mandates for increased direct access.” “Thus, the application of a sliding scale for thresholds based on project size and financial instruments is likely not enough; the type of funding approach (fund-of-fund/intermediation without project management, vs. LLCA or EDA approaches) should also be taken into account.” Generally, we encourage the Secretariat to more explicitly recognize the costs associated with meaningful stakeholder engagement, community participation, gender-responsive implementation, and work with vulnerable populations - all of which are required in the course of all project activities and should be built into funding proposal budgets, but which have additional administrative coordination required that should be part of PMC costs in the case of LLCA and EDA approaches, for example. For many locally led projects, particularly those involving women, rural communities, and marginalized groups, effective implementation requires sustained consultation, trust-building, capacity strengthening, safeguarding, and continuous engagement throughout the project cycle. These functions are critical to project success and should be adequately recognized within project management cost arrangements. As the GCF continues to advance country ownership and locally led climate action, the policy should help ensure that accredited entities can appropriately resource these functions without compromising the quality of community engagement and inclusion - and without siloing the fulfillment of policy requirements, such as the Indigenous Peoples Policy and Gender Policy, to separate activities covered only by project management costs.</p> <ul style="list-style-type: none"> <li>• <b>Page 10 Para. 41:</b> As a concern previously mentioned, reporting to the Board on the implementation of the policy must contain more than reporting on fees assessed, especially fees assessed according to the current thresholds. Consideration of projects vs. programmes, project/programme type and approach (on-granting, etc. ), even descriptions of the non-standard elements (currently 29% of the recent portfolio) are necessary to ensure necessary information on</li> </ul>		<p>Secretariat also recognizes the importance of adequately resourcing stakeholder engagement, gender-responsive implementation, safeguards, Indigenous Peoples engagement, and other activities necessary for effective project implementation.</p> <ul style="list-style-type: none"> <li>• The Secretariat agrees that implementation reporting should provide sufficient information to support Board oversight and future policy refinement. The Secretariat will consider opportunities to provide additional information on PMC trends, implementation experience, and relevant portfolio characteristics within existing reporting arrangements.</li> <li>• Thank you for this comment. We will further consider on how best to incorporate additional references to relevant policies for better clarity.</li> <li>• The Secretariat acknowledges the importance of ensuring sufficient capacity to support effective implementation of the policy. Internal capacity-building activities, guidance materials, and internal processes will be developed as part of policy implementation.</li> <li>• The Secretariat agrees on the importance of transparency in the development and implementation of the budget approach. The Secretariat will consider how information on implementation experience, assessments, and supporting analyses may be communicated through existing reporting arrangements.</li> </ul>

Question	Entity	Response
<p>the actual costs of a variety of activities is transparent and can inform the Board in directing the Secretariat in future policy guidance and implementation.</p> <ul style="list-style-type: none"> <li>• <b>Page 10-11 Para. 47:</b> As stated in previous comments, “The statement, ‘the PMC budget will be subject to regular oversight and monitoring during implementation’ should be qualified with additional information on how and when that oversight and monitoring will occur, in line with the Monitoring and Accountability Framework. These linkages must be outlined and not simply assumed, even if just in footnotes.”</li> <li>• <b>Page 11 Para. 48:</b> As stated in previous comments, “We greatly appreciate the intention and attention to ensuring DAEs are not disadvantaged by the policy, but there are logistical questions about the Secretariat’s role in safeguarding that through their training, per paragraph 32. Who will be training the Secretariat? Is one department training the regional departments? And how does this additional responsibility align with the Secretariat continuing to be under-capacitated in terms of staffing? The intent must be facilitated with resources, including staff time, to be implemented.”</li> <li>• <b>Page 11 Para. 49:</b> As stated in previous comments, “This paragraph should introduce information on where the public data on costs will be available, as part of what reporting, that will then inform and be part of stakeholder consultations. [This particular paragraph] should also provide more background and explanation on the process for the development of the planned budget approach document, which is a fundamental element for the implementation of the new policy” and where stakeholder consultation is key.</li> </ul> <p><b>Page 11 Para. 51(c):</b> As with previous comments on transparency and information disclosure, will this internal assessment be made publicly available, such as an informational annex?</p>		
<ul style="list-style-type: none"> <li>• <b>Page 12 Para. 55:</b> It should be specified in which (regular or new?) Board document the annual reporting to the Board will be included.</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat agrees that clarity on reporting arrangements would be beneficial, and we appreciate the suggestion provided and will take</li> </ul>

