

# ADAPTATION FUND

## *UPDATE ON THE HARMONIZED COST AND FEES POLICY*

## UPDATES TO DESIGNATED AUTHORITIES AND IMPLEMENTING ENTITIES OF ADAPTATION FUND



**ADAPTATION FUND**

Helping developing countries build resilience and adapt to climate change

November 11, 2023

Footer

# COST AND FEES CALCULATION

Project/programme activities cost = A

Project/programme execution cost =B (capped at 10%, 9.5%, 1.5% of A+B)

Total project/programme cost = A+B

Implementing Entity Fee = C (capped at 10%, 8.5% of A+B)

Total amount of funding requested, or the grant amount=A+B+C



# HARMONIZED COSTS AND FEES

The harmonization of EE costs and IE fees across the various windows **aims to reduce confusion for IEs and simplify calculations by IE as well as reduce risk of errors in the review and oversight process by Secretariat.**

a) Regarding IE fees, the limit is to be:

- i. i. For single country projects and programmes, 8.5% of total project/programme cost for all funding windows;
- ii. For regional projects and programmes, 10% of total project/programme cost for all funding windows;



# HARMONIZED COSTS AND FEES

(b) Regarding the EE costs:

- i. Where the EE is different from the IE, for single country projects and programmes, the limit is to be 9.5% of total project/programme and, for regional projects and programmes, 10% of total project/programme cost for all windows, with the following specifications:
  1. In line with Decisions B.13/17 and B.38/42, to require the IE to **provide justification as part of its proposal submission if requesting costs beyond the cap on an exceptional case-by-case basis;**
  2. **For EDA and innovation projects, reflecting the need for added flexibility,** to require the IE to provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis;
  3. For EDA and innovation projects which may require additional investments to support execution, **certain activities may be eligible to be charged under a project component when the EE or EEs in those cases is/are not yet identified.** The IE would be required to **provide justification as part of its proposal submission if requesting costs beyond the cap on a case-by-case basis.**



# HARMONIZED COSTS AND FEES

Cost item	Type of support	
	Covered by project execution costs as per AFB/EFC.4/7/Rev.1	Execution activities eligible to be charged as project component ( <i>proposed</i> )
Staff	Salary of project staff	Salary of project staff to manage specific components Salary of staff/consultant to deliver technical assistance
Monitoring and evaluation	Project financial reports	RBM (partial)
	RBM	
	Final Evaluation costs	
	Office facilities, equipment and communications	
Travel	Travel related to project execution	Travel related to project execution (partial)
Audit	Project financial audit	-



# HARMONIZED COSTS AND FEES

ii. **Maintain the principle of the separation between implementing and execution services** and that EE costs would be **capped at 1.5%** if IE executes the projects or part of it pursuant to Decisions B.17/17, B.18/30 and, also **recalling the option of flexibility with justifications on a case-by-case basis**, Decision B.38/42.



# DECISION AND NEXT STEPS

The Board decided to:

- a) Approve the proposal for harmonization of implementing entity (IE) fees and execution costs (EE costs) as presented in para 38 of AFB/PPRC.32/22;
- b) Request the secretariat to:
  - i. Prepare a guidance document compiling the relevant information related to costs and fees and add it to the project preparation documentation;
  - ii. Revise the review templates for all windows and update any reference to the IE fees and EE costs, with a view to consistency and clarity;
  - iii. Request the secretariat to monitor, over the next [three] review cycles, proposal submissions for the proposed use of eligible costs that may be charged under project components for specific types of projects that may need additional support during their implementation;
  - iv. Consider, including through a consultative process, changes to the size of the project formulation grants for projects that require enhanced capacity building during the project preparation stage;
- c) Report to the Board at its forty-fourth meeting on the observations made on items under sub paragraphs (i)-(iii) above.