



**GREEN
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Review of the initial proposal approval process (Progress report)

Summary

This document updates the progress made on the review of the initial proposal approval process, which follows decision B.11/11. The decision mandates the review of the proposal approval process based on the experience gathered from the review of the first batch of proposals submitted for the consideration of the Board.

Through this progress report, the Board is updated on the status of the seven sub items listed in decision B.11/11, paragraph (j), inputs received from Board members as well as the inputs and guidance of the ad hoc working group overseeing this work as indicated in paragraph (k) of the same decision.

I. Introduction and background

1. This document serves as a report on the progress made on the review of the initial proposal approval process by the ad hoc working group, as requested in decision B.11/11. It informs the Board of the status of the seven sub items listed in paragraph (j) of the same decision, and takes into account the inputs and guidance of the ad hoc working group overseeing this work as requested in that decision in paragraph (k). This document may also facilitate further discussion on additional guidance by the Board.

2. In order to provide more context for the individual elements of the progress report, and to support the Board in its discussion of the initial proposal approval process, this document begins with an overview of the proposal approval process as it currently stands in chapter II. This overview reflects the decision of the Board on the project and programme activity cycle (annex VII to document GCF/B.07/11) with additional clarification on how it has been operationalized.

3. Following the brief overview, the specific sub items requested in decision B.11/11, paragraph (j), are presented in chapter III. In that decision, the Board decided to review the proposal approval process based on the experience gathered from the review of the first batch of proposals submitted for the consideration of the Board, with a view to:

- (a) Strengthening and scaling up the GCF pipeline, including the country programme pipeline;
- (b) Streamlining and improving the transparency of the proposal approval process;
- (c) Defining further decision-making options, including deferral of proposal approvals;
- (d) Reviewing how concept notes should work within the project cycle, facilitating the feedback of the independent Technical Advisory Panel (TAP) on concept notes and facilitating contact of the TAP with accredited entities as useful and necessary;
- (e) Supporting the Board to make decisions regarding funding proposals;
- (f) Strengthening project/programme eligibility criteria, including categories of incremental cost eligible for funding; and
- (g) Developing interim procedures for redress pending the recruitment of the head of the independent Redress Mechanism.

4. Each of the seven elements listed above is described in further detail, along with a status update and possible options where relevant, in the following section (sections 3.1–3.7).

5. A plenary discussion at the eleventh meeting of the Board (B.11) also highlighted a number of opportunities for improving the current approach of the GCF to the project cycle, including but not limited to:

- (a) Improving the effectiveness and efficiency of the readiness programme;
- (b) Providing additional support for the development of project proposals;
- (c) Increasing the capacity of the Secretariat to engage with developing countries on proposals;
- (d) Considering the use of requests for proposals to stimulate the submission of proposals in specific areas, including through the Private Sector Facility; and
- (e) Increasing the efficiency of the Board in making decisions on funding proposals.

6. Pursuant to decision B.11/11, paragraph (k), this review will be overseen by the ad hoc group of Board members as set out in decision B.11/03. The ad hoc group has been established

as follows: Mr. Amjad Abdulla, Mr. Omar El-Arini, Mr. Henrik Harboe, Mr. Leonardo Martinez-Diaz, Mr. Karsten Sach and Mr. Cristian Salas.

7. Following Board guidance, the Secretariat has sought written inputs from Board members regarding their views on document GCF B.11/17 titled “Simplified processes for approval of proposals for certain activities, in particular small-scale activities”. This document draws on the inputs received through the above process that are related to the initial proposal approval process in general.

II. Current proposal approval process

8. The current proposal approval process of the GCF contains six stages. Each stage is presented in brief below, with additional operational context added where relevant. Prior to stage 1, national designated authorities (NDAs) or focal points may submit country work programmes. Pursuant to decision B.07/03, this step is not considered to be part of the initial proposal approval process.