Question	Entity	Response
<p>Preferably, this is data that should be included in the consideration of funding proposals document at each Board meeting, so Board members can see the breakdown of how not just AE type, LDCs, and SIDS affect PMC, but project approaches and activities. This is about understanding what it takes to achieve the impact associated with each project and programme, and basic impact and overview measures are included in the consideration of funding proposals document. Status of the GCF resources, portfolio, and pipeline should also include a tabular breakdown of ALL PMC fees by AE type, project vs. programme, FP size, financial instrument, approaches (fund-of-fund, on-granting, LLCA), co-financing (anticipated and actually delivered), PSAA, REDD+, etc.</p> <ul style="list-style-type: none"> <li>• <b>Page 14 Para.3(d):</b> Where are “Readiness Partners” defined in GCF documentation? A footnote reference would at least be helpful as determining the scope of this term, which is not defined or even used in the Readiness Strategy 2024-2027 (though “delivery partners” is).</li> <li>• <b>Page 15-16 Para. 10(a):</b> Echoing some previous comments on an earlier formulation of the draft, this statement acknowledging non-duplication between the management fee and project management costs is vital but also indicates the need to have this policy further explored in light of a programmatic approach policy. Additionally, beyond management fees, in the case of fund structures (programmatic approaches), the policy should also be clear to not allow ‘hidden costs’ - which in effect are PMC to be designated as project costs (and thus not affecting applicable thresholds), such as the cost for setting up a special purpose vehicles (SPV) or the fund itself. We feel this has previously been standard practice for this type of programme.</li> <li>• <b>Page 15-16 Para. 10(d):</b> As stated in previous comments, “While this sounds good in principle, this introduces an incremental cost approach to PMCs, which, as the experience with incremental cost approaches for project costs overall shows, such as in the case of adaptation or local projects, is very hard to establish. This brings in a</li> </ul>		<p>it into consideration as we consider the adequate reporting mechanism to inform the Board.</p> <ul style="list-style-type: none"> <li>• The Secretariat appreciates the suggestion and will review how best to clarify this definition.</li> <li>• The Secretariat agrees that the principle of avoiding duplication between management fees and PMC is important. We will further consider how best to ensure that project management costs are appropriately categorized and transparently presented.</li> <li>• The Secretariat acknowledges the concern regarding the practical application of this provision. Additional guidance will be provided through the budget approach document to support consistent application.</li> <li>• The Secretariat agrees that compliance with the Gender Policy, Indigenous Peoples Policy, environmental and social safeguards, and other applicable GCF policies is integral to project implementation. The Secretariat will review the drafting to ensure that the text does not inadvertently create ambiguity regarding the importance of mainstreaming these considerations.</li> <li>• Thank you for this comment. Similarly noted above, the Secretariat acknowledges the importance of ensuring sufficient capacity to support effective implementation of the policy. Internal capacity-building activities, guidance materials, and internal processes will be developed as part of policy implementation.</li> </ul>

Question	Entity	Response
<p>lot of subjectivity in the assessment of what is and is not ‘part of the Partner’s core business.’”</p> <ul style="list-style-type: none"> <li> <b>Page 16 Para. 12:</b> The chosen ambiguity here and as specified in the technical session does not seem to prioritize or ensure the fulfillment of the GCF’s Gender Policy, Indigenous Peoples Policy (which should be capitalized), or environmental and social safeguards. First, this paragraph conflates the level of action at which policies are implemented - a project/programme level gender action plan is commensurate with an Indigenous Peoples Plan or Framework, not the Indigenous Peoples Policy. The Gender Policy and Indigenous Peoples Policy are commensurate and contain requirements that may be fulfilled by AEs in part, though not entirely, through actionable plans in the funding proposals. As stated in previous comments, “there needs to be specificity on what elements of compliance with the Indigenous Peoples’ Policy may be eligible for project management costs, as many elements must be integrated throughout the project and need to be budgeted for and resourced within the project budget. This lack of clarity could contribute to further siloing the requirements of the Indigenous Peoples’ Policy from the project design and implementation itself, which is indeed the antithesis of recent recommendations regarding the GCF’s approach to the Indigenous Peoples’ Policy.” Likewise, here, anything in a project/programme gender action plan, which again, is only one part of fulfillment of the Gender Policy, is eligible for PMC costs. This approach, where the point is to ensure there is not duplication across project costs and PMC, gives tacit permission to AEs and the Secretariat guiding FP development to further silo gender and Indigenous Peoples activities and downplay the prioritization of policy fulfillment by suggesting these are not elements to be mainstreamed throughout the entire project design, implementation and activities, as well as the associated FP budget. We appreciate the clarification by the Secretariat during the technical session that it is the AE choice, but this hands-off approach will further result in the poor implementation already documented in the IEU evaluation of </li> </ul>		

