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CLIMATE  
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# Implementation of the 2016 work plan: status of Co-Chairs' consultations

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## **Summary**

This report provides an update on the status of the Co-Chairs' consultations and contains the latest draft version of the background documentation that has informed the Co-Chairs' outreach.

The Co-Chairs propose a draft decision to extend the mandate for consultations into 2017.

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## I. Standing Committee

1. In decision B.06/08, the Board requested the Secretariat to present to the seventh meeting of the Board a proposal, with draft terms of reference, to establish a Board committee to assist the Board in the appointments, performance reviews, salary decisions and accountability of the Head of the independent Evaluation Unit, the Head of the independent Integrity Unit and the Head of the independent Redress Mechanism Unit as well as the Executive Director.
2. The matter was not addressed at the seventh meeting of the Board and was deferred to its next meeting, at which the Board was unable to consider the issue.
3. In decision B.09/14, the Board established an Ad Hoc Appointment Committee to oversee the selection process for the Heads of the Independent Accountability Units. The Appointment Committee is expected to conclude its work in 2016.
4. In decision B.11/06, the Board established the Executive Director Performance Review Committee as an ad hoc committee of the Board to undertake and conclude a review of the performance of the Executive Director by the first meeting of the Board in 2016.
5. In decision B.11/08, the Board decided to establish the Budget Committee as a standing committee of the Board and requested the Secretariat to present the terms of reference of the committee for consideration by the Board at its twelfth meeting.
6. In decision B.12/08, the Board requested the Co-Chairs to consult with members of the Board (hereinafter referred to as Board members) and alternate members of the Board (hereinafter referred to as alternate members) on the establishment of an Appointment Committee as a standing committee of the Board and to present, for consideration by the Board, the outcomes of their consultations no later than the fifteenth meeting of the Board (B.15) and to propose a decision based on the outcomes of these consultations.

### 1.1 Status of consultations

7. Since the twelfth meeting of the Board, the Board established the Executive Director Selection Committee which oversaw the selection and appointment of the Executive Director of the GCF, including the development of the performance management criteria. It is recommended that the Board further consider how it wishes to undertake both the annual and end-of contract evaluations for the four Board-appointed officials. The Board is still required to conclude its work on the performance management arrangements for the Heads of the Accountability Units in accordance with decision B.12/04.
8. At this point, the Co-Chairs are not in a position to present a draft decision and recommend that the mandate to undertake consultations be extended.
9. A draft decision to extend the mandate of the consultations is contained in annex I.

## II. Guidelines to determine in which cases decisions may be taken without a Board meeting

10. Paragraph 41 of the Rules of Procedure of the Board provides that “notwithstanding the provisions set forth in paragraph 29 above [on Extraordinary Board meetings], in between Board meetings, the Secretariat, after approval of the Co-Chairs, may transmit to Board members a proposed decision with an invitation to approve the decision within a prescribed period (generally 21 days but in urgent cases no less than one week), on a no-objection basis”.

11. Paragraph 42 of the Rules of Procedure states that “the Board will adopt guidelines to determine in which cases decisions without a Board meeting may be requested”. It also states that “prior to the adoption of such guidelines, the Co-Chairs will determine on a case-by-case basis which decisions may be requested without a Board meeting”.

12. In decision B.12/12, the Board requested the Co-Chairs to consult with a view to presenting, for consideration by the Board no later than its fifteenth meeting.

## 2.1 Status of consultations

13. In 2016, the current practice of the Board has been to identify in advance the matters that will require a decision between meetings, except for those procedural matters related to the appointments of members to committees. It is recommended that the current practice continues until the full guidelines have been developed.

14. The Co-Chairs have prepared a background note and proposal with the Office of the General Counsel. The background document is contained in annex III.

15. At this point, the Co-Chairs are not in a position to present a draft decision and recommend that the mandate to undertake consultations beyond B.15 be extended.

16. A draft decision to extend the mandate of the consultations is contained in annex I.

## III. Decision-making in the absence of consensus

17. Paragraph 14 of the Governing Instrument for the GCF provides that “decisions of the Board will be taken by consensus of the Board members” and the Board is mandated to “develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted”.

18. Paragraph 12 of the Rules of Procedure provides that “the Co-Chairs will be responsible for ... dealing with all procedural matters, including, but not limited to, issues regarding formal decision-making procedures, putting questions to a vote if consensus is not reached, and announcing the results of any formal votes taken”.

19. At its March 2013 meeting in Berlin, Germany, the Board requested the Co-Chairs to consider the matter of formal voting and report back to the Board on this matter at its June 2013 meeting (decision B.01-13/01, para. (I)). Based on Board discussions and the feedback received from Board members, the Co-Chairs at the time compiled an informal note (document GCF/B.04/12 titled “Voting procedures for the Board”) containing four options for progressing work on formal voting procedures for the Board. The Board took note of the information presented in the informal note and decided to further consider the options outlined in it.

20. In decision B.08/14, paragraph (b), the Board requested “the Secretariat to develop options for procedures for adopting decisions in the event all efforts at reaching consensus have been exhausted for consideration by the Board at its first meeting in 2015 taking into consideration document GCF/B.08/44 (Limited Distribution)”.

21. In decision B.12/11, the Board requested the Co-Chairs to consult with Board members and alternate members on the matter for consideration by Board, no later than the fifteenth meeting of the Board and to propose a decision based on the outcomes of these consultations.

