



**GREEN
CLIMATE
FUND**

Meeting of the Board
2 – 5 November 2015
Livingstone, Republic of Zambia
Provisional Agenda Item 14*

GCF/B.11/04

15 October 2015

Consideration of funding proposals

Summary

This document provides an overview of the portfolio development and proposal review process. It also presents the funding proposals for the Board's consideration.

* The agenda item number will be determined when the final sequence of items in the provisional agenda is confirmed by the Co-Chairs.

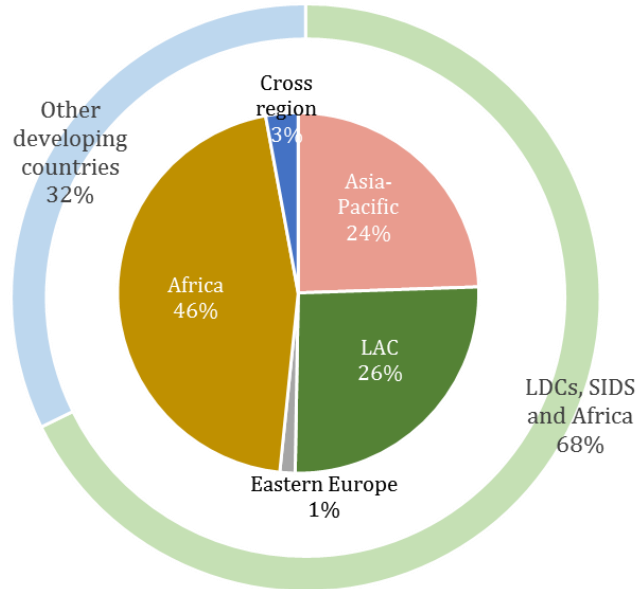
I. Overview of portfolio development

1.1 Funding proposals received

1. The Green Climate Fund (GCF) has received its first funding proposals after the tenth meeting of the Board in late July. A total of 37 funding proposals have been submitted to date, requesting close to USD 1.5 billion of GCF funding, to support projects and programmes of a total value of USD 4.4 billion.¹ Of the 37 funding proposals received, 29 are public-sector proposals totalling USD 1,013 million, and eight are private-sector proposals totalling USD 452 million.
2. The funding proposals vary significantly in their quality at entry and level of advancement in proposal preparation. Many require additional documentation or information before they can be considered to be complete. Others have not finished the necessary due diligence, such as the feasibility study. The review process is explained in more detail in section 1.2 below.
3. The geographic distribution of the funding proposals is as follows:
 - (a) 13 proposals in Africa requesting USD 666 million;
 - (b) 13 in the Asia-Pacific requesting USD 358 million;
 - (c) Nine in Latin America and the Caribbean (LAC) requesting USD 378 million;
 - (d) One in Eastern Europe requesting USD 20 million; and
 - (e) One proposal covering multiple regions requesting USD 42 million.
4. Of the 37 proposals received, 26 proposals are in least developed countries (LDCs), small island developing States (SIDS) and African States, totalling USD 993 million, and 11 are in other developing countries totalling USD 472 million.
5. The proposals come from various types of entities, including those at the national, regional and international levels. Ten proposals were submitted by direct access entities and 27 through international access entities.
6. Figure 1 shows a breakdown of total requested GCF amount by region (in percent), as well as the GCF funding requested from LDCs, SIDS and African States relative to other developing countries.

¹ All figures as of 1 October 2015.

Figure 1. Regional distribution of the requested amount of GCF funding (%)



7. Figure 2 shows the total requested GCF amount by financial instrument. The amount in grants requested accounts for approximately 60 percent of the total requested funding. Figure 3 shows the total requested GCF amount by theme. In this figure, the funding proposals are well balanced between mitigation and adaptation.

