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Fund for responding
to Loss and Damage

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Policy on oversight fees

Summary

This document contains information on the development of the proposed policy on oversight fees for the Board's consideration, including the guiding principles for the policy, and key considerations and options that inform the recommended approach. A draft decision is included in annex I, the policy on oversight fees is in annex II and a benchmarking analysis is presented in annex III.

I. Context

1. At its seventh meeting, the Board adopted the access modalities under the Barbados Implementation Modalities (BIM) (decision B.7/D.5). In decision B.7/D.5, paragraph (o), the Board requested the FRLD Secretariat to develop a policy on oversight fees for access entities and national governments accessing the Fund that takes into account the financial capacities of the respective institutions.

2. All entities accessing the Fund are required to conduct oversight functions to ensure that FRLD resources are used effectively, appropriately and in accordance with approved funding requests. These functions include fiduciary oversight, environmental and social safeguards (ESS), quality assurance, evaluation, reporting and issue escalation, and risk management. Collectively, these functions are essential for upholding integrity, transparency and accountability, and for achieving the intended results set out in the approved funding request.

3. "Oversight fees" refer to the fees provided to access entities and national governments that access the Fund through the modalities established under the BIM and undertake oversight functions accordingly. These fees cover the cost of overseeing the implementation of FRLD-supported activities on the ground. The oversight function is separate from the execution function: executing entities are those responsible for leading the actual implementation of activities. Accordingly, oversight fees are treated separately from funded activity budgets, which cover implementation costs that are based on the approved funding request.[1]

4. This document contains information on the development of the proposed policy on oversight fees for the Board's consideration, including the key elements on which the Board is recommended to take a decision, the guiding principles for the policy, and key considerations and options that inform the recommended approach.

5. The proposed **policy on oversight fees** for consideration by the Board is contained in annex II. The policy clarifies who is responsible for conducting oversight; establishes differentiated caps on the rate of fees per institution type; and explains how the oversight fee is calculated as a percentage of the approved project/programme[2] budget. It also describes how fees are paid and disbursed, and sets expectations for post-project record keeping and reporting on fee use. Finally, it lists indicative oversight functions supported by the fee, while distinguishing these from implementation/execution and project management costs that must be covered under the funded activity budget.

6. This document also contains benchmarking information (annex III), which illustrates the proposed FRLD fee structure in relation to the practices of other multilateral climate funds.

II. Principles governing the oversight fees

7. The policy on oversight fees is guided by the following principles:

(a) **Simplified and proportionate**: aligned with the objectives of simplified and streamlined processes, the policy proposes capped percentages for the oversight fee that are proportionate to the project/programme budget. In addition, higher percentages are proposed for national access entities and national ministries accessing under the direct access via direct budget support through national governments modality, reflecting their financial capacities;

[1] The funding request template already contains a budget line for oversight fees. After adoption of the policy on oversight fees, entities will populate this line based on the agreed percentage ceiling. Entities will also be expected to provide a cost justification for their oversight costs in their funding requests.

[2] In the context of the policy on oversight fees, the terms "project" and "project/programme" refer to any project, programme, or activity funded by the FRLD grant.

(b) **Purposeful and function driven:** oversight fees are to be used solely for conducting the oversight functions required in overseeing the implementation of FRLD-funded activities. Fees shall be linked to the oversight functions listed in annex II and should not substitute for or cross-subsidize unrelated institutional activities or overlap with implementation/execution functions carried out by executing entities, or with project management functions carried out by project management units;

(c) **Tranche-based**: to reduce administrative burden, the oversight fees are structured as tranche-based and paid at the same time as disbursements aligned with the disbursement schedule of the funded activities.

III. Key considerations

8. In developing the oversight fee policy, several key considerations[3] were evaluated covering caps on the rate of fees by recipient type, fee calculation, fee disbursement arrangements, and how the oversight fee relates to the BIM financing envelope.

A. Oversight fee rate

9. A wide range of factors can influence oversight responsibilities and the associated administrative costs for individual projects/programmes. Some options that were explored in determining the oversight fee are presented below.