2.1 Stage 1: generation of project or programme funding proposals

9. There are two ways of generating funding proposals:

- (a) The Secretariat publishes calls for funding proposals on the GCF website, as directed by the Board; or
- (b) The funding proposals are submitted to the GCF spontaneously on an ongoing basis.

2.2 Stage 2: concept development (voluntary)

10. Accredited entities (AEs) can choose, though are not required, to submit a concept note for early feedback from the Secretariat in consultation with NDAs. The feedback can be used to further refine the concept note or develop the funding proposal.

11. A project preparation facility (PPF) was established at B.11 and will build on the concept development stage of the proposal approval process. Through PPF, an AE may seek funding for project preparation activities, including feasibility studies, environmental assessments and other preparation work. The Board will approve the request for project preparation funding based on a concept note providing due justification of need and an appropriate review and assessment. A concept note is therefore required in order to submit a PPF funding request, but an AE may choose to and develop a full funding proposal.

2.3 Stage 3: submission of funding proposals to the Secretariat

12. In stage 3, the AE submits the funding proposal to the Secretariat in accordance with the transparent no-objection procedure. The Secretariat promptly acknowledges the submission of the documentation and reviews it for completeness.

13. The funding proposal package submitted to the Secretariat must include a no-objection letter by the NDA or focal point. As it develops a funding proposal, the AE is expected to consult the NDA or focal point at an early stage and involve the NDA or focal point throughout the proposal development process, in addition to the communication which takes place between the NDA and the Secretariat.

2.4 Stage 4: recommendations to the Board

14. Once a funding proposal has been submitted, the funding proposal undergoes a standardized review process, which includes four steps: step 1 (completeness check), step 2 (Secretariat review), step 3 (independent assessment by the TAP) and step 4 (submission and recommendation to the Board).
15. A funding proposal will remain at step 1 until the required supporting documents, such as technical studies and reports, have been completed and provided to the Secretariat.
16. The Secretariat review is a desktop review that includes the following elements:
 - (a) The performance of the project or programme against activity-specific criteria (as contained in the investment framework). A critical part of the Secretariat review is to review the expected performance of the project or programme against each of the six criteria and the relevant and applicable sub criteria and assessment factors; and
 - (b) A review of consistency with the GCF interim environmental and social safeguards, gender policy and any other policies and guidelines of the GCF.
17. Once a proposal has passed the Secretariat review stage, the Secretariat provides the funding proposal, supporting documentation and the preliminary outcome of the review to the TAP. The TAP provides an independent assessment regarding the expected performance of the project or programme against the activity-specific criteria.
18. The Secretariat may require additional clarification(s) and/or answers to questions from AEs. The AEs will clarify and enhance their funding proposals with the requested clarifications and/or answers.
19. A funding proposal may require additional clarification(s) from the AE based on the questions and comments of the TAP. Drawing on experience gained from the first round of proposal review and approval, the AE will be given the opportunity to respond to questions and comments from the TAP through the Secretariat.
20. Upon completion of the TAP assessment, the Secretariat moves to step 4 (submission to the Board). It compiles the funding proposal package, including: (a) the funding proposal, as submitted by the AE; (b) the no-objection letter, as issued by the NDA; (c) the Secretariat's review outcomes; and (d) the independent assessment of the TAP. The package is then submitted to the Board for consideration no later than three weeks before the Board meeting at which the funding proposal will be considered.
21. As decided at B.11, the assessments by the TAP of proposals for Board consideration will be made publicly available as part of the funding proposal package.

2.5 Stage 5: Board decision

22. The Board is requested, on the basis of the information and assessments presented, to arrive at a decision for each funding proposal. Pursuant to decision B.07/03, the Board has three decision options:
 - (a) Approve the funding proposal;
 - (b) Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or
 - (c) Reject the funding proposal.

23. Decision B.11/11, paragraph (j), suggested considering more actions that the Board can take following proposal consideration. A proposed option and the associated considerations are discussed further in section 3.3.

24. Once the decision is made, it is recorded by the Secretariat and communicated to the Interim Trustee. The Secretariat also informs the AE and the NDA or focal point of the decision and next steps (decision B.07/03).