Figure 2. Total requested amount of GCF funding by financial instrument (in million United States dollars)

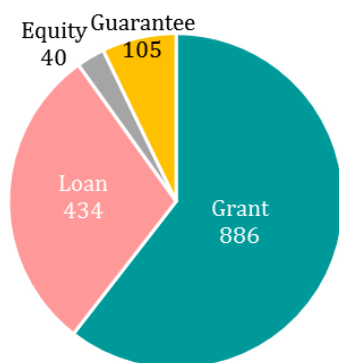
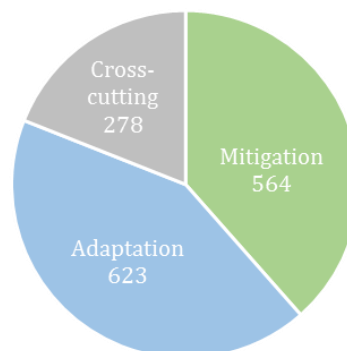


Figure 3. Total requested amount of GCF funding by theme (in million United States dollars)



1.2 Overview of review process

8. The funding proposal review process is guided by Board decisions, notably the GCF initial proposal approval process outlined in Board decision B.07/03 (document GCF/B.07/11, annex VII). When a funding proposal has been submitted, it undergoes a standardized and consistent review process consisting of four stages described below.

9. During the review process, the Secretariat maintains dialogue with the national designated authority (NDA). This is a continuation of the communication during the voluntary concept development stage if a concept note is submitted. When there is a need for clarification or missing information on the no-objection letter, the Secretariat informs the NDA or focal point.

1.2.1 **Stage 1: Funding proposal receipt and completeness check**

10. Upon receipt of the funding proposal, the Secretariat performs a completeness check of required information and documentation, which corresponds to the funding proposal template. If required information or documentation is missing or incomplete, the Secretariat informs the accredited entity (AE) accordingly.

11. Some proposals may not contain certain types of documentation, for example, the feasibility study report or the environment and social management plan. For other proposals, information may be missing or incomplete in the funding proposal itself. An example could be that a breakdown of cost estimates by component and sub-component is not provided in the relevant section of the funding proposal template (B.1. Description of Financial Elements of the Project/Programme). In this case, the AE would need to provide the necessary information on the cost estimates to meet the requirement from a completeness check perspective.

12. Some funding proposals do not reach a sufficient level of advancement in the project or programme preparation to be considered complete for funding proposal review purposes. For example, several proposals have been submitted without a feasibility study or with a feasibility study underway but not yet finished. It is expected that project preparation work and due diligence has been completed at the time of proposal submission. For these proposals, the Secretariat therefore requests the AE to undertake and complete these operational steps, and then submit the completed studies or reports along with a revised proposal.

13. When missing information or documentation is provided and the necessary preparation work and due diligence is completed, the Secretariat resumes the completeness check. Once the Secretariat has all the necessary information and documentation, it will proceed with the next stage of funding proposal review, referred to as “second-level due diligence”.

1.2.2 **Stage 2: Second-level due diligence by the Secretariat**

14. Second-level due diligence is a comprehensive assessment and includes the following elements according to the initial proposal approval process:

- (a) Performance of the project or programme against activity-specific criteria (as contained in the investment framework). A critical part of second-level due diligence is to assess the expected performance of the project or programme against each of the six criteria and the relevant and applicable sub-criteria and assessment factors; and
- (b) An assessment of consistency with the GCF interim environmental and social safeguards, gender policy and any other policies promulgated by the Board.

15. Through its second-level due diligence, the Secretariat identifies gaps or issues in a funding proposal and solicits specific clarifications needed from the AE. The AE then refines the proposal to properly address information gaps so that the proposal is sufficiently advanced for the next stage.

16. The second-level due diligence is conducted by the Secretariat’s review team which consists of the task manager, task support and technical experts in various areas. These include the environmental and social safeguards specialist, gender specialist, risk manager, fiduciary and procurement specialists, monitoring and evaluation specialist, and the legal counsel. The outcome of the second-level due diligence is reviewed by the management team.

17. Funding proposals received to date have varied significantly in their level of readiness. More complete and advanced funding proposals require less additional clarification and elaboration, and therefore move through the second-level due diligence faster. Less complete and advanced proposals will require more time to adequately address the outstanding issues.

