

Green Climate Fund

Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding

GCF/B.07/03

8 May 2014

Meeting of the Board

18-21 May 2014

Songdo, Republic of Korea

Agenda item 07

Recommended action by the Board

It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.07/03 *Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding*; and
- (b) Adopt the draft decision presented in Annex I to this document.

Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding

I. Introduction

1. At its fifth meeting, the Board requested the Secretariat to develop and present an initial process for the review and approval of proposals to the Board, including the activity-specific decision criteria for programme and project funding, at its second meeting in 2014.
2. The Board's request relates to paragraph 53 of the Governing Instrument:
"The Fund will have a streamlined programming and approval process to enable timely disbursement. The Board will develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities."
3. This document provides an outline of the process for the review and approval of funding proposals. The criteria for programme and project funding as requested in decision B.05/17 are contained in the Fund's investment framework (see document GCF/B.07/06).

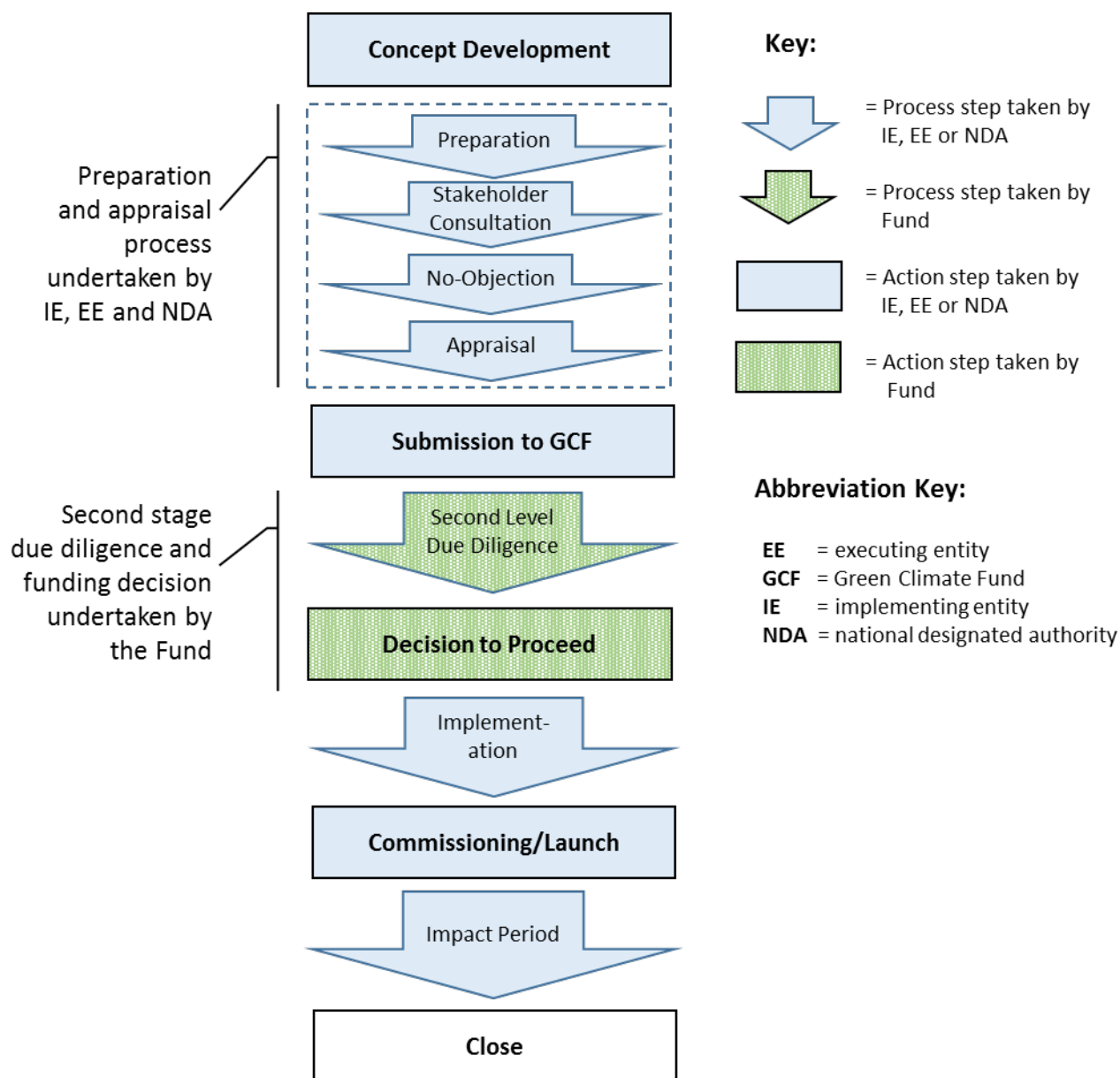
II. Linkages with other documents

4. This document has linkages with and addresses matters that cut across the following documents (each focusing as closely as possible on its own topic to avoid redundancy and repetition):
 - (a) *Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards* (GCF/B.07/02);
 - (b) *Initial Results Management Framework of the Fund* (GCF/B.07/04);
 - (c) *Financial Risk Management Framework* (GCF/B.07/05);
 - (d) *Investment Framework* (GCF/B.07/06); and
 - (e) *Initial Modalities for the Operation of the Fund's Mitigation and Adaptation Windows and the Private Sector Facility* (GCF/B.07/08).
5. This document furthermore has linkages with prior decisions relating to the Fund's interim information disclosure practice (decision B.05/15) and the Fund's independent redress mechanism (decision B.06/09).

2.1 Activity cycle and process for approval of project and programme funding proposals

6. From the Fund's point of view, the difference between a project and a programme is as follows. A project is a time-bound arrangement established to deliver specific (often tangible) outputs in line with pre-defined time, cost and quality constraints. A programme is a portfolio comprised of multiple projects or activities that are managed and coordinated as a unit with the objective of achieving (often intangible) outcomes and benefits. A programme is typically less apt to be time-bound than a project.
7. The approval process for activities supported by the Fund is embedded in a transparent approval cycle that the Fund would follow. As a general rule, the Fund's projects and programmes would follow the steps outlined in the figure.

Figure: Key stages in the approval cycle (simplified)



8. Each of these stages would consist of a number of specific steps, with differing actors, responsibilities and tasks. The typical steps are laid out below and in Annex II.