2.6 Stage 6: legal arrangements for approved proposals

25. For each funding proposal approved, legal arrangements must be made. Steps include: (a) the funded activity agreement (FAA) will be prepared and negotiated between the GCF and the AE based on the executed accreditation master agreement; (b) the FAA will be signed by the GCF and the AE; (c) notification sent to the Interim Trustee; and (d) notification sent to the NDA or focal point.

26. As a final step in the proposal approval process, the Interim Trustee provides a letter of commitment to the AE after the signing of the FAA, subject to the availability of funding.

27. While the process explained in this section gives important context, the GCF is a continuously learning institution that will adapt to meet the needs of its stakeholders. The first project approval cycle (not yet fully completed) has provided some initial experience, with more learning to be gained in subsequent approval cycles. The following chapter provides an update on the actions being taken and summarizes the inputs received from Board members with relation to each of the seven elements listed in decision B.11/11, paragraph (j).

III. Status update of process review elements

3.1 Pipeline strengthening and scaling up

28. The first element of the review is to strengthen and scale up the GCF pipeline, including the country programme pipeline.

29. The GCF currently offers support on pipeline development in two channels: a PPF established at B.11 as well as ongoing efforts through readiness activity area four, which supports countries on pipeline development. The PPF and readiness activity area four are two options that support NDAs and accredited entities, particularly direct access entities, to access GCF resources for pipeline development.

30. The main design features of the PPF and readiness activity area four are highlighted in the table below.

Key features of the project preparation facility (PPF) and readiness activity area four		
Design feature	PPF	Readiness activity area four (pipeline development)
Submission by	Accredited entity	National designated authority (NDA) or focal point
Eligibility	Targeted to small-scale activities and direct access entities (decision B.11/11, para. (l))	NDA or focal point

Financing limit	Up to 10% of requested GCF financing with a limit of USD 1.5 million for any single proposal	Subject to the readiness funding limit of USD 1 million per calendar year
Approval by	Board	Executive Director or designate

31. Following B.11, the Secretariat reached out to NDAs or focal points and accredited direct access entities to inform them of the decision of the Board on the PPF and how the PPF would work to support the preparation of projects, noting that many details pertaining to how the PPF will function to support project preparation are yet to be defined.

32. Readiness activity area four of pipeline development grants are building up with an aim to support the NDAs in strengthening pipeline development. Details are provided in document GCF/B.12/09 titled “Implementation of the Readiness and Preparatory Support Programme progress report.”

33. The readiness programme and the PPF are not intended to be mutually exclusive. The relationship between the two is to be defined. One Board member suggested that project or programme ideas initially generated for a country through readiness activity area four could then be submitted to the PPF for additional funding and further development. Another Board member pointed out that the development of country programmes should be considered in the light of related discussions in the context of the strategic plan.

34. Several Board members suggested that a programmatic approach may be an effective way to strengthen the pipeline and help reach a larger scale. It was suggested that the Board should review how and when programmes can be used and how to revise policies and procedures to approve programmes as needed.

35. While a programmatic approach could be promising to achieve scale, the programmatic funding proposals received to date confirm the importance of providing guidance for the programmatic approach. In some programmatic proposals, the subprojects involve multiple sectors, multiple countries and different types of interventions. The level of advancement of the subprojects varies. The cohesiveness among the subprojects is not sufficiently clear and the value of structuring the standalone subprojects into a programme is questionable. A clear guidance on key subjects such as what qualifies as a programme (minimum requirements for a programmatic proposal), the required level of details for each of the subprojects in a programme, and process-related aspects such as proposal template, assessment and decision procedures (e.g. possible delegation of authority) will help to guide the accredited entities, NDAs, the Secretariat, the TAP and other stakeholders in developing and assessing high-quality and impactful programmes which provide scale to the pipeline.