18. As per the GCF's business model, the Secretariat is reliant on the AE's risk analysis and structuring capacity, and this was assessed as part of the accreditation process. The Fund's risk appetite is still under development and once it is finalized, it will be implemented, inter alia, through a set of risk investment guidelines which would include such things as: (i) financial profile of investments undertaken; (ii) legal structuring guidelines including minimum list of covenants; (iii) maximum exposure levels; etc. These risk investment guidelines as part of the risk management tools of the GCF are normally used as per best practice, to review these type of projects/programmes. Given the value of the projects/programmes being considered at this Board meeting, the risk represents a non-material portion of the expected GCF portfolio.

1.2.3 **Stage 3: Independent assessment by the Technical Advisory Panel**

19. The Secretariat provides the funding proposal, supporting documentation and the preliminary outcome of the due diligence to the independent Technical Advisory Panel (TAP) for its independent assessment. The TAP provides an independent assessment regarding the expected performance of the project or programme against the activity-specific criteria. A funding proposal may require additional clarification(s) from the AE based on the TAP feedback.

1.2.4 **Stage 4: Submission to the Board**

20. Upon completion of the TAP assessment, the Secretariat compiles the funding proposal package, including: (a) the funding proposal; (b) the no-objection letter; (c) the Secretariat's review outcomes; and (d) the TAP's independent assessment. The package is then submitted to the Board for consideration no later than three weeks before the Board meeting.

1.3 **Engagement with direct access entities**

21. Direct access entities are, and will continue to be, critical stakeholders in GCF operations. The Secretariat is taking a proactive approach to support these entities. For several proposals received which are not sufficiently advanced but have good potential, the Secretariat is actively engaging with NDAs and AEs to explore the potential to support additional project preparation work (e.g. studies or analysis) under activity area four of the Readiness and Preparatory Support Programme. The country-driven approach is central to this endeavour.

22. It is encouraging to receive 10 funding proposals from direct access entities. Three funding proposals from direct access entities are sufficiently advanced and are presented in this document package for consideration by the Board. The GCF will continue to build on this progress moving forward.

II. **Overview of funding proposals for consideration**

2.1 **Funding proposals submitted for consideration by the Board**

23. As stated previously, the submitted funding proposals vary greatly in level of readiness in the project or programme preparation. Given the number of incomplete or insufficiently advanced proposals, the limited timeframe and the absorptive capacity of the Secretariat and

the TAP, eight proposals have gone through all four stages of the review process and are subsequently being submitted to the Board for consideration at this eleventh meeting. Table 1 presents a list of the eight proposals.

Table 1. List of funding proposals submitted for consideration by the Board

No.	Project name	Accredited entity	Country / Region	Mitigation/ adaptation/ cross-cutting	Public/ private	GCF funding requested (in million USD)
FP 001	Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru	Profonanpe	Peru	Crosscutting	Public	6.2
FP 002	Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi	UNDP	Malawi	Adaptation	Public	12.3
FP 003	Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal	CSE	Senegal	Adaptation	Public	7.6
FP 004	Climate Resilient Infrastructure Mainstreaming in Bangladesh	KfW	Bangladesh	Adaptation	Public	40
FP 005	KawiSafi Ventures Fund in Eastern Africa	Acumen	Multiple (Africa)	Crosscutting	Private	25
FP 006	Energy Efficiency Green Bond in Latin America and the Caribbean	IDB	Multiple (Latin America)	Mitigation	Private	22
FP 007	Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages	UNDP	Maldives	Adaptation	Public	23.6
FP 008	Urban Water Supply and Wastewater Management Project in Fiji	ADB	Fiji	Crosscutting	Public	31
Total funding requested (in million USD)						168

24. The commitment authority of the GCF stands at USD 909 million equivalent as of 30 September 2015.² The total funding requested by the eight proposals submitted to the Board is USD 168 million. Therefore, sufficient resources are available to enable the Board to make funding decisions.

25. Of the eight funding proposals submitted for the Board's consideration, six are public-sector proposals requesting GCF funding of USD 121 million, and two are private-sector proposals for USD 47 million of GCF funding.

26. One of the two private-sector proposals is a programme to be implemented in phases. The aforementioned USD 47 million takes into account only the first phase of the programme as well as the project. In addition, the programme puts forth a request for funding allocation of USD 195 million for the subsequent phases. This allocation is similar to the funding allocations made for the request for proposal (RFP) for the MSME pilot programme and the mobilizing resources pilot programme approved by the Board in decision B.10/11.