9. Adaptation and mitigation projects and programmes, both public and private, would follow the approval cycle as outlined below. Implementing entities (IEs) and intermediaries would play a key role as sub-national, national, regional and international facilitators dealing directly with the eligible executing entities (EEs) or project/programme sponsors in both the public and private sectors, in terms of project initiation, development and implementation.

10. Each funded activity would be assessed and approved based on its merits with regard to the Fund's activity-specific decision criteria, as defined in the investment framework (see document GCF/B.07/06), thereby ensuring that the activity is in line with the Fund's investment policies and strategies.

11. The two-step approval process outlined below would apply across public and private adaptation and mitigation projects and programmes. However, recommendations by the Private

Sector Advisory Group on the specificities of the approval process for private sector funding proposals will be considered.

2.2 Generation of project or programme funding proposals

12. Project or programme funding proposals, either in the form of concept notes or full appraisal reports, would be generated through:
 - (a) Calls for funding proposals initiated by the Secretariat and published on the Fund's website;
 - (b) Spontaneous submissions from sub-national, national, regional or international IEs or intermediaries.
13. In the initial stages of the Fund's operations, all proponents must submit project and programme funding proposals through an accredited IE or intermediary. A list of accredited IEs and intermediaries would be published on the Fund's website.
14. Whereas, over time, it is expected that many funding proposals would be spontaneous submissions from IEs, intermediaries and other project sponsors, in its initial phase, the Fund would use calls for funding proposals through IEs and intermediaries to seek valid funding proposals from its potential beneficiaries. This would be particularly important in order to accomplish the Fund's objective of achieving a balance of funding between mitigation and adaptation, as prior experience suggests that more funding proposals of the former type are likely to be spontaneously proposed by IEs and intermediaries than of the latter.
15. The Secretariat would generally publish calls for funding proposals for both adaptation and mitigation projects and programmes simultaneously, but would from time to time limit these to one of the two categories of projects and programmes only in order to ensure that these activities obtain preferential access to the Fund's financial resources and that the Fund can therefore meet its financing targets.
16. To enable a comparison of spontaneous funding proposals, the Board may wish to consider establishing regular monthly or quarterly funding cycles (depending on the volume of pipeline flow), during which all funding proposals (both those generated through calls for proposals and spontaneous submissions) would be considered, to ensure that the Fund selects the most attractive funding proposals for funding in terms of alignment with its investment policies and strategies. If funding cycles are not adopted by the Board, funding proposals would be brought to the Board for approval as they are submitted by the IE or intermediary and processed by the Secretariat.

