



GREEN
CLIMATE
FUND

Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities

GCF/B.08/22*

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Agenda item 18

* Owing to time constraints, this document is unedited.



Recommended action by the Board

It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.08/22 *Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities*; and
- (b) Adopt the draft decision presented in Annex I to this document.

Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities

I. Introduction

1. Paragraph 53 of the Governing Instrument provides that:
“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.”
2. At its seventh meeting, the Board adopted an initial proposal approval process (decision B.07/03).
3. The purpose of this document is to outline simplified processes for the approval of proposals for certain activities, in particular small-scale activities.

II. Linkages with other documents

4. This document has linkages with the following documents:
 - (a) *Additional Modalities that Further Enhance Direct Access, Including through Funding Entities* (GCF/B.08/09);
 - (b) *Modalities to Promote the Participation of Private Sector Actors in Developing Countries* (GCF/B.08/15); and
 - (c) *Further Development of the Initial Investment Framework* (GCF/B.08/20).

III. Initial proposal approval process

5. The Fund’s initial proposal approval process will enable the Fund to identify and provide finance for programmes and projects that best achieve its objectives¹ and will enable timely disbursement of resources. This initial proposal approval process will utilize six criteria for programme and project funding, as contained in the initial investment framework (decision B.07/06).
6. According to this decision, programme or project funding proposals will be generated through calls for proposals or spontaneous submission to the Secretariat. Funding proposals will be submitted by NDAs, IEs or intermediaries in accordance with the Fund’s transparent no-objection procedure to ensure country ownership. Voluntary concept notes may be submitted to the Secretariat for feedback and recommendations prior to the submission of a full funding proposal. The Secretariat will carry out due diligence of funding proposals and assess compliance with the interim environmental and social safeguards, gender policy and financial policies. In addition, it will assess the funding proposals against the investment criteria and provide a recommendation to the Board. Furthermore, an independent technical advisory panel established at the Board’s seventh meeting (decision B.07/03) will independently assess the project or programme funding proposals against the investment criteria and provide advice to the Board. The Board will then make decisions on whether or not to approve funding proposals, or to provide conditional approval, based on the aforementioned recommendations and

¹ Decision B.07/03.

assessment by the Secretariat and technical advisory panel. Legal arrangements will be made for approving proposals, including through access to the independent redress mechanism.

7. Although it is not possible ex ante to determine the number of project or programme approvals that the Fund would need to make each year to commit the financial resources placed at its disposal by contributors, under all reasonable scenarios the number is likely to range between close to 100 at the lower end, to several hundred per year.² Based on the experience of multilateral institutions and other climate funds, and given that the Fund is guided by efficiency and effectiveness, simplified and streamlined procedures for the approval of proposals will be necessary in order to handle the volume of project and programme funding approvals needed to meet the Fund's mandate to make a significant and ambitious contribution to combating climate change.

8. This document outlines a proposal for streamlined and simplified approval processes for certain activities, particularly small-scale, for the Board to consider to enable it to meet its mandate.

IV. Experiences of other funds

9. This section outlines the streamlined and simplified processes for the approval of funding proposals of the Climate Investment Funds (CIF), the Global Environment Facility (GEF), the Adaptation Fund (AF) and the African Development Bank (AfDB).

4.1 Simplified and streamlined procedures

4.1.1 Climate Investment Funds

10. The Climate Investment Funds (CIF) has two non-resident Trust Fund Committees of the Clean Technology Fund and the Strategic Climate Fund, and three Sub-Committees of the SCF's targeted programs. All funding proposals for projects and programmes are approved by the relevant Committee through the decision by mail mechanism, where decisions are taken by mail for approval on a no-objection basis.

11. In this case, the CIF Administrative Unit circulates proposed decisions and supporting documentation with a request that any comments, questions or requests for clarification should be submitted within two weeks of circulation. Initial objections should also be submitted in the two week period. If there are no objections, comments, questions or requests for clarification within this two week period, then the proposal is deemed approved.

12. In the case that there are comments, questions or requests for clarification or extension of the review period, the period for responding to comments, providing additional information and reaching a final decision should not exceed an additional two weeks.

