



POLICY: FI/PL/03
Issued on August 5, 2012

Fee Policy for GEF Partner Agencies

Summary: The proposed Agency fee structure in this paper is the decision of the GEF Council from its meeting of June 2012.

Background: This Policy incorporates the two parts of Council Document GEF/C.42/8, *Fee Structure for Agencies: Part I & Part II*, which the GEF Council approved as a new GEF Policy at its June 2012 meeting. The Council Document had built on the findings of a working group comprised of four Council Members (two from donor constituencies, and two from recipient constituencies), the GEF Secretariat, and GEF Agencies that had been tasked with reviewing the full fee structure, including the corporate fee with a view to decrease the total cost of the fee structure and to propose for a new fee policy.

Applicability: The policy is applicable to all GEF Partner Agencies which include the ten 10 GEF Agencies and any accredited GEF Project Agencies.

Dates of Effectiveness: January 1, 2013.

Updates:

- December 2015: In accordance with the Council's decision on *Improving the GEF Project Cycle* (GEF/C.47/07/Rev.01), para. 35 (d), the following sub-paragraph under para. 3 of the Council approved document GEF/C.42/8 was removed:

For programmatic approaches implemented by a GEF Agency where projects are approved by an executive board the fee is 8 percent. It is 9 percent for programs implemented by other Agencies.

- Definitions and references were also updated to reflect more recent, other GEF policies and guidelines.

I. Definitions

Following terms used in this Policy are defined below:

1. **Executing Agency:** An entity or agency that receives GEF Funding from a GEF Partner Agency in order to execute a GEF project, or parts of a GEF project, under the supervision of a GEF Partner Agency. May also be referred to as “project executing agency.”
2. **GEF Agencies:** The 10 institutions that are entitled to receive GEF Trust Fund resources directly from the GEF Trustee for the design, implementation, and supervision of GEF Projects as of November 2010. They include the following organizations: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Food and Agriculture Organization of the United Nations, the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Fund for Agricultural Development, the United Nations Development Program, United Nations Environment Program, and the United Nations Industrial Development Organization.
3. **GEF Agency Fee:** The financial resources provided to a GEF Partner Agency in connection with the implementation of a GEF Project.
4. **GEF Project Agencies:** Any of the institutions that the GEF has accredited to receive GEF resources to design, implement and supervise GEF-financed projects apart from the ten GEF Agencies. They include the following organizations: Conservation International (CI), the Development Bank of Latin America (CAF), Development Bank of Southern Africa (DBSA), Foreign Economic Cooperation Office, Ministry of Environmental Protection of China (FECO), Brazilian Biodiversity Fund (FUNBIO), International Union for Conservation of Nature (IUCN), West African Development Bank (BOAD), World Wildlife Fund (WWF-US).
5. **GEF Partner Agencies:** Any Agency eligible to request and receive GEF resources directly for the design, implementation, and supervision of GEF projects, including GEF Agencies and GEF Project Agencies.
6. **GEF Project Financing:** The resources provided to a GEF Project to support its implementation. It does not include Project Preparation Grants or Agency Fees.
7. **Project Identification Form (PIF):** The template to be used by all GEF Partner Agencies when submitting a concept to the GEF Secretariat with the objective of securing entry into the next work program for Council approval.

II. Introduction

1. This Policy defines the fee structure that will be used to pay for the services provided by all GEF Partner Agencies that implement GEF projects. A Fee Working Group was established in response to a Council mandate at its November 2011 meeting, and the Council requested that this working group review the full fee structure, including corporate fee, with a view to decrease the total cost of the fee structure and present a proposal for a new fee policy at the June 2012 Council meeting. The Council approved elements of the proposal as the GEF's new Fee Policy for GEF Partner Agencies at its June 2012 meeting. The Council also requested the Secretariat to form a working group to continue working on the streamlining measures in the project cycle and cost savings in implementing services provided by Agencies at least commensurate with the approved fee structure.

III. Objectives

2. The Policy:
- (a) Establishes the fee structure for all GEF Partner Agencies implementing the GEF projects;
 - (b) Lays out the GEF's fee structure and clarifies the types of activities covered by the Agency fee.