3.2 Process streamlining and transparency

36. The second element is to streamline and increase the transparency of the proposal approval process.

37. As per B.11, the Secretariat began the review of funding proposal and concept note templates with a view to simplifying them, in consultation with AEs, the TAP, NDAs and focal points.

38. In November 2015, the Secretariat sent out notifications to accredited entities, the TAP, NDAs and focal points, inviting their participation in simplifying the funding proposal template and concept note template. The notifications requested their concrete suggestions and inputs. As inputs were received, they have been compiled and taken into consideration. A Board member also suggested considering setting a page limit for funding proposals (e.g. 15–25 pages)

with supplementary information moved to annexes. It was suggested by another Board member that the simplification of funding proposals also take into account the need to develop and implement simplified approval procedures for small-scale activities.

39. In order to streamline the approval process, it was suggested by a Board member that the information provided by entities during the accreditation process should not be requested again during the proposal approval process and that the information requirements should be adjusted for certain proposals meeting specific criteria to be agreed upon (e.g. simplicity, low-risk, low-value). Current requirements for all proposals to provide the full range of information may present challenges for direct access AEs. To streamline the process, it may be useful for the Board to consider separately the matter of developing separate guidelines on what type of projects will require feasibility studies (e.g. proposals with high value, high risk and/or both) or other supplementary information.

40. In the case of adopting a lower hurdle for approving simple, lower risk, lower value proposals, the Secretariat suggests that this should be limited to micro scale proposals (less than USD 10 million) and could be performed on the basis of a standardized scoring methodology where a diversified portfolio (geography, industry, AE and final beneficiary) based methodology is applied for an aggregate portfolio amount that is to be less than 5 per cent of mobilized resources (i.e. USD 500 million). This could partially mitigate the increased operational and investment risks that would be borne by applying lower approval hurdles for certain types of proposals.

41. A Board member suggested improving the process for responding to technical comments from the Secretariat, the TAP and the Board. It was proposed that the process should provide the Secretariat and AEs with an opportunity to respond to technical comments or questions before final Board consideration to ensure that funding decisions are based on up-to-date information.

42. In terms of transparency, pursuant to Board decision B.11/11, paragraph (h), the assessment of the TAP will be included as part of the documentation published on the GCF website for funding proposals. The information disclosure policy, currently under development, when adopted by the Board, will inform the initial proposal approval process in this regard.

43. A Board member suggested a discussion on how the GCF website may be utilized to improve process streamlining and transparency.

3.3 Further decision-making options

44. The third element is to consider further decision-making options, including deferral of proposal approvals.

45. The Board currently has three options for decision-making on funding proposals as described in annex VII (Project and programme activity cycle) to decision B.07/03 (annex VII to document GCF/B.07/11).

46. A fourth option may be introduced to enable the AEs to have the opportunity to respond to major revisions or clarifications requested by the Board. Under this option, AEs will be able to resubmit the funding proposal with required revisions or clarifications to the Board for approval. The deferral decision carries both advantages and disadvantages, which may be further discussed before introducing the option as part of the decision-making process. It was suggested by a Board member that the deferral of approval option be named as a “resubmit to the Board” option.

47. If this fourth option of decision deferral and resubmission to the Board is to be introduced, the Board may wish to consider a limit on the number of times a proposal may be deferred (e.g. a maximum of two deferrals) for any single proposal as repeated deferrals create uncertainty. Furthermore, two Board members suggested that the Board discuss and agree on transparent conditions or criteria under which the Board may choose the deferral option to ensure this decision option is fairly applied.

48. The decision deferral and resubmission option and a deferral limit could be introduced together in decision text for consideration and adoption by the Board. The decision would build upon decision B.07/03 on the initial proposal approval process.

3.4 Concept notes within the project cycle

49. The fourth element is to review how concept notes should work within the project cycle, facilitating the feedback of the TAP on concept notes and facilitating contact by the TAP with accredited entities.

50. With the establishment of the PPF, for project preparation funding requests, concept notes will be submitted to the Board for consideration and approval. Concept notes will remain on a voluntary basis as part of the proposal approval process, and are seen as a valuable feedback tool between accredited entities and the Secretariat.