## 3.1 Status of consultations

22. Since its establishment, the Board has developed decision-making procedures in the absence of consensus on three occasions; once for the matter of the selection of the host country; and twice for the selection of the Executive Director of the Secretariat.
23. The Co-Chairs have prepared a background note and proposal with the Office of the General Counsel. The background document is contained in annex II.
24. At this point, the Co-Chairs are not in a position to present a draft decision and recommend that the mandate to further consult beyond B.15 be extended.
25. A draft decision to extend the mandate of the consultations is contained in annex I.

## IV. Travel policy

26. In decision B.01-13/02, the Board identified the elements related to its interim Travel policy, and requested the interim Secretariat to present to the Board, at its September 2013 meeting, a working document on a travel policy in relation to the funding for the travel of Board members, alternate members, advisers, active observers and staff of the independent Secretariat. A revised travel policy was presented and discussed at the fifth, sixth and eighth meetings of the Board. However, the Board has been unable to conclude this matter.
27. In decision B.12/13, the Board requested the Co-Chairs to consult and to present, for consideration by Board, the outcomes of their consultations no later than the fourteenth meeting of the Board and to propose a decision based on the outcomes of these consultations.

### 4.1 Status of consultations

28. The Co-Chairs can confirm that the current practice of the travel policy is to provide support to all developing country Board members, alternate members and advisers.
29. With this understanding, the Co-Chairs propose that additional elements of the travel policy continue to be developed,
30. A draft decision to extend the mandate of the consultations is contained in annex I.

## V. Co-financing arrangements with other funds

31. In decision B.12/20, the Board adopted the strategic plan for the GCF. The Board resolved to swiftly implement the strategic Plan in order to meet the Board's aspirational approvals target for 2016 and to scale up GCF investments in ambitious climate action. The Board requested the Secretariat, under the Co-Chairs' guidance, to integrate the operational priorities and action plan included in the strategic plan in the work plan for 2016, and subsequent work plans. The integration of the strategic plan has been included in the updated work plan for 2016, as well as in the Secretariat's report to the Board.
32. The Co-Chairs propose that a number of issues require further mandates from the Board in 2016, in particular the matter of "Identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or Multilateral Development Banks. In the early stages of operations in particular, this might be a way of scaling up quickly and capitalizing on and learning from the knowledge and experience of these institutions" (para. 17(c), GCF Strategic Plan).
33. In decision B.13/05, the Board requested the Co-Chairs to consult with the Board, with a view to presenting for consideration by the Board at its fourteenth session a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes

together with the Global Environment Facility, the Adaptation Fund or multilateral development banks.

34. The Board further requested the Co-Chairs, with the support of the Secretariat, to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure no later than its fourteenth session.

35. During the informal session of the Board held at the fourteenth meeting of the Board, the Board discussed varying views on the matter of co-financing arrangements.

## 5.1 Status of consultations

36. At this point, the Co-Chairs are not in a position to present a draft decision and recommend that the mandate to further consult beyond B.15 be extended.

37. The Co-Chairs recommend ongoing consultation on the matter limited to the mandate as contained in the initial strategic plan for the GCF namely of co-financing arrangements with other financing institutions.

38. The Co-Chairs further recommend clear linkages between this mandate and the Board's ongoing work on complementarity and coherence, scheduled for sixteenth and eighteenth meetings of the Board.

39. A draft decision to extend the mandate of the consultations is contained in annex I.

## VI. Policy for programmatic approaches

40. In decision B.14/07, paragraph (k), the Board took note of the views expressed on programmatic proposals, including those related to the need to seek a balance of national, regional and international programmatic funding proposals.

41. The Board requested the Co-Chairs to continue to consult on the programmatic approach with a view to concluding the policy guidelines for the programmatic approach for consideration at the fifteenth meeting of the Board, noting that approvals on programmatic funding proposals at the fourteenth meeting of the Board do not prejudice the Board's consideration of these policy decisions.

### 6.1 Status of consultations

42. At this point the Co-Chairs are not in a position to present a draft decision and recommend that the mandate to further consult beyond B.15 be extended.

43. The Co-Chairs have consulted with the Secretariat which has prepared an updated draft policy document as contained in annex IV.

(a) A draft decision to extend the mandate of the consultations is contained in annex I.

## **Annex I: Draft decision of the Board**

The Board, having considered Document GCF/B.15/05 titled 'Implementation of the 2016 work plan: status of Co-Chairs' consultations',

- (a) Decides to extend consultations on the mandates given to the Co-Chair's as contained in Decisions B.12/08, B.12/11, B.12/12, B.12/13, B.13/05 and B.14/07; and
- (b) Requests the Co-Chairs with the support of the Secretariat to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board at each meeting, in line with the Rules of Procedure of the Board.

## **Annex II: Co-Chairs Consultation Paper: Guidelines and methodology for decisions taken in between meetings**

### **I. Introduction**

1. Rules 41-44 of the rules of procedure of the Board (“RoP”) provide guidance on the matter of decisions to be approved by the Board between formal meetings of the Board.
2. Amongst other things, such rules provide that such decisions are to take place on extraordinary basis, that the Board will develop guidelines to determine in which cases such decisions can be taken and for a methodology for how such decisions will be proposed and adopted.
3. This consultation paper sets out:
  - (a) the current practice with respect to issuing and adopting decisions between Board meetings;
  - (b) proposed guidelines to operationalize paragraph 41 and 42 of the RoP; and
  - (c) with respect to the methodology set out in paragraph 43, certain matters which it is considered desirable to clarify.