Question	Entity	Response
<p>the GCF’s approach to the Indigenous Peoples’ Policy, the fact that only 34% of beneficiaries are women, and other indicators we have that gender and Indigenous Peoples are thought of as extra requirements - somehow the cost of doing business with the GCF - rather than integral to project and program success.</p> <ul style="list-style-type: none"> <li>• <b>Page 18 Para. 26-28:</b> As previously raised, “there are questions that the implementation of this policy raises for the overall management of the Secretariat. Paragraph [26] presumes a level of staff capacity that has not been proven, as the staff continues to experience high-turnover and has not reached the staff cap set for 2023. The effectiveness of this policy, particularly ensuring DAEs are appropriately guided and not disadvantaged, relies on Secretariat staff capacity.” With regard to para. 28, the information flow to stakeholders on previous operational guidelines, here in particular noting the budget approach document which will be key to implementation, has been lacking.</li> </ul>		
<ul style="list-style-type: none"> <li>• <b>Page 20-21 Para. 5(c) (vi):</b>, the inclusion of technical consultants in supervision missions, is simply further detail on (iv), supervision missions, and should not be a separate paragraph.</li> <li>• <b>Page. 21 Para. 5(d)&amp; (f):</b> As stated in previous comments: The “relevant policies” set out in (i) should be referenced, and at the very least, footnoted, including but not limited to the Monitoring and Accountability Framework. Furthermore, the generic use of “performance reports” does not appropriately detail or differentiate the longstanding annual performance reports, interim evaluations, and final evaluations that are required for projects and programmes, and the reluctance to use the names of these reports muddies the waters across (d) and (f). The project completion report is mentioned in (ii), but there is a separate, independent final evaluation also required at project completion, here presumably under (f). In (d)(ii), the project closing documents and completion report should also include the reference to the policies and documents where those are outlined; in (f), the evaluation policy should be referenced. This</li> </ul>		<ul style="list-style-type: none"> <li>• The Secretariat appreciates the drafting suggestion and will make the revision to include this suggestion.</li> <li>• We will further consider on how best to incorporate additional references to relevant policies for better clarity.</li> <li>• Thank you for this comment. As noted above, the Secretariat acknowledges that different implementation approaches may have implications for PMC. The proposed thresholds are intended to provide flexibility through project-specific budget assessments. The Secretariat will consider whether additional guidance is needed on how implementation approaches may be taken into account when assessing PMC budgets and supporting documentation requirements.</li> </ul>

Question	Entity	Response
<p>generic language creates ambiguity rather than direction and clarity on the scope of the policy, especially as previously the interim and final reports were covered by the AE fees and now are combined into the PMC (with the AE fees); furthermore, anchoring what is required in specific policies, such as the updated MAF and Evaluation Policy, can help with the ambiguity across these different reporting requirements. If additional paragraphs need to be added for specificity among projects, readiness, and PPF, then that will strengthen rather than detract from this policy. A performance report cannot be differentiated by gender; only data within a performance report may do so. It remains unclear what this direction to differentiate by gender is actually speaking to - the IRMF indicators that specify project beneficiary disaggregation by gender? Adding in gender without specificity doesn't actually improve the GCF's ability to advance gender equality; please clarify the requirement to be fulfilled here.</p> <ul style="list-style-type: none"> <li>• <b>Page 19. Para 1:</b> As previously stated, the application of a sliding scale for thresholds based on project size and financial instruments is likely not enough; the type of funding approach (fund-offund/intermediation without project management, vs. LLCA or EDA approaches) should also be taken into account." The type of funding approach should be integrated into Table 1 to provide greater flexibility before documentation is required for LLCA and EDA approaches.</li> </ul>		

### III. Response matrix for National Designated Authorities

This section provides the response matrix that addresses the comments from National Designated Authorities.