51. The inputs received from a Board member on document GCF B.11/17 include a suggestion to introduce a two-step approval process. The two-step approval process would consist of a concept approval stage and a final approval stage. However, this may add complexity to the process and imply a prolonged lead time.

52. During B.11, the TAP was invited by the Board to share its thoughts on its potential participation in concept note review. The TAP was also invited to speak on the facilitation of feedback from the TAP to AEs on concept notes.

53. In response to the invitations, the TAP spoke to the concern of preserving the independence of the TAP review. The Chair of the TAP noted that the panel is tasked with the independent review of funding proposals and subsequent recommendation to the Board. If the TAP is to be involved in the design of the project at an early stage, its ability to independently and objectively assess a funding proposal would be compromised.

54. Two Board members highlighted the importance of involving the TAP at an early stage, particularly for review of concept notes requesting funding from the PPF. They were of the view that early TAP engagement will help to improve project design before significant resources are expended on development.

3.5 Board decision-making for funding proposals

55. The fifth element is to support the Board in its making of decisions regarding funding proposals.

56. The GCF has an interrelated set of frameworks and policies, in addition to its strategic plan under development, to support and guide its decision-making.

57. The primary components of this decision-making support are the initial proposal approval process, investment framework and results management framework. For the investment framework, the six investment criteria of the GCF adopted in decision B.07/06, along with the further development of the framework adopted in decision B.09/05, guide the accredited entity's preparation of funding proposals and their assessment by both the TAP and

the Secretariat. In accordance with the initial proposal approval process, the Board receives these assessments as part of the funding proposal package and takes a funding decision. In the design of the proposal approval process, the Board relies on the technical expertise and assessment of the Secretariat and the TAP in order to arrive at an informed decision.

58. The scaling pilot, decided through decision B.10/17, requires the Secretariat and TAP to assign a high/medium/low scale for each investment criterion on medium and large proposals. Some Board members commented on the usefulness of this approach because it provides additional insights that the Board may draw upon when making decisions on funding proposals.

3.6 Project/programme eligibility criteria

59. The sixth element of the review is to strengthen project/programme eligibility criteria, including categories of incremental cost eligible for funding.

60. The investment framework of the GCF comprises six investment criteria, a number of sub criteria and indicative assessment factors, and scaling. To strengthen eligibility criteria, the GCF will advance its work on developing indicative minimum benchmarks.

61. Determining eligible incremental costs for the large variety of activities involving various sectors and technologies, and taking into consideration rapid technology development imposes practical difficulties.

62. The Board may also wish to consider developing risk investment criteria, identified as a policy gap in decision B.11/11, paragraph (c). This relates in particular to the guidance as to the degree of risk that would be acceptable to the GCF.

3.7 Interim procedures for redress

63. The seventh and final element of the review is to consider developing interim procedures for redress pending the recruitment of the head of the independent Redress Mechanism.

64. Paragraph 69 of the Governing Instrument for the GCF mandates the Board to establish “an independent redress mechanism that will report to the Board. The mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations”.

65. Pursuant to decision B.06/09, the IRM is not intended to be a court of appeals or a legal mechanism, but a mechanism within the GCF to address: (a) the reconsideration of funding decisions in accordance with paragraphs 6 to 10 of the Arrangements between the GCF and the Conference of the Parties; and (b) the grievances and complaints by communities and people who have been directly affected by the adverse impacts through the failure of the project or programme funded by the GCF to implement the relevant operational policies and procedures, including environmental and social safeguards.

66. The consideration of the Board on whether to develop interim procedures for redress will draw on an assessment of how soon the head of the independent Redress Mechanism will be appointed. The interim procedures will be needed in case the appointment of the Head of the independent Redress Mechanism will take some time.

67. If the interim procedures are deemed necessary, more analysis will need to be conducted and guidance will need to be sought in order to identify possible options for establishing the interim procedures.