### **II. Current practice**

4. The current practice of the Secretariat with respect to between meeting decisions is set out below.
  - (a) The need for a between meetings decision on a specific matter is established following consultations between the Secretariat and the Co-Chairs. The RoP does not provide specific guidance on which matters can be addressed in this manner, and this is currently determined by the Co-Chairs on a case-by-case basis in accordance with paragraph 42 of the RoP.
  - (b) Once the Co-Chairs have confirmed that a particular issue can be addressed by way of between meetings decision, the Secretariat prepares the draft decision text. After consultation with the Co-Chairs on the draft decision, and with their approval, the Secretariat sends the proposed decision to members and alternate members of the Board for approval on a no-objection basis. Active observers are not currently copied on the transmittal message containing the proposed decision.
  - (c) The transmittal message containing the proposed decision specifies the ‘approval period’, ie the number of days after which the decision is deemed adopted in the absence of any objections.
  - (d) The approval period is generally 21 days but in urgent cases no less than one week..
  - (e) If members of the Board raise objections to the proposed text during the approval period, the decision is deemed not approved (“Non-Approved Decision”) and automatically referred to the next Board meeting for consideration.
  - (f) If no objections are received by the end of the approval period, the decision is deemed approved and the Secretariat sends a follow up transmittal message to members and alternate members of the Board informing them of the adoption of the decision, which decision is attached to the email. The decision is also shared with active observers and posted in the Fund’s website.



5. In implementing this practice, the Secretariat has identified the following challenges:
  - (a) the lack of clarity on which matters may be addressed through a between meetings decision and therefore the extensive consultations needed lead to delays in getting the draft decision ready to send to the Board for consideration;
  - (b) the Secretariat is often unclear whether and which comments received on the proposed decisions should be circulated to the Board as per paragraph 43 of the RoP; and
  - (c) the lack of clarity on whether a comment received actually constitutes an 'objection' or not for the purposes of paragraph 43 of the RoP. The Secretariat usually goes back to the relevant Board member to clarify, but there are often delays in receiving the clarity needed.

### **III. Proposed guidelines to operationalize paragraphs 41 and 42 of the RoP**

6. Paragraph 41 of the RoP provides that decisions without a Board meeting may occur on an extraordinary basis when in the judgment of both Co-Chairs, a decision must be taken by the Board that should not be postponed to the next Board meeting.
7. In exercising such judgment, the Co-Chairs should be guided by the guidelines referred to in paragraph 42 of the RoP (a proposal for which is set out herein) and, prior to the adoption of such guidelines, the Co-Chairs will determine on a case-by-case basis which decisions may be requested without a Board meeting. The reference to such decisions occurring on an 'extraordinary basis' is intended to ensure that such decision-making remains exceptional and not normal practice.
8. With respect to the guidelines referred to in paragraph 42 of the RoP, it is proposed that decisions without a Board meeting may be requested in the following cases:
  - (a) [other options];
  - (b) where a particular Board decision expressly provides that a specific issue may be approved on a no objection basis between meetings (e.g. decision B.13/29, paragraph (f)); and
  - (c) where the Co-Chairs, either at their own discretion or at the urging of the Secretariat, determine, on a case-by-case basis, that there is an urgent need for such a decision,
9. In each case, taking into account that such decisions should only occur on an extraordinary basis.

### **IV. Methodology in paragraph 43 of the RoP**

10. In light of the challenges faced by the Secretariat in dealing with between meeting decisions, it is worth considering ways in which the two matters set out in paragraphs 5(b) and (c) could be addressed by the Board.
11. With respect to the matter raised in paragraph 5(b), it is proposed that the Secretariat is only required to circulate comments and objections received by the Secretariat from Board members associated with Non-Approved Decisions. Such comments and objections may be circulated as part of the relevant Board document for the meeting at which Non-Approved Decision will be considered.
12. With respect to the matter raised in paragraph 5(c), it is proposed that the Secretariat shall not be required to consider as an 'objection' any communication from Board members in



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connection with the proposed decision unless it is marked as an 'objection'. For the avoidance of doubt, the Secretariat shall not be required to follow with the relevant Board member who has made such communication in order to determine if the communication was intended to be treated as an 'objection'. The onus is thus on the relevant Board members to be clear on this issue when communicating with the Secretariat in connection with a proposed decision,

## Annex III: Alternative options for decision-making procedures in the absence of consensus

1. Paragraph 14 of the Governing Instrument specifies that decisions of the Board will be taken by consensus of the Board and that “the Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted”.
2. Accordingly, this paper sets out options for non-consensus based decision-making in the event that all efforts at reaching consensus have been exhausted.

Method	Description	Advantages	Disadvantages
<b>Majority</b>	<ul style="list-style-type: none"> <li>○ An overall majority of votes of the Board members at any chosen threshold (e.g. 51%, 60% 66%, 75% etc.)</li> <li>○ Different majority thresholds could be specified for different issues (e.g. funding proposals, policies and administrative budget)</li> </ul>	<ul style="list-style-type: none"> <li>○ More efficient decision-making</li> <li>○ Represents the majority of the Board</li> <li>○ Incentivizes ‘objecting’ Board members to compromise and try to reach consensus in knowledge they could be overruled by a majority of Board members</li> </ul>	<ul style="list-style-type: none"> <li>○ Decisions may lack the support of the full Board</li> <li>○ Risks steering decision-making away from consensus</li> <li>○ Risks undermining balance between developing and developed country members (as decisions could be taken if all developing country Board members and just one developed country Board member concur)</li> <li>○ May become administratively difficult to implement if different thresholds are adopted for different types of decisions.</li> </ul>
<b>Double majority (1)</b>	<ul style="list-style-type: none"> <li>○ A majority of votes of members from developing countries at any chosen threshold PLUS a majority of votes of members from developed countries at the same threshold</li> <li>○ Different majority thresholds could be specified for different issues (e.g. funding proposals, policies and administrative budget)</li> </ul>	<ul style="list-style-type: none"> <li>○ Respects balance between developing and developed country members</li> <li>○ More efficient decision-making</li> <li>○ Equalizes power between developing and developed countries</li> <li>○ Represents an overall majority of the Board</li> <li>○ Incentivizes ‘objecting’ Board members to compromise and try to reach consensus in knowledge they could be overruled by a majority of relevant Board members</li> </ul>	<ul style="list-style-type: none"> <li>○ Decisions may lack the support of the full Board</li> <li>○ Undermines concept of ‘One Board’</li> <li>○ Risks steering decision-making away from consensus</li> <li>○ May become administratively difficult to implement if different thresholds are adopted for different types of decisions.</li> </ul>