Question	Response
General comments on the proposed revisions to the Policy on Fees	The Secretariat thanks NDAs and Focal Points for their feedback. Comments generally acknowledge the objectives of enhancing transparency, flexibility, and responsiveness to country contexts. At the same time, NDAs emphasized the need for clarity, predictability, and alignment with country-level implementation realities.
<p><b>Cost adequacy, context sensitivity, and country-level cost considerations.</b></p> <p>NDAs welcomed the recognition of higher costs in LDCs, SIDS, and challenging contexts, while raising concerns that proposed thresholds and adjustments may not fully reflect actual country-level cost structures.</p>	The Secretariat acknowledges the importance of ensuring that PMC levels adequately reflect actual implementation costs and will continue to monitor implementation experience to assess whether further adjustments or guidance may be warranted.
<p><b>Clarity, predictability, and consistency of application (including core vs incremental costs)</b></p> <p>NDAs emphasized the need for clear definitions of “core” and “incremental” costs, as well as predictable and consistent application of PMC thresholds. Concerns were raised regarding potential variability in interpretation and negotiation outcomes.</p>	The Secretariat agrees on the importance of clear definitions and consistent application of the policy. The budget approach document will provide additional guidance on the interpretation of key concepts, including core and incremental costs, as well as the application of thresholds and supporting documentation requirements. This guidance is intended to promote transparency, consistency, and predictability in the assessment of PMC requests while retaining sufficient flexibility to accommodate project-specific circumstances.
<p><b>Administrative burden, capacity constraints, negotiation dynamics and implementation support</b></p> <p>NDAs highlighted that increased documentation and justification requirements may pose challenges for countries with limited capacity and could affect project preparation timelines. NDAs noted that increased reliance on negotiation may create challenges where national institutions have limited negotiating capacity, with potential implications for equity across countries.</p>	The Secretariat acknowledges concerns regarding potential administrative burdens and differing capacities to engage in budget discussions and negotiations, particularly for countries and institutions with limited resources. Additional justification would generally only be required where requests exceed the applicable thresholds. The proposed policy also seeks to improve transparency and consistency through clearer thresholds, documentation requirements, and budget guidance, thereby reducing uncertainty in the assessment process. To support implementation, the Secretariat will provide guidance materials, and stakeholder engagement to facilitate understanding and application of the policy across countries and entities.
<p><b>Alignment with national systems, financing modalities, and portfolio implications</b></p> <p>NDAs emphasized the importance of alignment with national budgeting and financial management systems, as well as coherence across funding modalities and co-financing arrangements. Questions were also raised regarding how</p>	The Secretariat agrees on the importance of aligning the policy with national systems and ensuring coherence across financing modalities and co-financing arrangements. The proposed policy is intended to be sufficiently flexible to accommodate different implementation contexts while maintaining consistent principles for the assessment of PMC requests. The Secretariat notes that PMC assessments will continue to be undertaken at the project level and are not intended to

Question	Response
portfolio-level considerations may affect country-level allocations.	influence country allocations. The Secretariat will consider whether additional clarification on these aspects would be beneficial in the revised document.

#### IV. Response matrix for Accredited Entities

This section provides the response matrix that addresses the comments from Accredited Entities.