1. Option 1: Capped percentage fee (recommended)

10. Oversight fees are calculated as a percentage of the approved project/programme budget,[4] subject to an upper cap. The proposed fee level (7 or 8 per cent) draws from practices in other climate funds (see annex III), where 7–10 per cent is the prevailing rate for oversight fees for public sector projects/programmes. However, setting a lower cap for FRLD's oversight fee reflects the expected simplicity of FRLD's reporting and funding request processes under the BIM.

11. Differentiated oversight fee rate caps for different recipients (i.e. a fee cap of 8 per cent for national ministries and other national or subnational access entities; and a fee cap of 7 per cent for international and regional access entities) are proposed to reflect the financial capacities and institutional contexts of access entities and national governments, in line with prior Board guidance.

12. National ministries and national or subnational access entities often operate with more limited financial flexibility and administrative margins, making it more difficult for them to absorb the incremental costs associated with oversight functions (e.g. fiduciary supervision and compliance with reporting and safeguards requirements) without diverting resources from core public functions. A modestly higher oversight fee cap for these national ministries and national/subnational access entities helps ensure that oversight obligations do not impose an undue financial burden, particularly in vulnerable and capacity-constrained contexts.

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3 These elements of the proposed oversight fee policy are informed by a benchmarking exercise (see annex II) of the oversight fee structure and principles in other multilateral climate funds for grant-funded public sector projects.

4 Grand total funding request = Project activities cost (a) + project execution/management cost (b) + Oversight fee (c). Oversight fee is calculated as a percentage of the project budget: (a) + (b). Under the BIM, the project budget (i.e. (a) +(b)) can range from USD 5 million to USD 20 million. With a 7 per cent oversight fee, the grand total funding request = 1.07 × ((a)+(b)), inclusive of the oversight fee. With an 8 per cent oversight fee, the grand total funding request = 1.08 × ((a)+(b)), inclusive of the oversight fee.

13. This option is recommended because it will ensure simplicity, speed and consistency under the BIM.

Pros	*Cons*
This option is simple and predictable for both FRLD and recipients. It is easy to apply, understand, and communicate, reducing appraisal time at the Secretariat.	The cost alignment process is not fully optimized, which may result in access entities/national governments being either overcompensated or under-compensated in specific cases.
Using a percentage-based fee reflects prevailing practice in other multilateral climate funds (e.g. the Adaptation Fund, the Global Environment Facility and the Green Climate Fund).	Even when the percentage is meant to serve as a cap (or maximum limit) rather than a target, access entities/national governments will often charge up to that maximum because of risk management concerns, cost uncertainties, and common industry practices.
This option offers a lower administrative burden for recipients, as detailed cost reporting and case-by-case negotiation is not required.	
Having a cap prevents fee inflation and may increase contributor confidence.	

2. Option 2: Fee based on cost recovery

14. Oversight fees are reimbursed only for documented, eligible costs. This option offers greater transparency and is suitable for high-risk situations deemed by the Board to require higher scrutiny. However, it does not fit a streamlined fund model and is not recommended.

Pros	*Cons*
There is strong cost alignment, ensuring that all recipients perceive the process as fair, irrespective of project type or complexity.	There is a significant administrative burden and elevated transaction costs for both recipients and the Secretariat, as these parties will need to conduct cost tracking, potentially arrange for external verification, and engage in case-by-case negotiation processes.
There is tighter cost monitoring, which would be important for high-risk situations.	No other multilateral climate fund uses this model.

B. Fee disbursement

1. Option 1: Phased or annual disbursements linked to project/programme disbursements (recommended)

15. With this option, oversight fees are paid in instalments that correspond to the progress of the project/programme progress and disbursements according to the approved disbursement schedule. This allows for continued progress and streamlining with project disbursements, which increases efficiency.

16. This option recommends front-loading disbursements to address the need for higher cash flow at the start of implementation. However, the first disbursement tranche may not exceed 30 per cent of the total oversight fee, as per the Secretariat’s proposal.

17. To ensure continued oversight until the completion of the project/programme within the expected timelines, 15 per cent of the oversight fee will be retained until the final disbursement.