13. A communication mechanism in the form of a conference call between the relevant CIF Committee and the implementing agency may also be established as needed in case there are issues worth discussing or additional information is needed.

² For example, if the Fund aims to finance two to three programmes or projects in each country per year, the Board would need to approve around 400 funding proposals per year.

14. It is worth noting that prior to funding proposal approval, country investment plans are endorsed by the CIF Committees, usually at the Committee meetings.³

15. The Independent Evaluation of the Climate Investment Funds found that “efficiency and effectiveness of decision-making has been hindered by the CIF’s complex architecture, consensus decision rule and lack of a secretariat with strong executive function”. The recommendations from this evaluation for the Fund are “to look at best practice in meeting and decision-taking procedures from other corporate and multilateral organizations with non-resident governing bodies, and that efficient governing bodies often delegate nonstrategic and lower-level operational decisions to Board subcommittees or to the secretariat”.⁴

16. Furthermore, at the Climate Investment Funds, private sector proposals can be submitted in the form of programmes which aggregate several small and medium sized sub-projects and all having a shared focus and objective.

17. Once the private sector program is approved by the CIF Committee, the sub-projects developed by the MDBs under the approved private sector program will not need to go through the CIF Committee’s approval. The MDBs can approve these sub-projects directly.

18. MDBs report on the progress of the sub-projects under all the approved programs on a periodic basis or more frequently if requested.⁵

4.1.2 Global Environment Facility

19. The Global Environment Facility has a non-resident Council that meets twice a year, for two or three days. There are four types of projects at the GEF: Programmatic Approach; Full-sized Projects (FSP); Medium-sized Projects (MSP); and Enabling Activities (EA). The Programmatic Approach and FSPs have to be approved by the Council and follow the full GEF Project cycle procedures. MSPs and EAs are approved by the CEO under delegated authority from the Council with simplified procedures.

20. The GEF has also funded very small scale projects under the Small Grants Program administered by UNDP. These small projects may range from a few thousand dollars to tens of thousands of dollars. The GEF approves the SGP in lump sum amount following the same procedures as the FSP.

4.1.3 Adaptation Fund

21. The Adaptation Fund has a non-residential Board that meets twice per year. Adaptation Fund funding decisions are made by the Adaptation Fund Board after a review and recommendation by the Project and Programme Review Committee (PPRC). Regular project and programme proposals are approved via a one-step approval process, where a fully-developed proposal is submitted, or two-step approval process, where a brief project or programme concept is submitted as a first step followed by a fully developed proposal. The Adaptation Fund uses a one-step approval process for small-size projects and programmes that are less than

³ Measures to increase the efficiency of CIF Committees, https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_SCF_TFC.11_7_Measures_to_increase_the_efficiency_of_CIF_Committees.rev%20jan%2028%202014_a.pdf.

⁴ Independent Evaluation of the Climate Investment Funds, http://www.cifevaluation.org/docs/cif_evaluation_final.pdf?utm_source=website&utm_medium=homepage&utm_content=full_eval&utm_campaign=cifevaluation.

⁵ CTF Private Sector Operating Guidelines, https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Private_sector_operational_guidelines_revised_OCT2012.pdf.

US\$ 1 million in size. In both cases, the process of review by the PPRC and approval by the Board takes up to nine days.⁶

22. In March 2014, the Board of the Adaptation Fund introduced in-between meeting reviews and approvals of project and programme proposals, where decisions are made via email votes. Such approvals are intended to address proposals that are being re-submitted for consideration. Here, the secretariat submits proposals to the PPRC, which has one week to provide comments. After this, the secretariat would compile the PPRC comments, which could take up to one week, and circulate a revised set of recommendations for one further week for the PPRC's final endorsement of the recommendations on a non-objection basis. The endorsed recommendation would then be circulated to the Board for decision for a period of two weeks. This process of review by the PPRC and approval by the Board takes five weeks in total.⁷

4.1.4 World Bank

23. The World Bank has a resident Board that meets twice a week during session. They have recently introduced a streamlined approval process so that investment lending operations are sent for Board approval on an Absence of Objection basis. Staff are under guidance to propose physical meetings if projects are designed with an exception to certain policies, high risk, or if is considered of special interest to the Board.