<p><b>Double majority (2)</b></p>	<ul style="list-style-type: none"> <li>○ A majority of contributor countries at any chosen threshold PLUS a majority of eligible recipient countries at the same threshold.</li> <li>○ Equal number of votes (12) for each relevant constituency.</li> <li>○ If a recipient country becomes one of the largest 12 contributors, it becomes entitled to exercise a 'contributor' vote</li> <li>○ Different majority thresholds could be specified for different issues (e.g. funding proposals, policies and administrative budget)</li> </ul>	<ul style="list-style-type: none"> <li>○ Incentivises contributions (from all countries)</li> <li>○ Balances interests of recipients and contributors</li> <li>○ More efficient decision-making</li> <li>○ Represents an overall majority of the Board</li> <li>○ Incentivizes 'objecting' Board members to compromise and try to reach consensus in knowledge they could be overruled by a majority of relevant Board members</li> </ul>	<ul style="list-style-type: none"> <li>○ Decisions may lack the support of the full Board</li> <li>○ Undermines concept of 'One Board'</li> <li>○ Risks steering decision-making away from consensus</li> <li>○ Administratively burdensome – need to confirm 12 largest contributors prior to each Board meeting</li> <li>○ If a recipient becomes one of the 12 contributors, who exercises such countries' 'recipient' vote is unclear</li> <li>○ Requires each of the 12 largest contributors to always sit on Board (and thus marginalizes smaller contributors)</li> </ul>
<p><b>Weighted majority</b></p>	<ul style="list-style-type: none"> <li>○ A majority of votes of members from developing countries at any chosen threshold PLUS a majority of votes of members from contributing countries at same threshold.</li> <li>○ Members from developing countries shall each have one vote.</li> <li>○ Members from contributing countries shall be entitled to votes which shall be proportionate to the actual, cumulative contributions (in the form of cash or promissory notes) made to the Fund. Total no. of 'contributor' votes equal to developing country votes</li> </ul>	<ul style="list-style-type: none"> <li>○ Incentivizes contributions (from all countries)</li> <li>○ Balances interests of developing countries and contributors</li> </ul>	<ul style="list-style-type: none"> <li>○ Decisions may lack the support of the full Board</li> <li>○ Undermines concept of 'One Board'</li> <li>○ Weighted votes on 'contributor' side of Board undermines concept of 'one member, one vote'</li> <li>○ Risks steering decision-making away from consensus</li> <li>○ Complexity of the weighting of a vote</li> <li>○ As more countries contribute, relevant vote share has to be recalculated – administratively burdensome</li> <li>○ Concentrates power in hands of larger contributors</li> <li>○ If a recipient becomes one of the 12 contributors, who exercises such countries' 'recipient' vote is unclear</li> </ul>
<p><b>Secret ballots + consensus</b></p>	<ul style="list-style-type: none"> <li>○ Initial secret ballot, using any of the above voting methodologies</li> <li>○ Outcome of secret ballot adopted by consensus (similar to process used for</li> </ul>	<ul style="list-style-type: none"> <li>○ Maintains concept of consensus decision making and 'One Board'</li> </ul>	<ul style="list-style-type: none"> <li>○ Lacks transparency</li> <li>○ Secret ballot element has the relevant disadvantages of the corresponding 'voting system' used (as set out above)</li> </ul>



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	appointing the inaugural Executive Director and selecting the Host Country)	○ Secret ballot element has the relevant advantages of the corresponding 'voting system' used (as set out above)	
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## Annex IV: Programmatic Policy