2.3 Concept

17. The concept step would be a voluntary step where the accredited IE or intermediary, or the EE (such as a project/programme sponsor), prepares a brief concept note to verify whether the project/programme concept is broadly aligned with the Fund's objectives. The concept note is submitted to the Secretariat and national designated authority (NDA) or focal point to ensure country ownership. The project sponsor would be strongly recommended (although not required, as this is a voluntary step) to consult with relevant stakeholders during the process of concept development.
18. The Secretariat would review the concept note to ensure that the concept is aligned with the Fund's investment framework, results management framework and gender-sensitivity policy, and that it contains other necessary elements, and would provide feedback and recommendations to the IE or intermediary (with a copy to the NDA or focal point).
19. The expected timeframe for the review by the Secretariat would be one calendar month.

2.4 Preparation and appraisal

2.4.1 Preparation

20. This involves the preparation of feasibility studies, financial and economic analyses, socioeconomic and gender assessments and a review of compliance with Performance Standard 1 of the Fund's interim environmental and social safeguards¹, to determine the project's or programme's feasibility, viability and alignment with the Fund's activity-specific decision criteria (published on its website) within the country context. The studies would be the responsibility of the EE under the oversight of the IE or intermediary, or would be prepared by the EE and the IE/intermediary jointly.

2.4.2 Stakeholder consultation

21. Effective engagement of relevant stakeholders through consultations is an essential element in the preparation of funding proposals and should be aligned with the Fund's gender policy and the Fund's interim environmental and social safeguards. The Board will provide further guidance on best practice multi-stakeholder consultation in the context of its forthcoming paper on country ownership. The intermediary or IE would be responsible for coordinating and facilitating these consultations and stakeholder engagement in the preparation of specific funding proposals, in line with Performance Standard 1 of the Fund's interim environmental and social safeguards and in accordance with future guidance to be provided in the context of the Fund's Environmental and Social Management System. The EE would typically undertake the consultation with stakeholders, under the coordination of the IE or intermediary. Relevant stakeholders are defined in the guidance notes of the Fund's interim environmental and social safeguards (see document GCF/B.07/02).²

2.4.3 No-objection

22. To ensure country ownership and alignment of project and programme funding proposals with national priorities, policies and strategies, the national designated authority (NDA) or focal point would need to communicate its no-objection in accordance with the Fund's transparent no-objection procedure to be agreed on by the Board.

2.4.4 Appraisal

23. The IE or intermediary would then carry out funding proposal appraisal, taking into account the outputs of the funding proposal preparation, in order to assess the entire project or programme's viability from climate change, environmental economic, social, gender and financial points of view, to ensure it is aligned with the Fund's activity-specific decision criteria and therefore the Fund's investment policies and strategies. The Secretariat may develop as needed appraisal toolkits that outline best practice and other resources guide IEs and intermediaries.

24. An assessment of how well each proposed activity performs with respect to the activity-specific approval criteria as defined in the Fund's investment framework (see document GCF/B.07/06) would be included in the appraisal report accompanying the funding request.

¹ Performance Standard 1 is "Assessment and Management of ESS Risks and Impacts", and must be complied with in accordance with a scaled risk-based approach, as contained in Annex IV to document GCF/B.07/02.

² See also: International Finance Corporation, *Guidance Notes: Performance Standards on Environmental and Social Sustainability*, p31. Available from <http://www.ifc.org/wps/connect/e280ef804a0256609709ffd1a5d13d27/GN_English_2012_Full-Documents.pdf?MOD=AJPERESY>.