Question	Response
<p><b>General comments on the proposed revisions to the Policy on Fees</b></p> <p>Across all written submissions, there is broad support for the objectives of the revised policy (transparency, flexibility, context sensitivity), but strong and consistent concern about implementation risks.</p> <p>Important distinctions emerged between IAEs and DAEs. IAEs tend to emphasize financial sustainability, governance, and institutional compatibility, whereas DAEs highlight operational feasibility, negotiation dynamics, and structural equity.</p>	<p>The Secretariat thanks all Accredited Entities for their comments and feedback.</p>
<p><b>Cost recovery and financial adequacy</b></p> <p>AEs expressed concerns that the proposed framework may reduce overall cost recovery for project supervision, fiduciary oversight, and compliance functions. IAEs emphasized misalignment with institutional cost-recovery models, which require full cost coverage, while DAEs highlighted the risk that insufficient cost recovery could undermine their financial sustainability and ability to deliver projects.</p>	<p>The Secretariat acknowledges concerns regarding the adequacy of cost recovery for project management, oversight, fiduciary, and compliance functions. The proposed policy is intended to support the provision of reasonable and justified PMC based on project needs through a budget-based approach rather than fixed fee structures. This approach is designed to provide greater flexibility to reflect differing institutional arrangements, project characteristics, and implementation contexts. The Secretariat will continue to monitor implementation experience to assess whether the policy effectively supports project delivery while maintaining transparency and accountability.</p>
<p><b>Clarity on core costs vs incremental costs</b></p> <p>AEs requested clearer definitions and practical guidance on the distinction between “core costs” and “incremental costs.” Feedback indicates that many functions, such as fiduciary</p>	<p>The Secretariat agrees on the importance of providing clear guidance on the distinction between core and incremental costs. The budget approach document will provide additional clarification and practical guidance to support consistent application of these concepts. The Secretariat recognizes</p>

Question	Response
<p>controls, safeguards, and compliance, are both institutional and project-specific in nature. IAEs emphasized the difficulty of disaggregating these costs within existing systems, while DAEs highlighted operational challenges in applying the distinction during budgeting and negotiations.</p>	<p>that certain functions may contain both institutional and project-specific elements and intends the guidance to support practical implementation while avoiding duplication of costs.</p>
<p><b>Consolidation of AE fees and Project Management Costs (PMC)</b>            AEs raised concerns regarding the integration of AE fees and PMC into a single budget framework, noting that oversight and implementation functions serve distinct roles and may be subject to different governance and accounting arrangements. IAEs emphasized that consolidation may create challenges in aligning with institutional budgeting, reporting, and audit frameworks, and could reduce transparency over oversight costs. DAEs highlighted the potential for trade-offs within a single envelope, particularly where entities perform both oversight and implementation roles.</p>	<p>The Secretariat notes that the objective of consolidation is to streamline budgeting and enhance transparency through a single, itemized framework, while maintaining a clear distinction between supervision and implementation costs within that framework. The Secretariat will ensure that forthcoming guidance, including the budget approach document, provides sufficient clarity on cost categorization, role delineation, and reporting expectations so that oversight functions are not compromised and can be appropriately resourced and identified.</p>
<p><b>Budget approach document and implementation guidance</b>            AEs emphasized that key operational parameters are deferred to the forthcoming budget approach document, limiting their ability to fully assess the policy. Both IAEs and DAEs requested that this document be shared for consultation prior to implementation, including details on thresholds, cost eligibility, and methodologies.</p>	<p>The Secretariat acknowledges the importance of the budget approach document for the implementation of the policy. The document is intended to provide operational guidance on the application of thresholds, cost eligibility, documentation requirements, and budget preparation. The Secretariat agrees on the value of stakeholder engagement in the development of this guidance and intends to consult relevant stakeholders as part of the process.</p>
<p><b>Eligibility of staff and supervision costs</b>            AEs raised concerns regarding the treatment of staff costs, particularly for supervision. IAEs emphasized the centrality of personnel costs to implementation models, while DAEs noted reliance on project-funded staffing.</p>	<p>The Secretariat acknowledges the concerns raised regarding the treatment of staff and supervision costs. The exclusion of supervision staff costs has been maintained in the current proposal to avoid potential double counting of costs. Further guidance on the eligibility and categorization of staff and supervision-related costs will be provided through the budget approach document to support consistent application of the policy.</p>
<p><b>Administrative burden and operational feasibility</b>            AEs indicated that the shift to a bottom-up, itemized PMC approach may increase administrative requirements. IAEs noted potential increases in transaction costs, while DAEs highlighted</p>	<p>The Secretariat acknowledges concerns regarding the potential administrative implications, particularly for entities with limited capacity. While the proposed framework introduces a more structured approach to PMC budgeting, additional justification would generally only be required where requests exceed the applicable thresholds. The Secretariat will support implementation</p>

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Question	Response
capacity constraints, particularly for smaller or less experienced entities.	through guidance materials and stakeholder engagement to facilitate understanding and application of the policy.
	The Secretariat will continue to engage with Accredited Entities and NDAs and incorporate feedback, as appropriate, through the finalization of the policy framework and the development of the associated budget approach document and implementation guidance.

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