



Global Environment Facility

Summary of Document GEF/C.23/8/Rev.1

Proposal for Revising the Fee System

Recommended Council Decision

The Council, having reviewed GEF/C.23/8/Rev.1, *Proposal for Revising the Fee System*, agrees with the proposal to implement a flat fee of 9 percent of the GEF grant.

The Council requests the Secretariat, in collaboration with the Implementing and Executing Agencies, to closely monitor the implementation of the new system to ensure that there is an appropriate portfolio balance.

Executive Summary

In fiscal year 2000, the GEF introduced a Fee-based System for the recovery of reasonable costs incurred by Implementing and Executing Agencies for provision of Project Cycle Management Services. Since the introduction of the system, it has been subject to a number of reviews, including a proposal for revising the system, which was discussed by the Council at the May 2003 meeting, where the Council requested the Secretariat to continue with the current system, and present a fee structure proposal for review at the May 2004 meeting. The proposal was presented, but was postponed for consideration at the June 2005 Meeting.

This document presents a proposal for revising the fee system on all GEF projects approved by Council/CEO commencing July 1, 2005. The proposed fee structure was developed through consultations between the GEF Secretariat and the three Implementing Agencies (UNDP, UNEP and World Bank). The consultations were based on the guidelines and comments given by the Council at the May 2003 Council Meeting, the GEF experience with the fee-based system during the period FY00-FY05, as well as lessons drawn from previous proposals and analyses on the fee structure since FY00.

The proposed fee system applies the same flat percentage fee (9 percent of the GEF grant) to all project types. In addition, an adjustment to the present system is proposed to provide the Agencies with the option to request an advance on the fee upon approval of a Project Development Facility (PDF) B or C to cover the project cycle management costs related to development/preparation-cycle phases.