25. As part of the appraisal, the IE or intermediary would determine the grant and/or concessional loan element needed to make the investment viable. The appraisal would also cover proposed financing, including the structure of:

- (i) Grants and/or concessional lending;
- (ii) The IE or intermediary's own contribution; and
- (iii) Possible co-financing.

26. The IE or intermediary would submit a compilation of the project preparation and appraisal documentation in a single document to the Secretariat, with an accompanying executive summary.

27. The Secretariat would note the submission of the documentation, review it for completeness and acknowledge receipt.

2.5 Approval process

2.5.1 Step one: Analysis and recommendations by the Secretariat

28. The objective of step one of the initial funding proposal approval process is for the Secretariat to provide a recommendation to the Board on whether or not to proceed with the funding proposal. Initially the Secretariat would only consider funding proposals from IEs and intermediaries that have been accredited by the Fund.

29. In this first step, once the funding proposal appraisal documentation has been submitted by the IE or intermediary, the Secretariat would carry out necessary and appropriate second-level due diligence of the funding proposal. This second-level due diligence would not duplicate the IE's or intermediary's own appraisal. It would assess:

- (a) **Compliance with Fund safeguards and other policies.** The Secretariat would review the appraisal package to ensure compliance with Performance Standard 1 of the Fund's interim environmental and social safeguards, gender policy, financial policies and any other policies promulgated by the Board.
- (b) **Performance of the project or programme against activity-specific decision criteria.** Based on the project appraisal submitted by the intermediary or IE, the Secretariat would assess the extent to which the project/programme meets the Fund's activity-specific decision criteria contained in the investment framework. This would enable the Secretariat to determine how well the funding proposal is aligned with the Fund's objectives. This would include, as necessary, comparison with benchmarks for these criteria. The Secretariat would draw on additional technical advice from a consultative expert group for this assessment, where needed.³

30. As part of the second-level due diligence of the funding proposal, the Secretariat would prepare the draft financial terms and conditions (term sheet) and pre-negotiated draft legal agreements, based on the appraisal and the Fund's overall framework of terms and conditions approved by the Board.

31. The Secretariat would then submit to the Board:

- (a) The IE's or intermediary's appraisal documentation of the project or programme;

³ See GCF/B.07/06, draft decisions (d) for a request to the Secretariat to prepare a document that considers the additional support, expert advice and/or additional structures that are required to facilitate the work of the Investment Committee and the Secretariat relating to development of and assessment against the activity specific decision criteria

- (b) A summary of the second-level due diligence carried out by the Secretariat, including the amount and concessionality in grant-equivalence of the proposed contribution by the Fund; and
 - (c) A cover note containing a recommendation by the Secretariat on the decision as to whether or not to proceed with the funding proposal and the underlying assessment of the funding proposal with respect to the activity-specific decision criteria.
32. The expected timeframe for the Secretariat's analysis and recommendations and drafting of the term sheet would be up to two calendar months.

2.5.2 Step two: Decision to proceed by the Board

33. The objective of step two of the initial proposal approval process is to make a decision as to whether or not to provide finance for the funding proposal. This step would only take place once the transparent no-objection procedure has been implemented.

34. In this second step the Board would review the documentation submitted by the Secretariat, including the appraisal by the IE/intermediary and the second-level due diligence by the Secretariat.

35. For its decision the Board would assess the alignment of project and programme funding proposals with the Fund's objectives. This assessment would be informed by the Secretariat's recommendation and its analysis of the funding proposal against the activity-specific decision criteria. The funding proposals that best perform against the Fund's investment policies and criteria would be retained for funding.

36. In order to ensure high-quality funding proposals, the Board may also decide that projects and programmes considered for funding by the Fund have to meet a minimum benchmark for each criterion against which they are assessed.

37. Funding proposals would generally be approved by decisions of the Board taken between meetings, where Board members would have one month to object to the approval of the funding proposal. The Board would have received confirmation of available funding. The Board may decide to approve some types of funding proposals (e.g. riskier proposals) at full Board meetings rather than between meetings. For others (e.g. less complex proposals), it may decide to delegate the authority to approve the funding proposal to the Secretariat, or to approve them on a lapse-of-time basis.

