

**GCF Observer Network of Civil Society, Indigenous Peoples, and Local Communities**

Intervention on

## **Revisions to the Policy on Fees**

**Access the document:** <https://www.greenclimate.fund/board-document/gcf-b45-18-rev01>

We recognize the Secretariat's effort to respond to independent evaluation findings and AE experiences and are overall supportive of some core features of the proposed policy update. In particular, we appreciate the differentiation of fees between grant and non-grant financial instruments. We also appreciate the recognition that implementation costs vary across contexts, and some contexts will require higher project management compensation, for example, projects in LDCs and SIDS. The additional threshold flexibility for DAEs to support them to deliver climate finance effectively is essential.

However, differentiation should have gone beyond a country-level understanding of vulnerability to consider different funding approaches that warrant higher fee thresholds, such as locally-led climate action. Correspondingly, the great variance in project management requirements introduced by programmes with unidentified subprojects went unrecognized and unaccounted. In this context it is also important to ensure that AEs adequately share fees received with executing entities, such as Indigenous Peoples or women's groups, for locally-led climate action. This is in line with the requirements to clearly delineate project management costs between AEs and EEs.

We do support the suggested dollar term limits of fees payable for project management costs to IAEs above the threshold and do not share the concern that this would prevent IAEs from accessing GCF funding fairly. The current 4:1 imbalance of GCF approved funding in favor of IAEs shows that IAEs have not faced barriers to access GCF funding.

We suggest that para. (c) of the draft decision proposing to set annual targets as a percentage of GCF funding be stricken. This could result in prescribing parameters of the portfolio to be approved under the guise of efficiency, without consideration of impact. Given the differences in fees across different types of proposals, an adopted target would introduce a bias against grant projects, particularly implemented by DAEs in LDCs and SIDS, which necessitate higher fees.

We have concerns with the introduction of an incremental cost approach that seeks to differentiate between project management activities that an entity already does routinely, versus those that are additionally imposed through specific GCF requirements. This might be difficult to operationalize in practice and might lead to AEs being treated unequally depending on their power to negotiate with the Secretariat.

## 45th Board Meeting of the Green Climate Fund

June 29 - July 2, 2026, Dushanbe, Tajikistan

Many provisions of the updated policy, such as which PMC expenses will be covered based on the Appendix II list, will only be detailed in guidance documents to be issued by the Secretariat after policy approval, particularly the Budget approach document. This delegates significant decision-making power over key operational parameters, and their adjustment and update over time, to the Secretariat, and reduces the oversight function of the Board.

Last but not least, we remain concerned that despite a suggested prohibited duplication across project costs and project management costs, para. 13 allows for the PMC to include requests for resources associated with activities related to the implementation of the project's GAP, safeguards instruments relating to Indigenous Peoples, or environmental and social safeguards including SEAH standards. This paragraph could give tacit permission to AEs and the Secretariat 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 project budget. Language should be added to make clear that this provision is to be understood to give flexibility for consideration of additional efforts related to the oversight and monitoring of such efforts and not a replacement for adequately budgeting related expenses as part of the project costs.