



GREEN
CLIMATE
FUND

Further Development of the Initial Proposal Approval Process

GCF/B.10/Inf.08

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Meeting of the Board

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Songdo, Republic of Korea

Provisional Agenda item 15

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I. Introduction

1. By its decision B.07/03, the Board adopted the initial proposal approval process of the Green Climate Fund.
2. The purpose of this document is to provide a status update on the implementation of the relevant decisions with respect to the initial proposal approval process. It reflects the further development of the initial proposal approval process since it was adopted at the seventh meeting of the Board in May 2014.
3. By its decision B.07/03 on the initial proposal approval process, the Board:
 - (a) Adopted the initial proposal approval process (Annex VII to document GCF/B.07/11);
 - (b) Requested the Secretariat to develop methodologies for the selection process of projects and programmes;
 - (c) Took note of initial post-approval items contained in Annex VIII to document GCF/B.07/11 and requests the Secretariat to further develop them;
 - (d) Noted convergence on the need to consider:¹ proposal development funds; early endorsement prior to full proposal development; the initial proposal approval process for regional programmes and projects; and a policy for cancelation and termination;
 - (e) Requested the Secretariat to present draft terms of reference for the independent Technical Advisory Panel;
 - (f) Requested the Secretariat to develop an operations manual and an appraisal toolkit; and
 - (g) Requested the Secretariat in the development of the Fund's information disclosure policy to address issues related to the initial proposal approval process.
4. The following section notes the status of each of these elements of decision B.07/03 and, if not yet completed, the indicative timeline and steps to be taken to address them.

II. Elements of the initial proposal approval process

2.1 Elements addressed or being addressed

2.1.1 Initial proposal approval process

5. The Fund's initial proposal approval process was adopted in decision B.07/03, paragraph (a), and is reflected in Annex VII to document GCF/B.07/11. Additional guidance is also provided in chapter 4 of the web-based Operations Manual,² as discussed in document GCF/BM-2015/Inf.06 *Status Report on the Operations Manual and Appraisal Toolkit*.

¹ While no specific actions are requested by the decision regarding this sub-paragraph, each of the four items noted is considered in this document with a plan of action where applicable.

² See <http://www.gcfund.org/operations/resource-guide.html#c1326>.

2.1.2 Methodologies for the selection process of projects and programmes

6. Decision B.09/05 on the further development of the initial investment framework addresses the Fund's selection methodology, drawing on the analysis of the practices of other climate funds and international financial institutions presented in document GCF/B.09/07. In the decision, the Board adopted investment framework sub-criteria and indicative assessment factors; decided to use indicative minimum benchmarks, which are to be developed by the thirteenth meeting of the Board; and decided to use a scale of low/medium/high in the assessment of relative expected performance of a subset of projects and programmes against the initial investment criteria. The Investment Committee will recommend at the tenth meeting of the Board to which subset of proposals this pilot will apply.

2.1.3 Terms of reference for the independent Technical Advisory Panel

7. The Board adopted the terms of reference of the independent Technical Advisory Panel in decision B.09/10.

2.1.4 Operations Manual and Appraisal Toolkit

8. The Operations Manual and Appraisal Toolkit is a comprehensive online tool and live resource that provides information on the Fund's operations to its staff, national designated authorities (NDAs), accredited entities, project developers and other stakeholders. It will be updated regularly as operational knowledge and experience is gained. An update on the status of the Operations Manual and Appraisal Toolkit has been provided in document GCF/BM-2015/Inf.06 *Status Report on the Operations Manual and Appraisal Toolkit*.

2.1.5 Information disclosure regarding the initial proposal approval process

9. Issues related to information disclosure regarding the initial proposal approval process are addressed in document GCF/B.10/10 *Information Disclosure Policy*, which is on the agenda for consideration at the tenth meeting of the Board.

2.1.6 Proposal development funds

10. For public sector operations, proposal development funds are provided for through decision B.06/06, paragraph (a) (v), which ensures that sufficient resources should be provided for readiness and preparatory support on an ongoing basis. Decision B.08/11 on the revised programme of work on readiness and preparatory support specifies that project/programme preparation may be supported through the readiness programme (see Activity 4 in Annex XVI to document GCF/B.08/45).

11. For private sector operations and public-private partnerships, proposal development funds are provided through decision B.08/12, paragraph (c), which introduces the equity instrument, and through decision B.09/04, paragraph (a), which introduces grants with repayment contingency. Both instruments can be used to support project developers.

2.1.7 Early endorsement prior to full proposal development

12. The early endorsement of concept notes prior to full proposal development is provided through decision B.07/03 and is reflected in Step II in Annex VII to GCF/B.07/11: Project and programme activity cycle. Step II, part of the concept development stage, is a voluntary step for

accredited entities or NDAs submitting a proposal. Detailed operational guidance will be developed to implement the decision and will be reflected in the web-based Operations Manual.

2.1.8 **Regional programme and project proposal approval process**

13. Regional programmes and projects are covered through the initial proposal approval process as decided by the Board in decision B.07/03, which makes no distinction between national and regional programmes and projects. The following two aspects of the regional proposal approval process may warrant special consideration:

- (a) Implications for the no-objection procedure regarding regional programmes and projects; and
- (b) A potential streamlined approach for regional programme and project proposal approval process.

14. Such considerations would be made after the Fund develops sufficient experience and track record with the existing approval process, but no later than two years after first project funding approval by the Board.

2.2 Elements to be addressed

2.2.1 **Initial post-approval items**

15. At its seventh meeting, the Board took note of initial post-approval items through decision B.07/03 (see Annex VIII to decision GCF/B.07/11) and requested the Secretariat to further develop them. As the first funding approvals will be made at the last meeting of the Board of 2015 and the portfolio will not enter into the post-approval stage until then, the revised document for initial post-approval items is proposed to be prepared for consideration by the Board at its first or second meeting of 2016, concurrent with the start of project/programme implementation.

2.2.2 **Policy for cancelation and termination**

16. As the first funding decisions by the Board will be made at the last meeting of the Board of 2015 and the operations portfolio is yet to be established, a draft policy for cancelation and termination is therefore proposed to be prepared for consideration at the third meeting of the Board of 2016.

2.2.3 **Simplified processes for the approval of proposals for certain activities, in particular small-scale activities**

17. The Governing Instrument specifies in paragraph 53 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”.

18. A draft document on a simplified approval process was developed for the eighth Board meeting but was not considered. A revised document is proposed to be prepared for consideration by the Board in 2016, when the Fund develops some experience with the existing approval process.

2.3 Other considerations

19. The Fund has continued to make progress on pipeline development in parallel with the progress made on the further development of the initial proposal approval process. Templates have been developed for concept notes and funding proposals (beta version) and are made available on the Fund's website. A number of concept notes have been received from accredited entities and NDAs, and the Secretariat is interacting closely with these partners to refine the project/programme concepts and provide comments and feedback.
