



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
2 – 5 November 2015  
Livingstone, Republic of Zambia  
Provisional agenda item 15\*

**GCF/B.11/17**  
13 October 2015

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# Simplified processes for approval of proposals for certain activities, in particular small-scale activities

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## **Summary**

This document outlines the preliminary options with respect to simplified processes for approval of proposals for small-scale activities pursuant to paragraph 53 of the Governing Instrument for the Green Climate Fund.

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

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## I. Introduction

1. Paragraph 53 of the Governing Instrument for the Green Climate Fund (GCF) states 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. A document containing a draft decision on a simplified approval process for certain activities, in particular small-scale activities was developed for the eighth Board meeting but was not considered.
4. Representatives of developing countries, in particular small islands developing States (SIDS) and least developed countries (LDCs), have expressed concerns that the small-scale climate-related activities are very relevant in their countries, but might not attract the same degree of attention as larger scale activities do. The Board may therefore consider establishing mechanisms to ensure that small-scale activities receive sufficient financing support from the GCF in a timely manner. Such mechanisms could include simplified approval processes, notably to expedite decision-making process, and targeted requests for proposals.
5. Based on the experience of multilateral institutions and other climate funds, and given that the GCF is guided by efficiency and effectiveness, simplified and streamlined procedures for the approval of project and programme funding proposals are required. These procedures will enable the GCF to handle and approve a high volume of funding proposals and thus meet its mandate of making a significant and ambitious contribution to combating climate change.
6. The purpose of this document is to outline preliminary options for the Board’s consideration with respect to simplified processes for the approval of proposals for small-scale activities.

## II. Recommended action by the Board

7. It is recommended that the Board:
  - (a) Adopts the draft decision presented in the annex to this document.

## III. Experience of other funds and institutions

8. This chapter outlines the streamlined and simplified processes for the approval of funding proposals in several funds and multilateral institutions.

### 3.1 Practice of funds under United Nations Framework Convention for Climate Change

#### 3.1.1 Global Environment Facility

9. The Global Environment Facility (GEF) has a non-resident council (GEF Council) that meets twice a year, for two to three days at a time. There are four types of activities at the GEF: programmatic approach; full-sized projects; medium-sized projects; and enabling activities. Programmatic approaches and full-sized projects have to be approved by the GEF Council and follow the complete GEF project cycle procedures. Medium-sized projects and enabling

activities are approved by the Chief Executive Officer of the GEF under delegated authority from the GEF Council.

10. The GEF has also a Small Grants Programme administered by United Nations Development Programme. The costs of these small projects may range from a few thousand to tens of thousands of United States dollars. The GEF approves the Small Grants Programmes in lump sum amounts following the same procedures as for the full-sized projects.

### 3.1.2 Adaptation Fund

11. The Adaptation Fund has a non-resident Board (Adaptation Fund Board) that meets biannually. Funding decisions of Adaptation Fund 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 require less than USD 1 million. In both cases, the process of review by the PPRC and approval by the Adaptation Fund Board takes up to nine weeks.<sup>1</sup>

12. In March 2014, the Adaptation Fund Board introduced in-between meeting reviews and approvals of project and programme proposals, where decisions are made via e-mail voting. Such approvals are intended to address proposals that are being re-submitted for consideration. The Adaptation Fund Secretariat submits proposals to the PPRC, which has one week to provide comments. After this, the secretariat would compile the PPRC comments and circulate a revised set of recommendations for the PPRC's final endorsement on a no-objection basis. The endorsed recommendations would then be circulated to the Adaptation Fund Board for decision within a period of two weeks. This process of review by the PPRC and approval by the Adaptation Fund Board takes five weeks in total.<sup>2</sup>

## 3.2 Practice of other multilateral financial entities

### 3.2.1 Climate Investment Funds

13. The Climate Investment Funds (CIFs) have two non-resident Trust Fund Committees of the Clean Technology Fund and the Strategic Climate Fund, and three Sub-Committees of the targeted programmes of the Strategic Climate Fund. All funding proposals for projects and programmes are approved by the relevant committee through decisions that are taken in writing on a no-objection basis.