38. In accordance with paragraph 14 of the Governing Instrument and as non-consensus decision-making procedures have yet to be developed, all Board decisions relating to the proposed initial approval process are taken by consensus.

39. There are three potential outcomes of the decision by the Board:

- (a) The funding proposal is approved;
- (b) The funding proposal is approved conditional on modifications to project or programme design or subject to availability of funding; or
- (c) The funding proposal is rejected.

40. The decision would be recorded by the Secretariat and communicated to the Trustee. The IE or intermediary and the NDA or focal point would be informed of the outcome of the approval process and the next steps to be taken by the Secretariat. This notification would articulate the Board's reasoning behind their decision, and, in the cases of conditional approval, would detail the conditions that need to be met for approval.

41. For funding proposals that have been approved, the next step would be the finalization of draft legal documents and terms and conditions. The legal agreements between the Fund and the IEs and intermediaries would be negotiated and finalized based on the nature of the activity

and of funding flows and would be signed by the Executive Director and by the IE or intermediary. They would contain all relevant details regarding the terms and conditions of the Fund's financing and may include terms and conditions applicable to the relationship between the IEs, intermediaries and EEs. The Trustee would be notified. The Trustee would provide a letter of commitment to the IE or intermediary with copy to the NDA or focal point.

42. Funding proposals that are conditionally approved may be re-submitted in future if the IE or intermediary so wishes (with or without modification).

43. Funding proposals that are rejected would not be funded but may be subject to reconsideration through the independent redress mechanism, should the proponent so decide to submit it for reconsideration (see decision B.06/09).

44. The expected timeframe for the review by the Board and the decision as to whether or not to proceed would be one calendar month, depending on the complexity of the funding proposal.

45. As concerns disclosure of information of appraisal and second-level due diligence, the Fund would follow its interim information disclosure practice (B.05/15).

2.6 Implementation period

46. During the implementation period of the project or programme, funds would be transferred to the IE or intermediary by the Trustee based on notice or instruction from the Secretariat. Implementing entities and intermediaries are required to apply the relevant Fund's interim environmental and social safeguards, including on gender, when implementing approved funding proposals, in line with document GCF/B.07/02. In cases where this approach has not been followed, relevant stakeholders would have access to the Fund's independent redress mechanism (see decision B.06/09). An external audit of activity implementation (in projects and programmes) would be prepared under the responsibility of the IE or intermediary in order to verify that the Fund's requirements contained in the financing agreement are met. The frequency with which the audit would be carried out would depend on the size and risk level of the funded activity. This audit would be submitted to the Secretariat.

2.7 Commissioning/launch

47. The commissioning/launch of the activity is the point in time at which the project or programme becomes effective and commences its contribution to the Fund's objectives. A programme commences its contribution to the Fund's objectives as soon as the first project within the programme becomes effective. At this point, monitoring and evaluation would commence as well. The IE or intermediary would have reporting requirements as part of the financing agreement. These reporting requirements would cover both the activity's results (within the Fund's initial results management framework) and the activity's financial/economic performance (within the Fund's financial risk management framework).

2.8 Impact period

48. The period during which the activity would make an impact on climate change would vary according to the type of activity. Activity outcomes would be monitored and evaluated at the portfolio level on a case-by-case basis within the Fund's initial results management framework and reported to the Board. Monitoring of the financial and economic performance of the activity would be undertaken by the IE or intermediary and reported to the Secretariat on a regular basis, in accordance with requirements contained in the financing agreements and/or implementation agreements. Activity-level financial and economic performance is a key

component of asset-side risk within the financial risk management framework; this reporting is therefore important in order to enable the Risk Management Committee, the Board and the Secretariat to make an accurate assessment of the Fund's risk profile.

49. If the nature of the funding extended to the activity is in the form of a concessional loan, the intermediary would service the debt to the Fund via the Trustee based on the terms of the financing agreement between the Fund and the intermediary. An annual external audit of the activity would be submitted by the intermediary to the Secretariat. The intermediary would inform the Secretariat on a regular basis (e.g. quarterly) of the status of its outstanding loan portfolio and of the status of financing covenants for each activity in its Fund portfolio.