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## I. Introduction

1. Paragraph 36 of the GCF's Governing Instrument calls for the Fund "to support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities".
2. In addition to the governing instrument mandate for programmatic approaches, several decisions of the Conference of the Parties and the GCF Board have made references to "programmes". In particular, at its seventh meeting, the Board approved the "Initial proposal approval process", including a broad framework for "programme" and project funding (Decision B.07/03). Furthermore, in the context of its approval of the initial strategic plan for the Green Climate Fund, the Board stated: "Strengthening the Fund's proactive and strategic approach to programming is key to delivering country-driven and country-owned, high impact public and private sector proposals at scale on a meeting-by-meeting basis. In order to be able to do so, the Board and the Secretariat must gain a better understanding of the objectives of and funding requests from developing countries, the project and "programme" pipelines that NDAs/FPs and EAs are planning on submitting to the Fund, and remaining gaps that the Fund needs to address pro-actively."
3. Despite these references to programmes, the GCF has not, until this time, considered specific guidelines for programmatic approaches, and has, with a few exceptions, generally approved standalone projects. This paper endeavours to provide initial guidance to facilitate the enhanced development and use of programmatic funding proposals, including regional proposals, to help implement national climate change strategies and plans. By so doing, it will support the implementation of the strategic, proactive approach envisioned in the GCF's strategic plan. Initial guidance will also help stakeholders, including national, regional and international accredited entities, national designated authorities and focal points, the Secretariat and the Independent Technical Advisory Panel in developing and assessing high quality, impactful and successful programmes to help developing countries achieve their climate goals and provide scale to the GCF pipeline.
4. This paper proceeds from an understanding that programmes are a widely used adjunct to individual projects in the delivery of effective international cooperation, and that in appropriate circumstances, both countries and funding organizations have often found it beneficial to use programmatic approaches to address complex issues, cover multiple countries in a region, and bring about transformational change. Further, this paper takes as a point of departure the understanding that the GCF is still in a relatively early stage of its development, and therefore, cannot have a complete understanding of the full range of programmes that might beneficially support the effort to address climate change. Given these factors, this paper and the related proposed guidelines in Annex II were developed with a view to promoting innovation in the development of programmatic proposals. Consistent with that goal, the examples, programmatic typologies and funding modalities discussed in this paper are not intended to suggest a limitation of the kinds of programmatic approaches that may come forward for Board consideration. Instead, this document and the initial guidelines included in Annex II envision a "learning by doing" approach in which, over time, the Board would consider a range of programme proposals, and through their decisions, would establish an evolving body of knowledge and precedent to guide further programmatic work. Consistent with that approach, it is likely that over time, new and more specific guidelines may become advisable in order to address the specific needs of different types of programmes, or to distinguish some programme types from other modalities that may be developed. Because of that, throughout this document, the proposed guidelines included in Annex II will be referred to as initial guidelines.

5. While not seeking to constrain the development of programmatic approaches, this paper and the initial guidelines it proposes does recognize that programmatic proposals are likely to be larger in size, scope and funding than typical one off investment projects, are likely to require increased coordination, and are likely to be implemented and funded over a longer period of time. As a result, such programmes may present increased risk. In addition, programmes to be submitted to the Board for approval are likely to emanate from more than one country and include both public and private sector initiatives. Further, and in either event, programmes also need to be consistent with national strategies and plans. The need to address these and other factors relevant to programmatic proposals highlight the importance and value of establishing robust governance and monitoring and evaluation structures that will ensure significant country ownership and stakeholder input into the development of programmatic proposals, as well as to their phased implementation and monitoring and evaluation. Such structures and input will help ensure shared ownership in the programme and enhance the likelihood of programmatic success. As a consequence, the proposed initial guidelines include provisions calling for inclusive governance and providing modalities for funding aimed at enabling the active participation of partner countries.

6. Finally, while the GCF has not, to date, established specific guidelines for the development of programmes, this document takes into account the initial proposal approval process that has been used to date to consider and approve GCF projects. It also takes into consideration the framework that was used in the context of approving the five GCF projects that advanced programmes. Additionally, it takes into consideration the practices of other environmental funds with regard to programmatic funding proposals and the relevant inputs received from the review of the initial proposed programmatic approval process.

## **II. Definition of a programme in the context of a programmatic approach as distinguished from a project based approach**

7. In order to facilitate the beneficial use of appropriate programmatic approaches, it is useful to have a common definition to work from, an understanding of at least some of the types of programmes that have been typically used to support partner assistance, and some of the benefits that have been attributed to the use of various kinds of programmatic approaches.

8. Given the GCF mandate and the desirability of enabling broad Board consideration of a range of programmatic approaches, this paper proposes the following definition of programme:

*“A set of interlinked individual sub-projects or phases, unified by an overarching vision, common objectives and contribution to strategic goals, which will add value and deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale.”*

9. The proposed definition includes a number of underlying principals as follows:

- (a) Common and specific objective;
- (b) Coherence among subprojects or phases;
- (c) Added value of a programme as compared to a project or group of projects; and
- (d) Alignment with national strategies and the GCFs policies.

## **III. Different types of programmatic approaches and potential benefits**

10. As suggested earlier, it would not be possible at this early stage in the development of the GCF to delineate all of the programme types that might prove useful in addressing climate



change. That said, it may be useful to understand some of the different categories of programmes that have been used in other forums to address national and global environmental problems.

11. For example, the Global Environment Facility has used “thematic” programmes to address needs in a particular sector or on a particular substantive issue or set of issues. Thematic programmes can enhance coordination and strategic alignment of projects in a manner that can increase the prospects of transformational change. In addition, the clarity that comes from the creation of an overarching vision and the delineation of a clear step wise approach can facilitate broader consideration of co-financing.

12. “Geographic” or “regional” programmes have been used by several funds to address common problems in a defined geographical region. Such programmes can provide added value in terms of efficiency and/or helping to facilitate the harmonization of policies and regulations across a region in addressing resources or issues that extend beyond national boundaries.

13. In other cases, programmes have been established to enhance synergies and/or to facilitate the replicated implementation of a project type that has been demonstrated to be effective in supporting transformative change. Such programmes can be technical in focus, and/or developed in part to facilitate administrative efficiencies. The creation of investment funds or financing facility programmes (e.g. equity funds, debt funds, revolving facilities, warehousing lines, grant facilities, etc.) could be seen to fall within this programme type for serving the wide-spread SME sectors in a country or a region. When appropriately circumscribed, programmes of this type can result in enhanced quality and efficiency, lower transaction costs, and enhanced opportunities for leveraged co-funding.

14. In addition to categorizing programmes as regards substantive or geographic factors, programmes may also be categorized contemporaneously in terms of the mode of their funding. For example, substantive or regional programmes can be funded using a variety of approaches including “tranche/phased” or “performance based” approaches. In concept, such funding modalities would approve programmes with an initial lump sum to allow implementation to proceed. In such cases, further tranches of additional funding would be possible based on evaluations of how well the programme has met the targets agreed in the original programme submission.