IV. Policy Requirements

3. The following fee structure applies to GEF-financed activities implemented by GEF Partner Agencies:
- (a) For GEF project financing up to, and including, \$10 million, GEF Agencies will receive fees at 9.5 percent of the grant;
 - (b) For GEF Project financing above \$10 million, GEF Agencies will receive fees at 9.0 percent of the grant;
 - (c) The fees for the Small Grants Program are set at 4.0 percent.
 - (d) For new GEF Project Agencies accredited under the Pilot Program on Accrediting GEF Project Agencies, fees will be at 9.0 percent of the GEF project financing.
 - (e) The fees for PPG will follow the same rate as related to the amount of the GEF project financing.
4. The fees provided to the current ten GEF Agencies would cover both: (i) project cycle management services; and (ii) participation in GEF corporate activities. The GEF Project Agencies will not participate in GEF corporate activities, and they will only be provided with fees to cover their project cycle management costs.

5. Finally, the Council decided that the proposed new fee structure will not and should not increase the Secretariat's administrative costs.

V. Scope of Agency's project cycle management services financed by the Agency fee

6. The Agency fee is used to cover project cycle management services provided by the GEF Agencies to support countries for their execution of projects throughout the project cycle, i.e. from concept stage to project termination. In addition, the current 10 GEF Agencies are also mandated by the Council to perform corporate activities related to the GEF as an entity accountable to the Council and to provide support to the GEF Independent Evaluation Office.

7. The project cycle management services performed by GEF Partner Agencies should be distinguished from the functions of the executing agency at the country level. An executing agency is usually selected by the beneficiary country, in consultation with the GEF Partner Agency, for the purpose of assisting the government to execute the project on the ground and covers functions which include, among others: reporting, arranging financial auditing for the project and all activities related to the oversight of the project execution.

8. This Fee Policy explicitly precludes the merging or crossing over of the functions of the GEF Partner Agencies and project executing agencies as they are distinct and separate. In cases where a GEF Agency performs some functions as a national executing agency, at the request of the government, the payment of such services should be covered by either the country's own national budget for the project, or covered by the project management cost estimated as part of the total project cost. In any case, the selection process for the GEF Partner Agency that shall perform executing functions should be transparent, and this exception from normal GEF practice should be clearly described at the project concept stage, i.e. including such information in the PIF. The associated cost for such service should be included as a component of in the project management cost budget.

VI. Related Documents and References

9. This Policy should be implemented in accordance with the policies and procedures established for the GEF-5 project cycle, which was first approved by Council in June 2010 (see Council Document **GEF/C.38/5/Rev.1**), *Streamlining the Project Cycle & Refining the Programmatic Approaches*. The full GEF Project Cycle was subsequently described and updated as an information document (**GEF.C.39/Inf.3**) for the November 2010 Council, *GEF Project and Programmatic Approach Cycles*. For background, other related papers related to the issue of GEF Agency fees, including historical documents and past policies, are listed below, in reverse chronological order:

- a) *GEF Administrative Expenses - Fees and Project Management Costs: External Review* (GEF/C.41/07), November 2011
- b) *GEF Project and Program Cycle Policy* (GEF/OP/PL01)
- c) *Guidelines on the Project and Program Cycle* (GEF/C.52/Inf.06/Rev.01)

- d) *Streamlining the Project Cycle & Refining the Programmatic Approaches*, (GEF/C.38/5 Rev. 1), June 2010
- e) *Guidelines for Agencies' Reporting of Administrative Expenses* (GEF/C.34/Inf. 8), November 2008
- f) *Roles and Comparative Advantages of the GEF Agencies* (GEF/C.30/9), December 2006
- g) *GEF Business Plan FY07-10* (GEF/C.30/6), December 2006
- h) *Review of the Fee Policy* (GEF/C.28/11/Rev.1), June 2006
- i) *Proposal for Revising the Fee System* (GEF/C.23/8/Rev.1), June 2005
- j) *Proposal for Revising the Fee System* (GEF/C.23/8), May 2004
- k) *A Proposal for A Revised Fee Structure* (GEF/C.21/10), May 2003
- l) *An Interim Report on a Revision of the Fee Structure* (GEF/C.20/5), October 2002
- m) *A Proposal for an Independent Review of the Fee-Based System* (GEF/C.18/9), December 2001
- n) *Report on the Implementation of the Fee-Based System* (GEF/C.15/6), May 2000
- o) *Proposal for a Fee-based System for Funding GEF Project Implementation* (GEF/C.13/11), May 1999