² Source: informational document GCF/B.11/Inf.06 titled "Status of resources and execution of the administrative budget of the Green Climate Fund at 30 September 2015".

27. As the GCF’s operation is at its early stage, it is proposed that the subsequent phases of the programme be presented to the Board for funding approval at future Board meetings. It is, however, recognized that providing programmatic approvals allows greater flexibility for the accredited entities and a more streamlined process; both of which may be required if the GCF is to meet its objectives in terms of committing the resources in a timely manner.

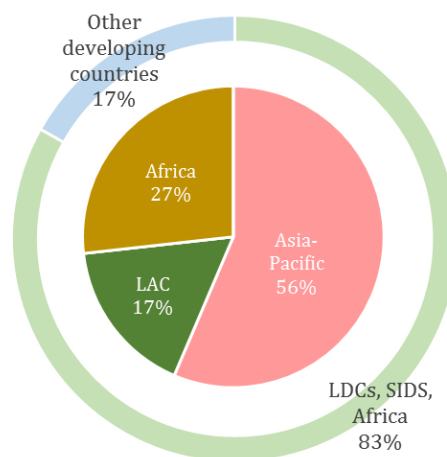
28. The geographic distribution of the funding proposals is as follows:

- (a) Three proposals in Africa requesting USD 45 million;
- (b) Three in Asia-Pacific requesting USD 95 million; and
- (c) Two in LAC requesting USD 28 million.

29. Of the eight proposals for consideration, six proposals are in LDCs, SIDS and African states totalling USD 140 million, and two are in other developing countries totalling USD 28 million.

30. Figure 4 shows a breakdown of total requested GCF amount by region (in percent), as well as the GCF funding requested from LDCs, SIDS and African states relative to other developing countries.

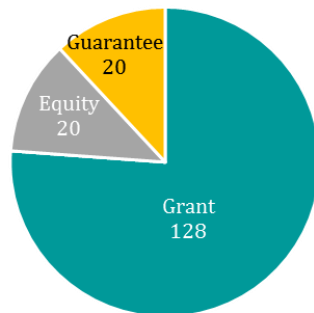
Figure 4. Regional distribution of requested GCF amount (in percent)



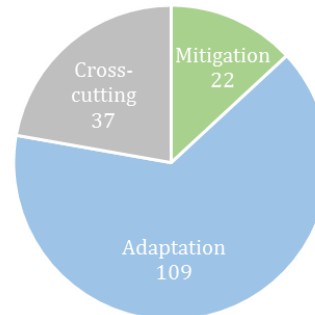
31. The proposals come from various types of entities, including those at the national, regional and international levels. Three proposals were submitted by direct access entities, and five through international access entities.

32. Figure 5 shows the total requested GCF amount by financial instrument, and figure 6 shows the total requested GCF amount by theme.

**Figure 5. Total requested GCF amount
by financial instrument
(in million United States dollars)**



**Figure 6. Total requested GCF
amount by theme
(in million United States dollars)**



33. The number of funding proposals received is expected to increase over time with the dedicated efforts by AEs, NDAs, the TAP, the Secretariat team and other stakeholders.

2.2 Introduction to the funding proposal packages

34. Eight funding proposal packages are contained in addenda I through VIII to this document. Each addendum corresponds to an individual funding proposal for consideration by the Board and is presented with two parts:

- (a) Part A. The funding proposal³, as submitted by the AE; and
- (b) Part B. The no-objection letter for that project/programme, as issued by the NDA.

35. Due to confidentiality, the full private sector funding proposals are contained in addenda IX and X for limited distribution to the Board members and alternate Board members only.

36. Following the funding proposal packages, there is an additional set of supporting addenda for the Board's consideration. For each funding proposal, the Secretariat's review and the independent assessment by the TAP are provided in addenda XI through XVIII.

37. A list of conditions and observations proposed by the Secretariat and TAP respectively is presented in addendum XIX to this document. The Board is requested to review the proposed conditions and observations and then may choose to adopt some or all of them for inclusion in the decision.