Pros	*Cons*
Phased tranches reduce risks (including but not limited to fraud, misappropriation) more effectively than front-loaded disbursement.	There could be a higher administrative burden with more transactions per project (compared to only two transactions as in option 2).
There is a clear link between oversight effort and implementation progress.	There could be cash-flow timing challenges for access entities/national governments that may have more oversight-related costs linked to project set up.

2. Option 2: Higher front-loaded disbursement with final retention

18. This option proposes that the oversight fee is administered in two tranches. It allows for a large portion of the oversight fee to be provided up front (up to 70 per cent of the capped 7 or 8 per cent fee) after signing the legal agreement or alongside the first disbursement, with the remainder held until final completion requirements are met. The retained amount serves as an incentive for compliance and risk mitigation.

Pros	*Cons*
Supports early oversight costs and provides adequate cash for recipients with weaker financial capacities.	Front-loaded risk if projects are stalled or cancelled. In addition, recovering unused funds will increase the overall administrative burden.
Fewer transactions and lower administrative burden for both parties.	Weaker linkage to performance or compliance, especially if the retained final tranche has a small value.

C. Options for fee boundary vis-à-vis the funding envelope

19. The oversight fees are calculated as a percentage of the project/programme budget but are additional to the specific funding envelope dedicated to project activities. This ensures that the USD 5 million to USD 20 million range that is available per grant under the BIM remains available solely for project activities.

20. The Board will be requested to consider whether these oversight fees should be drawn from within the total USD 250 million BIM envelope or provided in addition to it. Two options are proposed:

1. Option 1: Oversight fee is additional to the USD 250 million envelope allocated to the Barbados Implementation Modalities (recommended)

21. Under this option, the USD 250 million is reserved strictly for projects/programmes funding. Oversight fees are therefore calculated on the basis of those budgets and funded from a separate resource pool. This option is recommended because it enables the entire BIM envelope to be available for countries' needs for responding to loss and damage.

22. If this option is adopted, a sum of between USD 17.5 million (for a 7 per cent oversight fee rate) and USD 20 million (for an 8 per cent oversight fee rate) would need to be allocated as an additional resource beyond the USD 250 million envelope, depending on the fee rate applied, thus bringing the total requirement up to between USD 267.5 million and USD 270 million.

Pros	*Cons*
Access entities/national governments currently understand that the cap of USD 5 million to USD 20 million is	The mechanism will require additional funding to be allocated to the BIM to cover the fees.

entirely for project activities, and fees are added on top.	

2. Option 2: Oversight fee is part of the USD 250 million envelope allocated to the Barbados Implementation Modalities

23. Under this option, the total BIM allocation of USD 250 million covers both project/programme activities and the associated oversight fees.

Pros	*Cons*
The Board sees the total cost of the BIM (projects + oversight) within a single capped figure.	The actual amount available for eligible project activities is reduced to pay for oversight.
	Access entities/national governments may be unclear as to whether their USD 5 million to USD 20 million funding request needs to include the oversight fee, complicating budget planning.

IV. Policy review and evaluation

24. The policy on oversight fees contained in annex II has been developed in recognition of the phased institutional development of the FRLD. Once the full reporting framework and other operational policies and modalities have been tested and finalized after the BIM, the policy will be revisited to reflect the long-term structure of FRLD, and lessons learned from the first funding round.

25. In particular, this policy and the fee level will be reviewed by the Board after the completion of the BIM to assess its effectiveness and suitability in the context of FRLD's evolving access modalities. Feedback received by the Secretariat from access entities and national governments regarding the oversight fee, together with the Secretariat's own observations and any operational developments related to the scale, type and financial instruments deployed by the FRLD, will inform the review process.

Annex I

DRAFT DECISION B.8/DD.X: Policy on oversight fees for the Barbados Implementation Modalities

The Board:

Recalling decision B.7/D.5, paragraph (o) and decision B.5/D.4, and having considered document FRLD/B.8/11/Rev.1 titled "Policy on oversight fees":

(a) *Approves* the policy on oversight fees, as contained in annex [II] to document FRLD/B.8/11/Rev.1;

(b) *Decides* to set aside an additional USD 20 million to implement the oversight fee as per option 1 described in document FRLD/B.8/11/Rev.1, chapter III.C.1;

(c) *Requests* the Secretariat to document lessons learned from implementing the policy on oversight fees during the Barbados Implementation Modalities, and present these as part of the analysis requested in decision B.5/D.4, paragraph (q).