4.1.5 African Development Bank

24. The African Development Bank (AfDB) has a residential Board that meets once a week. All proposals are approved by the Board. The approval procedure is taken from the time a proposal is submitted to the AfDB until it reaches the Board.

25. There are simplified procedures for approval of proposals under 100 million units of account (UA).⁸ For proposals that are under 30 million UA, the approval procedure requires only the Regional Director's sign off before it's submitted to the Board, rather than going through all 11 steps. For proposals that are between 30 and 100 million UA, the approval process is also accelerated, requires only half of the steps. This too, is at the Regional Director's discretion.

26. The AfDB has in a number of cases used programmatic approaches with one Board approval for the programme.

V. Simplified and Streamlined processes

27. This section proposes a staged approach to simplified and streamlined processes for the approval of programmes and projects.

28. **Simplified processes for small-scale activities.** Consistent with paragraph 53 of the Governing Instrument that: "[t]he Board will develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities," a simplified process for micro projects and programmes (US\$ 1 million and below) and small projects and programmes (US\$ 1 million to US\$ 10 million) is outlined below.

⁶ Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund, <https://www.adaptation-fund.org/sites/default/files/OPG%20amended%20in%20November%202013.pdf>,

⁷ Options for intersessional review and approval of project and programme proposals, https://www.adaptation-fund.org/sites/default/files/AFB.PPRC_14.13%20Options%20for%20intersessional%20review%20and%20approval%20of%20project%20and%20programme%20proposals.pdf,

⁸ 1 UA is approximately equal to US\$ 1.3.

29. **Streamlined processes for medium- and large-scale activities to enable timely disbursement.** Consistent with the same paragraph of the GI that: “[t]he Fund will have a streamlined programming and approval process to enable timely disbursement”, streamlining options for medium (US\$ 10 million to US\$ 100 million) and large (above US\$ 100 million) projects and programmes, are proposed for the Board-approved initial proposal approval process contained in the investment framework (decision B.07/06).

30. Notwithstanding the simplified and streamlined nature of the processes proposed below, all principles and policies of the Fund, including those relating to disclosure, integrity, the independent redress mechanism, environmental and social safeguards, and procurement, would apply.

5.1 Micro and Small Funding Proposals

31. For funding proposals of up to a threshold of US\$ 10 million for any financial instrument, the Board may wish to introduce a simplified approval process. The Board may wish to reduce the timelines associated with approval of such funding proposals. For instance, the Board may request that the National Designated Authority (NDA) adopt a simplified no-objection process for micro and small funding proposals that is timelier than for larger funding proposals.

32. The Board may furthermore wish to delegate approval of micro and small funding proposals to the Executive Director of the Secretariat to reduce timeframes associated with approval.

33. In order to safeguard the approval of micro and small funding proposals, the Investment and Risk Working Groups⁹ would independently make an assessment of the funding proposal against the defined criteria and undertake due diligence. The Executive Director would then make a decision based on the recommendations and assessments of the Investment and Risk Working Groups.

34. The Executive Director would approve the funding proposal, or provide an approval that is conditional on modifications to project or programme design, or subject to availability of funding; or reject the funding proposal.

35. The Board would be informed of such approvals ex-post on a quarterly basis.

5.2 Medium Funding Proposals

36. For funding proposals between US\$ 10-50 million for any financial instrument, the Board may wish to introduce a streamlining option, under which such funding proposals would be approved based on the Board-approved initial proposal approval process (decision B.07/03), with delegated approval of such funding proposals to the Investment Committee of the Board via virtual decision-making.

37. Under this kind of approval, the Secretariat would provide its recommendation to the Investment Committee based on its assessment of the proposal against the Fund’s activity-specific criteria and its due diligence. Furthermore, the independent technical advisory panel would conduct technical assessment of funding proposals submitted through the Secretariat by accredited entities of the Fund, in accordance with the Fund’s initial proposal approval process

⁹ The responsibilities of the Working Groups are outlined in the Board document GCF/B.07/07/Rev.01, entitled *Structure of the Fund and the Secretariat*.

and with a view to providing objective technical advice on funding proposals for the Investment Committee.