2.9 Close

50. The financial closure marks the end of debt service. Any unused funds are returned to the Fund. The Trustee closes the commitment to the IE or intermediary.

51. The project or programme closes on the date from which the activity's impact is no longer be measured. The close would be defined on a case-by case basis and determined in funding agreements.

III. Recommendations and next steps

52. Relevant supporting material such as funding proposal appraisal toolkits may be developed by the Secretariat and made available to IEs and intermediaries as the Fund becomes operational.

53. Under direct access, financial support may also be provided by the Secretariat through the readiness work programme for the preparation and appraisal of funding proposals.

54. The Board may wish to adopt the decision contained in Annex I to this document.

Annex I: Draft decision of the Board

The Board, having reviewed document GCF/B.07/03, *Initial Proposal Approval Process, Including the Criteria for Programme and Project Funding*:

- (a) Adopts the project and programme activity cycle, including the two-step initial proposal approval process of the Fund, for private and public adaptation and mitigation projects and programmes, as contained in Annex II;
- (b) Requests the Secretariat to develop and implement guidelines on the operationalization of the initial proposal approval process for project and programme funding;
- (c) Decides to undertake a review of the initial proposal approval process no later than three years after the initial resource mobilization of the Fund.

Annex II: Project and programme activity cycle

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
I. Generation of project or programme funding proposals			
1.	Call for funding proposals	Secretariat	The Secretariat publishes [monthly] [quarterly] calls for funding proposals on the Fund's website. The Secretariat generally publishes calls for funding proposals for both adaptation and mitigation projects and programmes simultaneously, but from time to time limits these to one of the two categories of projects and programmes only in order to ensure that these activities obtain preferential access to the Fund's financial resources and that the Fund can therefore meet its financing targets. IEs and intermediaries may also submit spontaneous funding proposals to the Secretariat.
II. Concept (voluntary) If detailed funding proposal exists, go to Stage III			
2.	Concept development	IE, intermediary or EE (e.g. project/programme sponsor)	The implementing entity (IE), intermediary or executing entity (EE) prepares a brief concept note to verify whether the project or programme concept is broadly aligned with Fund objectives and policies. The IE, intermediary or EE should consult with relevant stakeholders during the process of concept development.
3.	Submission of the concept note to the Secretariat and NDA/focal point	IE or intermediary	The IE or intermediary submits the concept note to the Secretariat (with a copy to the national designated authority (NDA) or focal point).
4.	Feedback and recommendations on the concept	Secretariat ,NDA/focal point	The Secretariat ensures that the concept is aligned with the investment framework, results management framework and gender-sensitivity policy and that it contains other necessary elements. The Secretariat provides feedback and recommendations to the IE or intermediary (with a copy to the NDA or focal point).
<i>Expected timeframe of review by the Secretariat: one calendar month</i>			
III. Preparation and appraisal			
5.	Funding proposal preparation	IE/intermediary or EE (e.g. project/programme sponsor)	Preparation by the EE, under the oversight of the IE or intermediary, or preparation by the EE and the IE/intermediary jointly, of feasibility studies, financial and economic analyses, socioeconomic and gender assessments and a review of compliance with Performance Standard 1 of the Fund's interim environmental and social safeguards in order to determine project or programme feasibility, viability and alignment with the Fund's activity-specific decision criteria, within the country context.