38. Due to the deliberative nature of addenda XI through XIX, they are made available in limited distribution to the Board members and alternate Board members only.

39. The Board is requested to, on the basis of the information and assessments presented, arrive at a decision for each funding proposal. Pursuant to decision B.07/03, the Board has three decision options:

- (a) Approve the funding proposal;

³ For the private sector proposals, due to confidentiality, funding proposal information documents summarizing the funding proposals are presented.



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- (b) Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or
- (c) Reject the funding proposal.
40. Once the decision is made, it is recorded by the Secretariat and communicated to the Interim Trustee. The Secretariat also informs the AE and the NDA or focal point of the decision and next steps (decision B.07/03).

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.11/04 titled “Consideration of funding proposals”:

- (a) Takes note of the following funding proposals:
- (i) Funding proposal 001 titled “Building the Resilience of Wetlands in the Province of Datem del Maranon in Peru” (by Profonanpe), as contained in addendum I;
 - (ii) Funding proposal 002 “Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi” (by United Nations Development Programme), as contained in addendum II;
 - (iii) Funding proposal 003 “Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal” (by Centre de Suivi Ecologique), as contained in addendum III;
 - (iv) Funding proposal 004 “Climate Resilient Infrastructure Mainstreaming in Bangladesh” (by KfW Development Bank), as contained in addendum IV;
 - (v) Funding proposal 005 “KawiSafi Ventures Fund in Eastern Africa” (by Acumen), as contained in addendum V;
 - (vi) Funding proposal 006 “Energy Efficiency Green Bond in Latin America and the Caribbean” (by Inter-American Development Bank), as contained in addendum VI;
 - (vii) Funding proposal 007 “Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages” (by United Nations Development Programme), as contained in addendum VII; and
 - (viii) Funding proposal 008 “Urban Water Supply and Wastewater Management Project in Fiji” (by Asian Development Bank), as contained in addendum VIII.
- (b) Approves the amount of USD 6.24 million in grants for the project entitled “Building the Resilience of Wetlands in the Province of Datem del Maranon in Peru”, submitted by Profonanpe, [subject to the conditions adopted by the Board];
- (c) Approves the amount of USD 12.259 million in grants for the project entitled “Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi”, submitted by the United Nations Development Programme, [subject to the conditions adopted by the Board];
- (d) Approves the amount of USD 7.61 million in grants for the project entitled “Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal”, submitted by Centre de Suivi Ecologique, [subject to the conditions adopted by the Board];
- (e) Approves the amount of USD 40 million in grants for the project entitled “Climate Resilient Infrastructure Mainstreaming in Bangladesh”, submitted by KfW Development Bank, [subject to the conditions adopted by the Board];
- (f) Approves the amount of USD 20 million in equity and 5 million in grants subject to Acumen’s upgrade of the accreditation status to receive grants for the programme entitled “KawiSafi Ventures Fund in Eastern Africa”, submitted by Acumen, [subject to the conditions adopted by the Board];
- (g) Approves an amount of USD 20 million of guarantee for the pilot phase in Mexico and USD 2 million as a programme development grant for the programme entitled “Energy



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- Efficiency Green Bond in Latin America and the Caribbean”, submitted by the Inter-American Development Bank, [subject to the conditions adopted by the Board];
- (h) Decides to allocate USD 195 million for the next phases of the programme entitled “Energy Efficiency Green Bond in Latin America and the Caribbean”, to be committed, subject to funding approval by the Board, in several tranches over the course of the next five years.
- (i) Approves the amount of USD 23.64 million in grants for the project entitled “Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages”, submitted by the United Nations Development Programme, [subject to the conditions adopted by the Board];
- (j) Approves the amount of USD 31.04 million in grants for the project entitled “Urban Water Supply and Wastewater Management Project in Fiji”, submitted by the Asian Development Bank, [subject to the conditions adopted by the Board]; and
- (k) Reaffirms that pursuant to decision B.07/03, Annex VII, the Executive Director or her designee is authorized to negotiate and enter into legal agreements on behalf of the Green Climate Fund with accredited entities in respect of funding proposals approved by the Board, taking into account any condition set by the Board in this decision and in the decision accrediting the relevant accredited entity.
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