14. The Administrative Unit of the CIFs circulates proposed decisions and supporting documentation with the request that any comments, questions or requests for clarification should be submitted within two weeks of circulation. Initial objections should also be submitted within this two-week period. If there are no objections, comments, questions or requests for clarification within this period, then the proposal is deemed to have been approved.

15. If there are comments, questions or requests for clarification or extension of the review period, the period for responding to such comments, providing additional information and

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<sup>1</sup> 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>>.

<sup>2</sup> 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](https://www.adaptation-fund.org/sites/default/files/AFB.PPRC_14.13%20Options%20for%20intersessional%20review%20and%20approval%20of%20project%20and%20programme%20proposals.pdf)>.

reaching a final decision should not exceed an additional two weeks following the initial review period.

16. It is worth noting that prior to funding proposal approval, country investment plans are endorsed by the CIF committees, usually at the committee meetings.<sup>3</sup>

17. The independent evaluation of CIFs found that the current “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 and considerations from this evaluation for the GCF 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”.<sup>4</sup>

18. Furthermore, at CIFs, private sector proposals can be submitted in the form of programmes which aggregate several small and medium-sized sub-projects that all have a shared focus and objective.

19. Once the private sector programme is approved by the CIFs committee, the sub-projects developed by multilateral development banks under the approved private sector programme will not need to be approved by the relevant CIFs committee. The Multilateral Development Banks can approve these sub-projects directly.

20. Multilateral Development Banks report on the progress of the sub-projects under all approved programmes on a periodic basis or more frequently if requested.<sup>5</sup>

### 3.2.2 World Bank

21. The Board of Directors of the World Bank is the resident board with members nominated by the bank’s Board of Governors. It meets twice per week. The World Bank has recently introduced a streamlined approval process so that investment lending operations are sent for approval by the Board of on an ‘absence of objection basis’. Staff are under guidance to propose physical meetings if projects are designed in contravention of certain policies, or are considered to be of high risk or special interest to the board.

### 3.2.3 African Development Bank

22. The African Development Bank (AfDB) has a residential board that meets once a week. All proposals are approved by the AfDB Board.

23. There are simplified procedures for approval of proposals under 100 million units of account, in which certain approval steps are waived.<sup>6</sup>

24. The AfDB Board has in a number of cases used programmatic approaches and approved programmes, each consisting of multiple projects.

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<sup>3</sup> 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](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).

<sup>4</sup> 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](http://www.cifevaluation.org/docs/cif_evaluation_final.pdf?utm_source=website&utm_medium=homepage&utm_content=full_eval&utm_campaign=cifevaluation).

<sup>5</sup> CTF Private Sector Operating Guidelines:

[https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Private\\_sector\\_operational\\_guidelines\\_revised\\_OCT2012.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Private_sector_operational_guidelines_revised_OCT2012.pdf).

<sup>6</sup> 1 Unit of account is approximately equal to USD 1.3.

## IV. Preliminary options for simplified processes

25. This section outlines preliminary options with respect to simplified processes for the approval of small-scale activities for consideration by the Board. These options are not mutually exclusive and can be combined.
26. In line with the decision B.10/17, the proposal sizes in question are defined as follows:
- (a) Micro-sized proposals: maximum total projected costs of up to and including USD 10 million for an individual project or an activity within a programme;
  - (b) Small-sized proposals: maximum total projected costs of above USD 10 million and up to and including USD 50 million for an individual project or an activity within a programme.
27. Notwithstanding the simplified nature of the processes proposed below, all principles and policies of the GCF would apply.