Annex II

Policy on oversight fees

1. In accordance with decision B.7/D.5 and the Governing Instrument, national governments and access entities (including international, regional, national and subnational entities) are responsible for conducting oversight and adhering to the oversight fee policy of the FRLD when authorized to access the Fund as per the access modalities under the Barbados Implementation Modalities (BIM).

A. Fee rate

2. The fee structure for oversight fees will be subject to the following structure, taking into account the financial capacities of institutions:

(a) A fee cap of 8 per cent for national ministries, and other national or subnational access entities;

(b) A fee cap of 7 per cent for international and regional access entities.

B. Fee calculation

3. The fee is part of the grand total funding request, calculated on and added to the project/programme budget.

4. The grand total funding request is composed of three components:

Grand total funding request = **a** + **b** + **c** where:

a = Project/programme activities cost

b = Project/programme execution/management cost (including monitoring, reporting, and learning)

c = Oversight fee

5. The approved project/programme budget is defined as the sum of project/programme activities costs and project/programme execution/management costs: (**a + b**).

6. The oversight fee, (**c**), is calculated as a percentage of the approved project/programme budget (i.e. **a + b**). Assuming a 7 per cent rate for the oversight fee:

c = **7%** × (**a** + **b**)

7. So, the full formula is:

Grand total funding request = (**a** + **b**) + (**0.07** × (**a** + **b**)) = **1.07** × (**a** + **b**)

8. In the case of an 8 per cent rate for the oversight fee, the total funding request will be **1.08** × (**a** + **b**).

9. For the BIM, (**a** + **b**) is expected to range between **USD 5 million** and **USD 20 million**, resulting in a grand total funding request of between **USD 5.35 million** and **USD 21.4 million** at a 7% oversight fee rate.

10. The oversight fee is calculated on the basis of the amount of the FRLD grant.

C. Disbursement of fees

11. The fees are paid in United States dollars.

12. Disbursement of the oversight fee will be phased and proportionate to the disbursement of project/programme funds as follows:

(a) The first disbursement tranche cannot exceed 30 per cent of the total oversight fee;

(b) 15 per cent of the oversight fee will be retained until the final project/programme disbursement.

D. Post-project record keeping, reporting and validation

13. Oversight fee usage shall be reported regularly to enable the FRLD to promptly identify potential issues and take appropriate corrective actions as necessary. The access entities and national governments are expected to maintain records of the use of oversight fees for a minimum period of three years after project/programme completion.

14. The FRLD Board reserves the right to request substantiation or clarification to review the eligibility and validity of fee expenditures in case of concerns or suspected unintended use or misuse of funds. Any oversight fee that is unused, misused (i.e. used for purposes other than approved oversight functions or not in accordance with the FRLD Policy on Oversight Fees) or associated with a project/programme that is suspended or cancelled shall be refunded to the FRLD, in whole or in part as applicable, depending on the nature and reason for the non-use, misuse, suspension or cancellation.

E. Oversight functions of the access entities and national governments

15. All entities accessing the Fund are required to conduct oversight functions to ensure that FRLD resources are effectively and appropriately used for their intended purpose, as outlined in the approved funding requests. This includes ensuring the application of fiduciary standards, environmental and social safeguards (ESS), quality assurance, evaluation, reporting and issue escalation, and risk management, while distinguishing these from implementation/execution and project management costs that must be covered under the funded activity budgets. These oversight functions are essential for ensuring integrity, transparency and accountability, and for achieving the intended results set out in the approved funding request.

16. Access entities and national governments accessing the Fund must provide the following indicative oversight functions:

(a) Applying oversight and controls to project management and implementation of activities financed with FRLD funds;

(b) Ensuring that implementation aligns with relevant FRLD policies, legal agreements, project design and the approved budget, as well as with relevant fiduciary and ESS standards, and ensuring corrective action is taken when fiduciary and ESS issues arise;

(c) Overseeing project monitoring and evaluation, supervision missions and audit, as well as ensuring that progress, performance and results indicators are tracked and that supervision and the development of the mandatory reports comply with FRLD requirements;

(d) Submitting the required reports including mid-term and final evaluations, financial reporting, communication of risks and deviations, as well as documenting escalation of issues with the FRLD Secretariat;

(e) Overseeing risk management processes and ensuring risk mitigation measures are applied; and

(f) Responding to any other project-specific requirements, if any.