38. The Board's Investment Committee would then make a decision under authority delegated by the Board based on the Secretariat's documentation via in-between meeting decision on a no-objection lapse of time basis. When circulating the relevant documentation, the Secretariat will inform members of the Investment Committee that it will facilitate a virtual meeting to discuss the proposal if necessary. Such a decision could have three outcomes:

- (a) Firstly, if there is no objection within the defined period of time, then the project or programme would be deemed approved;
- (b) Secondly, if there are questions or requests for more information posed by members of the Board's Investment Committee, the Secretariat would provide clarification on these points and/or re-submit the funding proposal if necessary for approval within the predefined time period. If requested, the Secretariat could facilitate a second virtual meeting of the Committee to further discuss the funding proposal; and
- (c) Thirdly, if there is an unresolved issue or an objection, then the funding proposal would be considered in plenary at the following Board meeting.

39. A Committee member may, during the predefined time period, request that the funding proposal be considered for a virtual decision by the Board or at the next Board meeting.

5.3 Large Funding Proposals

40. In general, the Board will consider funding proposals larger than US\$ 50 million for any financial instrument at Board meetings, unless there are proposals that require the Board decision before the following Board meeting.

41. For proposals that require the Board's decision before the following Board meeting, approval of such funding proposals would follow the same process as those that are considered at Board meetings, except that the Board would approve such funding proposals via the mechanism of in-between meeting decisions. There would be three possible outcomes:

- (a) Firstly, if there is no objection within the defined period of time, the project or programme would be deemed approved;
- (b) Secondly, if there are questions or requests for more information, the Secretariat would provide clarification on these points and/or would re-submit the funding proposal if necessary for approval within the predefined time period. ; and
- (c) Thirdly, if there is an objection, then the funding proposal would be considered at the following Board meeting.

42. A Board member may, during the predefined time period, request that the funding proposal be considered at the next Board meeting.

VI. Simplified procedures for the Fund's programmatic approach

43. In order for the Fund to be able to achieve its objective of promoting the paradigm shift towards low-emission and climate-resilient development pathways, the Fund must be able to finance a large number of climate change activities. Funding programmes as well as projects, will therefore be important for achieving the Fund's objectives, as provided in paragraph 36 of the Governing Instrument. To do so efficiently and effectively, the Fund will need to delegate the authority of funding decisions on individual eligible projects or activities within a programme to the relevant intermediary so that more resources can be deployed for climate change activities.

44. As outlined in document GCF/B.06/15, an intermediary can take responsibility of an approved programme, where the funding decisions on individual eligible projects or activities are delegated to the entity in question. Such an approach would allow the Fund to finance a large number of activities and would enhance opportunities for country ownership of projects and programmes by recipient countries, particularly under the Fund's direct access modality. Such an approach would effectively enhance country ownership through decision-making capacity over funding for specific projects or activities within the scope of an approved programme.

45. Under a programmatic approach, the Fund will be able to design and implement programmes so that:

- (i) Moral hazard is mitigated;
- (ii) Credit risk is in line with the Fund's risk appetite; and
- (iii) The resources made available by the Fund are utilized to meet the Fund's objectives.

In this case, at the time of programme approval, the Board or approving authority would set requirements as to which types of projects the intermediary could fund, taking into account the Fund's investment framework and environmental and social safeguards (decisions B.07/06 and B.07/02 respectively), and expected monitoring and reporting standards would also be outlined. The Board or approving authority would monitor impacts of such projects *and programmes ex post* through portfolio management.

46. At its discretion and at the time of approval of the programme, the Fund's Board or approving authority may decide, for any programme it approves, to waive this delegated authority of funding decisions on individual eligible projects or activities within a programme and require the intermediary to return to the Fund's Board or approving authority for such approval. While this would render the approval process less efficient, it may provide a greater degree of comfort to the Board in the case of high-risk programmes. This would be determined on a case-by-case basis by the Board or approving authority at the time of programme approval.