### 4.1 Between meeting decision-making

28. For micro and/or small-sized proposals that require a decision by the Board before the following Board meeting, approval of such funding proposals could follow the same process as those that are considered at Board meetings, except that the Board would approve such funding proposals through between meeting decisions.
29. This would allow the Board to respond in a timely manner to the urgent needs of the countries, for instance in the case of adaptation emergency situations.
30. There would be three possible outcomes of the between meetings decisions:
- (a) If there is no objection within the defined time period, the project or programme would be deemed to have been approved;
  - (b) If there are questions or requests for more information, the Secretariat would prepare the responses, in consultation with the accredited entity and the national designated authority/ies, and circulate the compiled questions, comments and responses to the Board, in coordination with the Board Co-Chairs, within the pre-defined time period; and
  - (c) If there is an objection, then the funding proposal would be considered at the following Board meeting.
31. A Board member may at any moment during the predefined time period request the funding proposal to be considered at the next Board meeting.

### 4.2 Delegation of authority to the Investment Committee

32. For micro and/or small-scale activities, the Board could consider delegation of authority to the Investment Committee.
33. Under this option, the Secretariat would submit the funding proposal package to the Investment Committee and would propose to facilitate a virtual meeting of the Investment Committee to discuss the funding proposal. If the virtual meeting takes place, the decision of the Investment Committee would be taken at the meeting.
34. If the Investment Committee cannot meet virtually, the funding proposal would be considered using a written procedure through no objection.

35. In both cases (virtual meeting or written procedure), the decision of the Investment Committee can have four outcomes:
- (a) The project or programme would be approved at the virtual meeting, or by virtue of no objection in written procedure. In case of the written procedure, comments raised in writing by the Investment Committee members would receive a response within the pre-defined time period. If no further comments or objection are received, the proposal would be deemed to have been approved;
  - (b) The Investment Committee can approve the proposal conditionally. The conditions would be either of such nature that the proposal can move ahead and the accredited entity would comply with them during implementation, or that the funding proposal would need to be revised and resubmitted to respond to the raised conditions; and
  - (c) The Investment Committee could reject the proposal.
  - (d) If the Investment Committee cannot reach any of the aforementioned outcomes within a pre-defined time period, the proposal would go to the plenary of the Board.
36. A member of the Investment Committee may at any time during the predefined time period request the funding proposal to be considered for virtual decision by the Board or at the next Board meeting.

### 4.3 Accessing support for proposal development

37. The activity area four of the GCF's readiness and preparatory support programme (B.08/11) covers the support in project and/or programme preparation. One way of supporting the small-scale activities is through facilitation of an efficient process to enhance the accessibility to financing support in proposal development with respect to small-scale activities. This aspect would be taken into consideration as the activity area four of the readiness programme is being fully operationalized.

## V. Pilot request for proposals targeting small-scale activities

38. A pilot request for proposals (RFP) may be launched by the Fund targeting small-scale activities in SIDS and LDCs in the areas of serving urgent adaptation needs and other priorities.

39. The proposed RFP would provide clear and concrete guidance on the type of targeted activities and emphasize the National Designated Authority's role in the process. The RFPs would be open for a pre-defined period of time and proposals can be submitted in response to the RFP. The adopted simplified approval processes for small-scale activities would apply to all the proposals in response to the RFP.

40. The need for such a targeted approach is in line with the outcome of the Analysis of the Expected Role and Impact of the Fund produced in March 2015 (B.09/06), which highlighted the dearth of investments in SIDS resilience.

## VI. Procedural review

41. The Board may wish to adopt some or all of the above mentioned options for simplified approval process for small-scale activities. As a continuous learning process, the Board may wish to consider reviewing the implementation of the simplified processes after 18 months and further improve the processes, as necessary, based on the lessons learnt and experience gained over this period of time.

## Annex: Draft decision of the Board

The Board, having considered document GCF/B.11/17 titled “Simplified processes for the approval of proposals for certain activities, in particular small-scale activities”:

- (a) Adopts the following simplified processes:
- [Option 1]: The approval of [micro and/or small]-sized proposals through between meetings decisions;
- [Option 2]: The approval of [micro and/or small]-sized proposals through delegation of authority to the Investment Committee.
- (b) Requests the Secretariat to develop the terms of reference for a request for proposals with a focus on small-scale activities in SIDS and LDCs in the areas of serving urgent adaptation needs and other priorities.
- (c) Decides to review the implementation of the approved simplified processes after 18 months.
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