6.	Stakeholder consultation	IE/intermediary, EE,	The IE or intermediary is responsible for coordinating and facilitating stakeholder consultations and engagement in the preparation by the EE of specific funding proposals, in line with Performance Standard 1 of the Fund's interim environmental and social safeguards and in accordance with future guidance provided in through the Fund's Environmental and Social Management System. The EE typically undertakes the consultation with stakeholders, under the coordination of the IE or intermediary
7.	No-objection	NDA/focal point	No-objection communicated by the NDA or focal point in line with the Fund's transparent no-objection procedure to be agreed on by the Board.
8.	Funding proposal appraisal	IE, intermediary	<p>The IE or intermediary carries out funding proposal appraisal to assess the entire project or programme's viability from climate change, environmental, social, gender, economic and financial points of view in order to ensure alignment with the Fund's activity-specific decision criteria.</p> <p>An assessment of how well each proposed activity performs with respect to the activity-specific approval criteria as defined in the Fund's investment framework is included in the appraisal report accompanying the funding request.</p> <p>The IE or intermediary determines the grant and/or concessional loan element needed to make the investment viable. The appraisal covers proposed financing, including structure of (i) grants and/or concessional lending; (ii) the IE or intermediary's own contribution; and (iii) possible co-financing.</p> <p>The Secretariat may develop as needed appraisal toolkits that outline best practice in appraisal preparation to guide IEs and intermediaries</p>
9.	Submission to the Secretariat and acknowledgement of receipt	IE, intermediary, Secretariat	<p>The IE or intermediary submits compilation of funding proposal preparation and appraisal documentation in a single document, with an accompanying executive summary.</p> <p>The Secretariat notes the submission of the documentation, reviews it for completeness, and acknowledges receipt.</p>
<i>Expected timeframe will depend on EE and IE/intermediary preparation and appraisal process: Typically 12-24 months</i>			

IV. Step 1 of approval process: Analysis and recommendations to the Board			
10.	Second level due diligence of funding proposal	Secretariat	<p>Initially, the Secretariat only considers funding proposals submitted by IEs and intermediaries that have been accredited by the Fund.</p> <p>The Secretariat carries out necessary and appropriate second-level due diligence. This does not duplicate the IE's or intermediary's own appraisal.</p> <p>The Secretariat also assesses:</p> <ul style="list-style-type: none"> • Compliance with Fund safeguards and other policies. The Secretariat reviews the appraisal package to ensure compliance with Performance Standard 1 of the Fund's interim environmental and social safeguards, gender policy, financial policies and any other policies promulgated by the Board. • Performance of the project or programme against activity-specific decision criteria. Based on the project appraisal submitted by the intermediary or IE, the Secretariat assesses the extent to which the project/programme meets the Fund's activity-specific approval criteria contained in the investment framework. This enables the Secretariat to determine how well the funding proposal is aligned with the Fund's objectives. This includes, as necessary, comparison with benchmarks for these criteria. The Secretariat would draw on additional technical advice from a consultative expert group for this assessment, where needed.
11.	Preparation of draft terms and conditions (term sheet)	Secretariat	As part of the second-level due diligence, the Secretariat prepares the draft financial terms and conditions (term sheet) and pre-negotiated draft legal arrangements based on the appraisal and the Fund's overall framework of terms and conditions approved by the Board.
12.	Submission to the Board	Secretariat	<p>The Secretariat submits the following documentation to the Board:</p> <ul style="list-style-type: none"> • The IE's or intermediary's appraisal documentation of the project or programme; • A summary of the second-level due diligence carried out by the Secretariat, including the amount and concessionality in grant-equivalence of the proposed contribution by the Fund; and • A cover note containing: a recommendation by the Secretariat on the decision as to whether or not to proceed with the funding proposal; and the underlying assessment of the funding proposal with respect to the activity-specific decision criteria.
<i>Expected timeframe for second level due diligence of proposal and preparation of draft term sheet: two calendar months</i>			

V. Step 2 of approval process: Decision to proceed			
13.	Review of funding proposal appraisal documentation and due diligence	Board	The Board reviews funding proposal documentation including the appraisal by the IE/intermediary and the second-level due diligence by the Secretariat.
14.	Decision to proceed	Board, Secretariat	<p>The Board assesses the alignment of project and programme funding proposals with the Fund’s objectives. This assessment is informed by the Secretariat’s recommendation and its analysis of the funding proposal against the activity-specific decision criteria. Funding proposals are generally approved by decisions of the Board taken between meetings, where Board members have one month to object to the approval of the funding proposal. The Board has received confirmation of available funding The Board may decide to approve some types of funding proposals (e.g. riskier proposals) at full Board meetings rather than between meetings. For others (e.g. less complex proposals), it may decide to delegate the authority to approve the funding proposal to the Secretariat, or to approve them on a lapse-of-time basis.</p> <p>The Board takes a decision to:</p> <ul style="list-style-type: none"> (i) Approve the funding proposal; (ii) Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or (iii) Reject the funding proposal. <p>The decision is recorded by the Secretariat and communicated to the Trustee.</p> <p>The Secretariat informs the IE or intermediary and the NDA or focal point of the decision and next steps. This notification would articulate the Board’s reasoning behind their decision, and, in the cases of conditional approval, would detail the conditions that need to be met for approval</p> <p>For funding proposals that have been approved, the next step is the finalization of draft legal documents and terms and conditions.</p> <p>Funding proposals that are conditionally approved may be re-submitted in future if the IE or intermediary so wishes (with or without modification).</p> <p>Funding proposals that are rejected will not be funded but may be subject to reconsideration</p>
<p><i>Expected timeframe of review of funding proposal appraisal documentation and due diligence, and decision to proceed: one calendar month (depending on the complexity of the funding proposal)</i></p>			

