

GREEN
CLIMATE
FUND

Consultations on the GCF's Policy on Project Management Costs

13 January 2026

| GCF.10 |

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Agenda

- Background
- Current Policy
- Rationale for policy changes
- Proposed Key Changes
- Next Steps
- Questions and Answers

Background

- **Board Mandate:** B.36/06 (d): “Further notes the IEU’s recommendation regarding the GCF’s Policy on Fees and requests the Secretariat to present a revised policy on accredited entity fees for consideration by the Board...”
- **Relevant IEU conclusions and recommendations:**
 - GCF does not account for regional cost variations, as fees are applied evenly across regions and AE types
 - GCF should revise its policy on fees to account for high operating costs, particularly in LDCs, SIDS and fragile and conflict-affected contexts
 - Policy should account for the additional AEs responsibilities e.g., project monitoring, reporting, learning

Current Policy

- **Approved in 2018:** Decision B.19/09
- **Applies to:** Funded Activities, PPF, Readiness
- **Public sector grants:** AE fees negotiated up to maximum amounts
- **Private sector and public sector non-grants:** Negotiated on a case-by-case basis, but in principle should not exceed the cap
- **Project management costs:** Requires additional documentation for PMC exceeding 5 percent for funding proposals and 8.5 percent for Readiness and PPF proposals.

Table: Fees structure for AEs of the Green Climate Fund

Size ¹	Fee cap % of GCF funding (grant portion) ²
Micro (< USD 10 million)	Up to 8.5%*
Small (USD 10–50 million)	Up to 7% **
Medium (USD 50–250 million)	Up to 5%
Large (> USD 250 million)	Up to 4%

"Up to" means the fees are subject to review and negotiation between GCF and the accredited entity based on the general principles and eligible expenditures.

*In case of the micro-size projects, a fees cap may be increased to 10% if the Secretariat considers that there is a strong justification for increasing the percentage.

**In case of the Small size projects, a fees cap may be increased to 8% if the secretariat considers that there is a strong justification for increasing the percentage.

Rationale for policy changes

Policy Rationale: A revised policy is needed to:

- Enhance **predictability, efficiency, flexibility and transparency** of GCF procedures and amounts paid to AEs and for project management costs
- Reflect **operational considerations** of AEs' project management and delivery processes
- **Align with expectations under the revised Accreditation Framework** that AEs have the capacity and resources to fulfil their operational and administrative obligations to GCF throughout the project cycle

Purpose: The revised policy will aim to:

- Better **adapt to country context**
- **Reduce administrative burden** on GCF and partners
- Provide **greater transparency, financial adequacy and reasonable budgeting**

Proposed key changes

Combine AE fees and project management costs (PMC)

- Expenses previously covered by AE fees will now be part of PMC and reviewed as part of project budget; **no separate fee budget**
- AEs may recover eligible costs through PMC if justified
- Greater transparency, lower transaction costs and reduced potential for duplication through **integrating AE expenses into single budget**

Raise threshold for PMC

- Threshold (not a cap) provides **flexibility to adjust to different country contexts** as needed
- Lower thresholds for projects financed through **loans, guarantees, equity, or reimbursable grants**, aligned with data from existing projects
- To control overall costs, Secretariat will track and report annually against **targets for PMC as percent of portfolio**

Principle-based policy with possible adjustments over time

- The revised Policy will set the **principles, eligible expenses, and roles and responsibilities**
- To better respond to evolving GCF needs and market conditions, the ED may **update the thresholds** and **add expense categories covered by PMC** if needed, following notification to partners and within parameters of Board decisions.

Proposed general approach to PMC

How much should be paid for PMC?	What share of PMC will GCF pay?
<p>PMC will be estimated by Partner within a separate section in the Project budget & agreed by GCF:</p> <ul style="list-style-type: none">• Based on itemized list of expenses• Reflective of estimated costs expected to be incurred by the Partner• Based on the needs of the project, not previously agreed PMC amounts• Aligned with a list of eligible expenses and a budget approach document• Will not duplicate any expenses covered by the management fee• PMC exceeding specified thresholds will require additional documentation on country context or implementation needs• Partner will report to GCF on expenditure of PMC during implementation	<p>Negotiated between GCF and the Partner based on the following principles:</p> <ul style="list-style-type: none">• The PMC paid by GCF will not duplicate other funding provided by GCF• In projects with co-financing, PMC will be shared by the GCF and co-financiers• Based on the needs of the project and not on the share agreed in previous projects• GCF's proportion of the PMC should not exceed its proportion as the total project cost• GCF should pay the incremental expenses incurred by the AE to meet the policies and requirements of the GCF, but not activities that are part of the AE's core business.

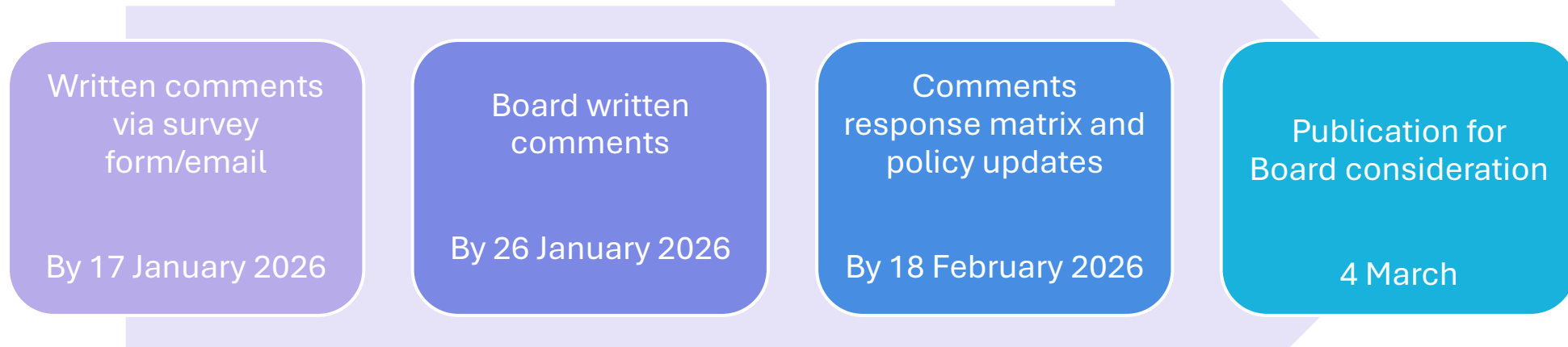
Proposed thresholds for PMC

Total financing	Threshold (PMC as % of total financing)	
	Projects/ programmes financed by grants only	Projects/ programmes financed by reimbursable grants, loans, equity or guarantees
< USD 10 million	10 %	5 %
USD 10 - 49.999 million	7.5 %	3.5 %
USD 50 - 99.999 million	5 %	3 %
USD 100 - 149.999 million	4 %	2.5 %
USD 150 - 199.999 million	3 %	2 %
USD 200 - 249.999 million	2 %	1.5 %
> USD 250 million	1 %	1 %

- A project's threshold for detailed documentation will be set at either: (a) the appropriate PMC as a percentage of total financing as shown in the table, or (b) the maximum PMC under the next lowest category, whichever is greater.
- The % of PMC financed by GCF will be \leq GCF's % share of the overall project budget.
- GCF may accept PMC above these thresholds if the documentation presented explains why additional costs are justified given the **country context or implementation needs** of the project.

Next Steps

- Feedback and comments provided during the consultation will inform the updated version of the Policy
- Timeline is subject to change based on the GCF Board agenda and work plan





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