15. These examples suggest both a range of possibilities for project types and funding modalities, and the benefits of being able to tailor such modalities to meet the unique needs of individual programme proposals. The initial guidelines included in Annex II of this document are designed to provide flexibility for the creation of a wide range of programmatic funding proposals and funding modalities for the consideration of the Board.

#### **IV. Governance Structures/Country Participation**

16. While programmes can provide increased benefits and add to the prospects for achieving transformational change, the oversight and coordination required to ensure effective implementation can add complexity. In addition, due to their size and scope, programmes may entail more risk than one off projects. Finally, it is fundamental to the GCF that the projects and programmes it considers and approves be consistent with national strategies and plans. These factors highlight the importance of ensuring coordination and country ownership through the participation of country partners in the programmes development, and through the early development of robust, transparent and inclusive governance structures that include country partners in all phases of the programme cycle. In that regard, care should be taken to ensure that programmes are not seen as initiatives that are done for or to a country; rather, programmes

should be seen as initiatives planned, implemented and evaluated in partnership with the relevant country partners.

17. While governance systems should be tailored to fit the unique circumstance of each programme, the governance systems associated with GCF programmes and related subprojects should provide a high degree of country ownership. Ideally, this ownership should be manifested in several ways. First and foremost, the countries that are having subprojects approved by the Board should actively participate in all stages of the programmes development, as well as in the development of the underlying subprojects. Public input into the project development process should also be considered, and if thought necessary, facilitated at the national level. To facilitate active country participation, provisions for the support of developing country participation, including, where necessary, related capacity building, should be included in initial requests to the project preparation facility for programme development funds and/or in the programme/subproject development grant request, if not already covered under the readiness programme for the country/countries concerned. Further, a demonstration of how the participation of the country was or will be facilitated should be fully explained in each programmatic project proposal and subproject(s) that comes to the Board for possible approval. While the mechanism for country participation may be different in different programmes, country participation in the development of both the programme and its subprojects should include but extend well beyond the execution of a no objection document when a countries subproject is being considered for funding.

18. Country participation should also extend to programme and subproject implementation and evaluation. Given the scope and extended timeframes that may be envisioned for GCF programmes, programmatic proposals should include provisions describing the active role that the country or related countries will be expected to play in the implementation, monitoring and evaluation of the programme and its related subprojects. They should also include a description of the mechanisms that will be used to share information during ongoing implementation, and the modalities that will be used to support this country participation in all stages of project implementation, monitoring and evaluation.

## **V. Development of programmatic proposals**

19. Accredited entities can request funding for the development of programmes from the project preparation facility. Such requests should include funding to enable potential country partners to participate in the development of the initial programme proposals.

## **VI. Submission of programmatic proposals and related fully developed sub-projects**

20. Following the definition and set of principles for a programmatic proposal included in Section II and the delineation of principles for country participation included in Section IV, this section lays out the process and key considerations for submitting programmatic proposals and related subprojects that are fully developed and submitted at the same time as the programme submission.

21. When submitting a GCF programme, an accredited entity will, working with relevant country partners, have identified a specific issue or opportunity that is best addressed through a programme rather than a single or series of one-off projects. For programmes, the accredited entity and country(s) will also have identified a group of sub-projects that show coherence and alignment with both country climate change strategies and plans, and the GCF's investment framework. If the initial programmatic proposal includes a request for funding of the initial

projects submitted, those projects should be submitted consistent with the requirements that would apply to individual GCF projects. While it is understood that not all project proposals may be ready for funding at the time of the initial programmatic proposal submission, a list of future sub-projects or a description of future phases to be funded should, to the extent a funding allocation is being sought, be included in the proposal. Flexibility for the accredited entity and its partner country(s) should be provided relative to determining how additional later sub-projects will be identified and developed over a relatively short agreed timeframe. That said, sub-projects must perform within the context of the principles that define a programme and govern country participation (e.g. common and specific objective, coherence among sub-projects or phases, inclusive governance mechanism, etc.).

22. As programmes are expected to be larger in size and have extended implementation timeframes, all programme and related subproject submissions must have clear milestones and indicators of success, and all stakeholders, including the countries and the GCF Secretariat and Board must have a clear process for monitoring progress.

23. The GCF's Board has already approved a programmatic funding proposal that encompassed several of the ideas discussed above. Specifically, the programme proposal for the Energy Efficiency Green Bond in Latin America and the Caribbean included a request for the funding of an initial pilot phase in Mexico. It also included a request for a programme development grant to enable the programme to be expanded in future phases to Colombia, the Dominican Republic and Jamaica.

24. A specific question has been raised about country participation with regard to the programmatic approach and whether no-objection letters are needed up-front from all participating countries in order to take a funding decision on the programme, including for programmes involving multiple countries. As suggested in section IV, programmatic proposals should include provisions describing the participation of countries in the development of the programme and the fully developed subprojects that are being submitted for Board approval, and related provisions should include, but should not be limited to a no objection letter.

## **VII. Approval of funding for a programme's future phases or sub-projects**

25. As discussed above, it is expected that in many cases, an initial programme submission will only include a first, initial set of fully developed subprojects, with an understanding that additional subprojects or phases will be forthcoming. This section considers the potential for providing a funding allocation up front for projects that are expected to come at a later date.