17. Note that all costs related to the implementation/execution of activities, including procurement, contracting, staffing and service delivery, are covered under the funded activity budget. Project management costs such as staff costs, financial tracking and management costs, monitoring, reporting, data collection, aggregation and analysis costs, as well as office and other administrative costs, are expected to be included in the funded activity budget as a

separate line item. Implementation/execution and project management costs cannot be covered by the oversight fee.

18. When performing the oversight duties, the access entities and national governments are expected to ensure that, if the same entity carries out both implementation and oversight roles, appropriate firewalls are in place between the units, individuals or organizations in charge of oversight and the units, individuals or organizations involved in the execution and implementation of the funded activities. Independence of the oversight body, appropriate segregation of duties and clearance from conflicts of interest should be demonstrated in the project structure and plan.

Annex III

Benchmarking of oversight fee structure and principles in other multilateral climate funds (for grant-funded public sector projects)

1. This annex presents findings from a desk review aimed at determining an appropriate oversight fee structure for the FRLD (summarized in the table, pp.12–15), covering fee levels, disbursement conditions and eligible costs for national governments and access entities.

2. **Benchmarking findings**: International climate funds and other vertical funds typically set oversight fees for public sector projects of between 7 per cent and 10 per cent. These fees compensate intermediaries for fiduciary oversight, environmental and social safeguards, monitoring, reporting and risk management. Most funds apply a single, tiered fee structure based on project size rather than on entity type, complexity or risk profile. Oversight fees are not treated as risk premiums; rather, project risks are instead managed through phased disbursements and other mechanisms. Multilateral Development Banks (MDBs) differ in that they embed oversight within standard project administration rather than paying intermediaries separately. Reviews of other agency fees confirm that cost-based or negotiated fee approaches increase administrative burden, reinforcing the case for standardized, percentage-based fees with caps.

3. **Key factors analysed and conclusions**: The following factors were assessed for their influence on the design of the FRLD Policy on Oversight Fees:

(a) Oversight of monitoring and reporting requirements are expected to be lighter than those of comparable funds and applied uniformly, thus supporting a lower, standardized fee;

(b) Project complexity is likely to vary across the FRLD portfolio (e.g. emergency response, non-economic loss and damage), which could justify a tiered approach based on project type, but doing so would add methodological and administrative complexity. Additional costs for intensive projects should be handled through project budgets, not through the oversight fee;

(c) The FRLD relies on the access entity or the national ministry to identify, assess and mitigate risks at the funded activities level, so the oversight fee should enable the recipient to adequately perform these risk management functions as the FRLD remains indirectly exposed to residual risks associated with those activities;

(d) Funding size, limited to grants of USD 5 million to USD 20 million under the Barbados Implementation Modalities (BIM), does not warrant differentiated oversight tiers at this stage based on the volume of grants, although a tiered structure may be considered if project sizes grow;

(e) Project maturity and co-financing could, in principle, justify fee tailoring (e.g. where implementation structures already exist), but this will not be captured in the BIM fee structure;

(f) Audit and evaluation costs are expected to be low and standardized, thus supporting a lower oversight fee;

(g) The financial capacity of recipients varies across entity types, which justifies a modest differentiation in fees between national access entities (such as national ministries or subnational entities) and international access entities (such as MDBs or United Nations agencies). This differentiation is consistent with the Board's direction at B.7 and is the one factor recommended for explicit reflection in the fee percentages; and

(h) Environmental and social risk categorization varies across projects and could justify a tiered fee, but will not be incorporated into the BIM fee structure at this stage.

4. **Overall direction**: The analysis supports a lower, standardized percentage-based oversight fee for FRLD, with modest differentiation between national and regional or international access entities. Complexity-based differentiation and risk-adjusted fees are not recommended under the BIM, in the interest of simplicity, accessibility and reduced transaction costs. It is noted that lessons from BIM implementation will inform future refinements to the fee structure.

