The GEF NGO Network comments on the GEF Fee Structure for Agencies GEF/C/42.08

42ND GEF COUNCIL MEETING
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As the GEF and partners are approaching next year the 6th replenishment negotiations, the level of agencies fee is a crucial indicator of the GEF cost efficiency. Currently major European donors and the European Commission are providing administrative fees **significantly less than 9%** in their ODA operations compared to a few years ago when rates were around 12%. All partners, including NGOs have reviewed their cost structure and adapted their operations to these lower levels.

The GEF NGO Network welcomes the proposal from the GEF secretariat to reduce the fee from 9.68 to 9.2 effective rate even though **5 CSOs are in the process of accreditation as part of the 11 potential project agencies**.

The GEF cost efficiency has to be approached as a whole and therefore GEF fees should not be looked in isolation but as incremental cost on top of the effective work of the existing GEF agencies.

The cost of the project cycle management services as specified in Annex A- should be mainstreamed within the existing internal procedures of the GEF agency. Projects should only be approved by the GEF for agencies which already have strong ongoing activities in the country, and already have a sustainable engagement dialogue with the countries technical ministries, partners and CSOs.

We are also concerned at some of the proposed cost cutting measures proposed by the working group to enable agencies to reduce costs as in annex B – such as reducing the allocations for supervision and stakeholder engagement or knowledge sharing – rather the agencies should be encourage to do these in a cost effective manner by working with local partners or having in-country personnel.

The GEF NGOs network is therefore very concerned about wording used in annex C which includes the comments by the agencies of the implications on the slight reduction of the fees mentioning "***risk of non-application of safeguards, indigenous peoples, gender and impact and limitations on stakeholder consultations that would weaken project designs and impact ownership, running counter to the GEF Public Participation Policy***".

Our concern is threefold.

a) Regarding the safeguards, we do not see how their application should be conditional to the fee level. For example these standards are all mandatory for the new GEF Project Agencies as part of their internal procedures to succeed with the accreditation.

b) Regarding the stakeholder consultations, this is obviously a strong component of what should be the base line of the project conceptualization prior to PIF approval, not after, reflecting therefore the GEF agency's effective added value while also applying the agreed GEF policy on public involvement CSOs involvement into the GEF programming.

c) We note the projected cost saving on a global basis is only $3 million per year for all agencies and for $10 million project only 10,000/yr. In annex C we see that a reduction in 3 million will lead to cutting of key standards, Public involvement, capacity building mainstreaming, support for smaller countries etc – does this mean that the agencies spend so little on these activities at the moment.

We hope therefore that agencies can make any necessary cost reduction without breaching the GEF policies including the minimum agency requirements that have just been adopted by the council in November 2011.