26. As noted already, there are a number of approaches that can be taken for approving a funding allocation for the future subprojects that are envisioned in a programmatic proposal. As a default scenario, the proposed initial guidelines in annex II assume that each future sub-project in the programme will be considered and decided by the Board. That said, there are ways that the board can consider a contingent or "in principal" funding allocation for those future projects in advance of their full development, and there are related considerations that the Board may wish to take into account.

27. For example, the initial Board approval could include a decision to allocate a certain level of funding for future foreseen projects, contingent on future Board approval and/or contingent on a demonstration that agreed progress was met. The approval of contingent or in principal funding for future implementation could help the accredited entities and their partner countries to work with stakeholders to identify and develop fully appraised subprojects in parallel with the implementation of the sub-projects initially approved. In other cases, the success of a programme and/or its ability to attract critical co-financing may necessitate the accredited entity

being in a position to clearly demonstrate that additional funding is or will be available in a timely manner. The proposed use of approval in principle or contingent funding for related cases could help address these types of issues, and obviate the potential that delays in Board consideration would unnecessarily halt essential progress in the overall programmes.

28. On the other hand, the need for certainty on the part of project developers must be balanced with the needs of the GCF leverage its funds and have a high level of certainty regarding the utilization of resources over time. Put another way, the GCF would not want to approve and tie up funds for projects that are delayed for many years or otherwise found not to be necessary. Accordingly, to the extent that funding is decided in principal or in fact for future activities, it will be important that any related funding allocations are reviewed at periodic intervals (eg: 1-2 years from signing of the AMA) to determine if the allocation should continue as initially envisioned, if the timelines should be changed to reflect evolving realities, or if the related allocation should be freed up for reuse.

29. To the extent that contingent or in principal funding are used, it will be critical for related programme proposals to articulate clear project milestones and reporting requirements. This is especially important when, as should be the case with most long term projects, approval of subsequent phases and/or release of additional tranches could be dependent on the demonstration of progress in the first phase of the programmes operation. Accordingly, all GCF programmatic proposals must include a clear delineation of performance measures, evaluative criteria, and robust reporting provisions to enable all stakeholders including the NDAS/FPS and the GCF Secretariat and Board to measure progress in implementation against specific milestones. The presence of such performance measures, milestones and evaluative criteria could be used to establish a performance based agreement between the GCF and the accredited entity, and would help enable the GCF to determine if and when additional phases or subprojects envisioned in the initial programmatic proposals should be funded.

30. The issue of future subprojects was addressed in the Energy Efficiency Green Bond programme discussed above. In that context, the proposal included a request for a funding allocation for the next phases of the programme, and an allocation was approved, subject to Board approval, over the next five years.

31. Another related issue dealt with in the Energy Efficiency Green Bond Fund example relates to the expansion of programmes to additional countries. In that context, the proposal included a request for a programme development grant to enable the programme to be expanded in future phases to Colombia, the Dominican Republic and Jamaica. As it relates to no objection letters, the guidelines would not require their submission for approval of programme development grants. However, consistent with the discussion in section IV above, it is proposed that programme development grants for additional country participation in programmes would include funds to enable active government participation in the subproject development, and that both a no objection letter and a full description of the modalities for country participation should be included both with the country specific subprojects when they are subsequently submitted for Board approval.

32. Another area for Board consideration relates to the possibility for broader flexibility in moving forward with future activities in the context of agreed programmes. To the extent that initial approvals are based on performance based agreements that make future tranches of funding contingent on meeting clearly defined targets that include measurable climate change impacts, and that the related programmes are otherwise consistent with the criteria discussed in sections II and IV of this document, the accredited entities and their partner countries could be given substantial flexibility in moving forward with the development and funding of those activities that they agree will be necessary to meet the required performance standards.

## VIII. Other considerations

33. One area in which a programme could justify a more tailored approach that provides enhanced flexibility in the implementation of future activities could be with regard to programmes using investment funds or financing facilities (e.g. equity funds, debt funds, revolving facilities, warehousing lines, grant facilities, guarantee facilities, etc.). Such programmes have key features that distinguish them from other types of programmes, including the homogeneity of sub-projects, high number and/or small size of sub-projects, and/or the time-sensitivity of sub-project approvals.

34. FP005 by Acumen, a programme approved by the Board at the B.11 meeting, serves as a helpful example of this type of programme. The programme aims to support a high number of similar small-scale equity investments in clean energy companies in East Africa. Such equity fund programmes need upfront investor commitment, including from GCF. The time sensitivity of the equity investment is critical, as there is a limited time window during which the equity fund brings in investors. This example demonstrates why GCF's programmatic approach needs flexibility for certain types of programmes.

35. To the extent that these projects have developed and agree to operate under a performance based agreement as discussed in paragraph 32, and also meet the requirement specified below, such programmes could be approved with an initial first tranche of funding for the level of subprojects that it has estimated could be approved in a two to three year period, with additional tranches being contingent on meeting the performance targets agreed in the context of their approval.

36. Given their likely size and impact, such programmes should include a transparent discussion of the savings that would accrue to the GCF. In addition, as such financing facilities would presumably be established to facilitate administrative ease, it will be particularly important for the Board and related country partners to understand the rate of return that is being requested by the accredited entity to implement the programme and related subprojects, bearing in mind that their overall purpose is to support transformative change and climate benefit in developing countries.