15.	Negotiation and finalization of draft legal documents (financing agreement, project/programme agreement)	Secretariat with IE or intermediary	The legal agreements between the Fund and the IEs and intermediaries are negotiated and finalized based on the nature of the activity and of funding flows They contain all relevant details regarding the terms and conditions of the Fund's financing and may include terms and conditions applicable to the relationship between the IEs, intermediaries and EEs.
16.	Signature of legal documents	Executive Director, IE or intermediary	Legal agreements are signed by the Executive Director and by the IE or intermediary. The Trustee is notified The NDA or focal point are informed
17.	Letter of commitment	Trustee	The Trustee provides a letter of commitment to the IE or intermediary with copy to the NDA or focal point
VI. Implementation period			
18.	Transfer of funds to IE/intermediary against agreed criteria	Trustee	Based on notice or instruction from the Secretariat
19.	Application of the relevant Fund's interim environmental and social safeguards	IE or intermediary	Implementing entities and intermediaries have to apply the relevant Fund's interim environmental and social safeguards, including on gender when implementing approved funding proposals.
20.	Preparation of external audit report	IE or intermediary	The external audit report of activity implementation is submitted to the Secretariat within six months of the end of the reporting period in order to verify that the Fund's financing requirements are met. The frequency with which the audit is carried out depends on the size and risk level of the funded activity.
VII. Commissioning/launch			
21.	Project or programme becomes effective	IE, intermediary, EE	The project or programme commences its contribution to the Fund's objectives. A programme commences its contribution to the Fund's climate change objectives as soon as the first project within the programme becomes effective.
22.	Monitoring and evaluation of outcomes commences	IE or intermediary, Secretariat	Monitoring commences as soon as the project or programme becomes effective. The IE or intermediary has reporting requirements to the Secretariat as part of the financing agreement. These reporting requirements cover both the activity's results (within the Fund's initial results management framework) and the activity's financial/economic performance (within the Fund's financial risk management framework).

VIII. Impact period			
23.	Monitoring and evaluation of outcomes	IE or intermediary, Secretariat	Activity outcomes are monitored and evaluated at the portfolio level on a case-by-case basis within Fund's initial results management framework and reported to the Board.
24.	Monitoring of financial and economic performance	IE or intermediary, Secretariat	Monitoring of the financial and economic performance of the activity is undertaken by the IE or intermediary and reported to the Secretariat on a regular basis, in accordance with requirements contained in the financing agreements and/or implementation agreements.
25.	Debt serviced according to loan agreement	Intermediary, Secretariat, Trustee	If the nature of the funding extended to the activity is in the form of a concessional loan, the intermediary services the debt to the Fund via the Trustee based on the terms of financing agreements between the Fund and the intermediary. An annual external audit of the activity is submitted by the IE or intermediary to the Secretariat.
26.	Monitoring of financing covenants	IE or intermediary, Secretariat and Trustee	The IE or intermediary informs the Secretariat on a regular basis (e.g. quarterly) of the status of its outstanding loan portfolio and of the status of financing covenants for each activity in its Fund portfolio based on the terms of financing agreements.
IX. Close			
27.	Financial closure	IE or intermediary, Secretariat and Trustee	End of debt service. Any unused funds are returned to the Fund. The Trustee closes the commitment to the IE or intermediary
28.	Activity exits the Fund's portfolio	n/a	This is the date from which the activity's impact is longer measured. The close is defined on a case-by case basis and determined in funding agreements.