VII. Recommendations and next steps

47. The Board may wish to adopt the decision as contained in Annex I.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.08/22 *Simplified Processes for the Approval of Proposals for Certain Activities, in Particular Small-scale Activities*:

- (a) Adopts the simplified and streamlined processes for the approval of proposals for certain activities as contained in Annex II;
- (b) Decides to include the approval of funding proposals of projects or programmes with funding amounts of between US\$ 10-50 million in the functions of the Investment Committee as defined in the terms of reference of the Investment Committee (see Annex XVII of document GCF/B.05/23).

Annex II: Simplified and streamlined processes for the approval of proposals for certain activities

1. The Fund has simplified or streamlined processes for approval of funding proposals depending on their size.

I. Micro and Small Funding Proposals

2. Funding proposals of up to a threshold of US\$ 10 million for any financial instrument are eligible for a simplified no-objection procedure with a reduced timeline by the National Designated Authority (NDA).

3. Such funding proposals are approved by the Executive Director of the Secretariat to reduce timeframes associated with approval.

4. In order to safeguard the approval of micro and small funding proposals, the Investment and Risk Working Groups¹ independently make an assessment of the funding proposal against the defined criteria and undertake due diligence.

5. The Executive Director then makes a decision based on the recommendations and assessments of the Investment and Risk Working Groups to approve the funding proposal; or provide an approval that is conditional on modifications to project or programme design; or subject to availability of funding; or reject the funding proposal.

6. The Board is informed of such approvals ex-post on a quarterly basis.

II. Medium Funding Proposals

7. For funding proposals between US\$ 10-50 million for any financial instrument, the Board delegates approval of such funding proposals to the Investment Committee of the Board via virtual decision-making.

8. Under this kind of approval, the Secretariat provides its recommendation to the Investment Committee based on its assessment of the proposal against the Fund's activity-specific criteria and its due diligence. Furthermore, the independent technical advisory panel may conduct technical assessment of funding proposals submitted through the Secretariat by accredited entities of the Fund, in accordance with the Fund's initial proposal approval process and with a view to providing objective technical advice on funding proposals for the Investment Committee.

9. When circulating the relevant documentation, the Secretariat will inform members of the Investment Committee that it will facilitate a virtual meeting to discuss the proposal if necessary.

10. The Board's Investment Committee then makes a decision based on the Secretariat's documentation via virtual decision-making on a no-objection lapse of time basis. Such a decision could have three outcomes:

(a) Firstly, if there is no objection within the defined period of time, then the project or programme would be deemed approved;

¹ The responsibilities of the Working Groups are outlined in the Board document GCF/B.07/07/Rev.01, entitled *Structure of the Fund and the Secretariat*.

- (b) Secondly, if there are questions or requests for more information posed by members of the Board's Investment Committee, the Secretariat would provide clarification on these points and/or re-submit the funding proposal if necessary for approval within the predefined time period. If requested, the Secretariat could facilitate a second virtual meeting of the Committee to further discuss the funding proposal;
- (c) Thirdly, if there is an unresolved issue or an objection, then the funding proposal would be considered in plenary at the following Board meeting; and
- (d) A Committee member may, during the predefined time period, request that the funding proposal be considered for a virtual decision by the Board or at the next Board meeting.

III. Large Funding Proposals

11. Proposals larger than US\$ 50 million that require the Board's decision before the following Board meeting would follow the same process as those that are considered at Board meetings, except that the Board would approve such funding proposals via the mechanism of in-between meeting decisions. There would be three possible outcomes:
 - (a) Firstly, if there is no objection within the defined period of time, the project or programme would be deemed approved;
 - (b) Secondly, if there are questions or requests for more information, the Secretariat would provide clarification on these points and/or would re-submit the funding proposal if necessary for approval within the predefined time period; and
 - (c) Thirdly, if there is an objection, then the funding proposal would be considered at the following Board meeting.
 12. A Board member may, during the predefined time period, request that the funding proposal be considered at the next Board meeting.
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