Benchmarking of oversight fee structure and principles used by other multilateral climate funds

Fund	*Fee rate*	*Scope (oversight responsibilities)*	*Disbursement schedule*	*Project management costs and firewalls*
GCF[a]	**Accredited entity fee** applied to all projects/programmes, the Project Preparation Facility and the Readiness and Preparatory Support Programme **Tiered caps for public sector grant-funded proposals based on project size**:[b] • Micro (< USD 10M): up to 8.5[c] • Small (USD 10–50M): up to 7%[d] • Medium (USD 50–250M): up to 5% • Large (> USD 250M): up to 4% Fees for private sector proposals and non-grant public sector proposals are negotiated on a case-by-case basis, although principles state they should not exceed the caps for public sector grant-funded proposals	Project implementation and supervision Oversight and submission of project completion and evaluation reports[e] Reporting as per agreements	**Tranched, negotiated** Two options for 90% of the total fee: • Disbursement in amounts proportional to and coincident with disbursement of project funds OR • According to a schedule proposed by the AE, substantiation of anticipated costs agreed with the secretariat. First disbursement cannot exceed 50% 10% always withheld until satisfactory submission of completion report and any other requirements as specified in the agreements	**Threshold**: PMC ≤ 5% of total project budget (for proposals > USD 3M). PMC ≤ 7.5% (for proposals ≤ USD 3M). PMC exceeding these thresholds requires detailed documentation and justification supporting the entire PMC budget Eligible PMC: • Project staffing and consultants • Office equipment and supplies • Mission-related PMU travel costs • IT systems **External audit costs included as project management costs** where required by the funded activity agreement The percentage of 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, with a detailed breakdown and explanation of the components of PMC provided. The AE must clearly differentiate between its role as an AE (e.g. oversight, supervision and management) and the executing entity role in the project and establish appropriate institutional arrangements, clear lines of responsibilities and accountabilities
GEF	**Agency fee** for grant projects **Tiered caps based on project size**: • < USD 10M: 9–9.5%* • > USD 10M: 9%	Project cycle management services to support countries for their execution of projects 10 GEF agencies (MDBs, United Nations agencies as opposed to	**Tranched or single up-front disbursement depending on project size** Full-sized*: 20% at PIF clearance, 50% at first disbursement, 30% at mid-term review	**Flat cap**: • 10% for projects ≤ USD 2M • 5% for projects > USD 2M

Fund	*Fee rate*	*Scope (oversight responsibilities)*	*Disbursement schedule*	*Project management costs and firewalls*
	• Small Grants Program: 4% Managerial and technical oversight provided by the implementing agencies** throughout two major phases of the project: (1) project preparation and approval and (2) project supervision, monitoring and evaluation Notes: * The original 10 GEF agencies receive a 9.5% agency fee; all others added since 2014 receive 9%. ** The exact breakdown of agency responsibilities per project cycle stage is available in the GEF *Guidelines on the Project and Program Cycle Policy* available at: https://www.thegef.org/sites/default/files/documents/2025-10/GEF_C.70_Inf.18_Guidelines_Project_Program_Cycle_Policy.pdf	GEF partner agencies that are international NGOs, one national NGO and government entity) receive an increased fee of 9.5%	Stand-alone MSPs: 100% at first disbursement For MSPs that are part of a programme, agencies receive 20% at PFD clearance; 80% at first disbursement. Enabling activities: 100% at CEO approval These high up-front payments may be explained by the small number of GEF agencies/partner agencies and is related to ensuring continuation in project funding. All GEF agencies are responsible for due diligence of their execution partners. In addition, GEF agencies have their own policies with respect to transferring funds to executing agencies, and these disbursement schedules are one way the GCF Council has tried to ensure that funds are available despite the stop-start-stop nature of project execution on the ground * For full-size CHILD projects (GEF term for a single project that is part of a programme), the agency receives 20% at PFD clearance.	In extraordinary instances, GEF may approve higher PMC levels if there is strong, documented justification. The GEF Council decided in June 2025 to allow dual implementation/execution by agencies in certain limited situations. Agencies are required to demonstrate that need based on five criteria (see GEF document *Guidelines on the Project and Program Cycle Policy*, p.52) **Audit costs are categorized as one of the eligible uses of PMC**
AF	**Implementing entity fee** in “Regular Window” projects with grant sizes from USD 5M to USD 30M (smaller grants not relevant for FRLD benchmarking)	Fee covers corporate activities fees related to engagement with donor (policy support, portfolio management, reporting, outreach and knowledge-sharing) and project cycle management fees (project preparation and	**Tranched, negotiated** Linked to milestones and reporting. Tranche-based disbursement via a board-approved schedule. There is deliberately no guidance on how	**Flat cap (execution costs)**: 9.5% to 10% depending on whether it is to a single country or regional projects. Where the IE also performs execution functions, costs for that portion are normally **limited to 1.5%**. Exceptions are related to procurement and

Fund	*Fee rate*	*Scope (oversight responsibilities)*	*Disbursement schedule*	*Project management costs and firewalls*
	Tiered cap based on "complexity" single country versus regional: 8.5% of the total project/programme cost (incl. project activities and execution costs) for single country projects (across all funding windows) 10% for regional projects (across all funding windows)	management oversight including financial management and quality insurance, implementation reports supervision, and project completion and evaluation oversight). Examples of costs: • IE staff salary associated with the project oversight **Supervision** of the following: • Baseline data report • Annual project performance reports • Mid-term evaluation · • Final evaluation • Final project completion report • ESMP monitoring • Gender monitoring Travel related to project implementation including: • Project supervision missions • Steering committee **All audit-related costs** (verifying compliance as well as cost of audit)	tranches should be structured as projects/programmes vary widely However, there is a template for the disbursement schedule that the trustee uses to disburse funds (e.g. for fully developed proposals)	payment management and may be identified either prior to project/programme approval or after approval. Locally led adaptation and innovation projects, which may require additional investments to support execution, may go over the cap, and certain activities may be eligible to be charged under a project component when the executing entity/ies in those cases is/are not yet identified. The IE is required to provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis (AF decision B.41/11) The **project execution cost**, or project management costs, includes consultant services, travel and office facilities etc., covering the direct costs for administration of the day-to-day activities of projects. Specific costs include: staffing costs, and project related activity expenditures (monitoring and evaluation costs; costs related to drafting progress reports and financial reports; consultation with project stakeholders; meetings, workshops); communication, travel Costs must be proportionate and justified. If the IE also executes, the costs are limited to 1.5% for that portion Examples of costs: Salary of project and monitoring and evaluation officer **Development** of the following: • Baseline data report • Annual project performance reports

Fund	*Fee rate*	*Scope (oversight responsibilities)*	*Disbursement schedule*	*Project management costs and firewalls*
				• Final project completion report • ESMP monitoring • Gender monitoring • Grievance mechanism • Project financial reports Travel related to project execution including: • Project supervision missions • Steering committee meetings

Abbreviations: AE = accredited entity, ESMP = Environmental and social management plan, GCF = Green Climate Fund, GEF = Global Environment Facility, IE = implementing entity, M = million, MDB = multilateral development bank, MSP = medium-sized project (GEF term), NGO = non-governmental organization, PFD = programme framework document (GEF term), PIF = project identification form (GEF term), PMC = project management costs (GEF term), PMU = project management unit.

[a] All funding proposals, Project Preparation Facility grants and Readiness grants financed by GCF are subject to its policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs approved through GCF decision B.19/09.

[b] If a grant falls under the higher GCF funding category, the fees cap should not be lower than the highest fees cap under the preceding lower funding category. For example, the fees cap for a USD 51 million grant should be USD 3.5 million (i.e. USD 50 million × 7%) and not USD 2.55 million (i.e. USD 51 million × 5%).

[c] For micro projects, a fees cap may be increased to 10% if the GCF secretariat considers that there is a strong justification for increasing the percentage.

[d] For small projects, a fees cap may be increased to 8% if the GCF secretariat considers that there is a strong justification for increasing the percentage.

[e] This does not include the data-collection costs of evaluations. The GCF evaluation policy states that project/programme budgets should include a budget line for the generation and collection of evaluative data for projects/programmes. This budget is exclusive of interim and final evaluations costs, which are covered by AE fees.