37. The following process and requirements would then apply for these types of programmes:

- (a) The participating countries would work with the accredited entities to establish a governance structure (typically a committee that would include ensure partner country participation) at the programme level to ensure shared ownership and the imposition of the accredited entity obligations under the AMA, FAA and Board's approval on the programme; and, the impartial, free and fair decision making on the selection of sub-projects based on the transparent presentation of information to the Board, the country and the beneficiaries;
- (b) The funding proposal would define a set of clear eligibility criteria covering the technical aspects of each programme (e.g.: ESS, gender, M&E, risk, fiduciary, legal) and GCF's investment criteria, with the objective of setting a standard level of quality for the sub-projects. Examples of indicative eligibility criteria could be as follows:
  - (i) Impact potential: minimum expected impact per subproject;
  - (ii) Sustainable development potential: minimum expected socio-economic benefits of each subproject;
  - (iii) Efficiency & effectiveness: minimum expected ratio of CO<sub>2</sub>/USD invested for each subproject, minimum co-financing ratio of each subproject;



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- (iv) ESS: type of ESS category of the subprojects to be financed;
  - (v) Gender: minimum gender target for each subproject to be financed;
  - (vi) Risk: indicative pipeline of subprojects, credit category of the direct recipient of GCF's financing, portfolio concentration limits;
  - (vii) Legal: type of legal structure of an eligible investee;
- (c) The funding proposal would define a clear set of performance targets which must be met before additional disbursements beyond those expected to cover the first two years of activity could be made;
- (d) Following GCF Board approval, the accredited entity would seek approval from the governance;
- (e) The accredited entity and the NDA/FP would regularly report on the progress of programme implementation and the predefined reporting requirements in addition to the requirements set out in the AMA; and
- (f) Any material deviation from the eligibility criteria would require a prior Board approval.
38. Through this approach, each programme of this type would remain consistent with GCF's policies and safeguards by complying with the same monitoring, reporting and due diligence requirements as the standalone projects.
39. Annex II to this document presents GCF's initial guidelines for the programmatic approach for the Board's consideration.

## Appendix I: Guidelines for programmatic approach

### I. Definition of a programme

1. A programme is defined as a set of interlinked individual sub-projects or phases, unified by an overarching vision, common objectives and contribution to strategic goals, which will add value and deliver sustained climate results and impact in the GCF result areas efficiently, effectively and at scale.
2. The following principles will apply to all programmes and their respective sub-projects or phases:
  - (a) Common and specific objective. A programme addresses a specific issue or opportunity in the climate context. Programmes that have broad coverage and spread across multiple sectors and/or countries should have a clear rationale in response to a specific issue or opportunity. There must be clearly defined measurable outcomes that unite all the sub-projects or phases. The programme should demonstrate an inclusive governance structure that includes strong support from key stakeholders and all participating governments for taking a programmatic approach;
  - (b) Coherence among sub-projects or phases. A programme has a clear linkage, synergy and interdependence among its sub-projects or phases, and each sub-project should contribute to the common and specific objective of the programme. Sub-projects should also maintain coherence in their implementation. The accredited entity should work closely with the country(s) to actively lead and manage the implementation of sub-projects to ensure coherence among activities and with the main programme objective. A programme may be structured so that initial sub-projects can be piloted for replication or scaling up through future sub-projects.
  - (c) Value of a programme versus a project (or series of projects). A programme should add significant value relative to a series of one-off projects, and the benefit(s) of taking the programmatic approach should be evident. There should be a strong rationale that a programmatic approach will enhance outcomes of the GCF investments relative to the project-based approach. Sub-projects should complement and/or reinforce each other to achieve an outcome beyond what could be achieved by standalone projects. The programme thereby takes on value greater than the sum of its parts (sub-projects). The programme's added value could be in the form of increased cost efficiency, higher implementation effectiveness, greater impact, deeper integration across sectors or countries, or other measures. The programmatic approach should demonstrate a greater likelihood to promote transformational change, compared to single projects. It should also have additional benefits in terms of learning and knowledge generation and capacity building, which can be captured in the programme's monitoring, reporting and evaluation arrangements.
  - (d) Inclusive Governance Mechanism. Programmes should operate with a strong, transparent and inclusive governance mechanism that include active government participation in programme development, and subproject implementation and evaluation. To facilitate country participation, related funding needs should be included in the program/project development grant, and the mechanism for and extent of facilitating country participation should be fully explained in each programmatic project proposal that comes to the Board for possible approval. While the mechanism for country participation is likely to be tailored to meet the needs of each program proposal, actual country participation in both the programme and project development should extend well

- beyond the execution of a no objection document. Finally, the country partner(s) should have an active role in any program evaluations.
- (e) Up front establishment of clear performance measures, reporting requirements and evaluative factors. Programmes as well as their subprojects should have a clear, carefully described process for measuring and reporting on progress, and enabling robust evaluation. Information from related mechanisms may contribute in an important way to both the approval of future subprojects and the future approval of similar programs; and
  - (f) Alignment with National Strategies or Plans and the GCF's policies. A programme, as well as its sub-projects, must align with National Strategies and be consistent with the GCF's policies and requirements, including the policies for environmental and social safeguards, gender, and others. The programme and sub-projects demonstrate alignment with GCF's initial investment framework, including the investment criteria, sub-criteria and indicative assessment factors. (Footnote these?).
3. The initial guidelines for the programmatic approach will remain under review due to the close linkages with other GCF policies currently under development or review, including the enhanced direct access pilot, environmental and social management system and the initial proposal approval process review. As these other policies are further developed or refined, there may be a need to update or refine the initial guidelines presented here.

## **II. Development of programmatic proposals**

4. Accredited entities can request funding for the development of programmes from the project preparation facility. Such requests should include funding to enable potential country partners to participate in the development of the initial program proposals.

## **III. Submission of a programme and its sub-projects**

5. In cases in which all sub-projects are fully developed, meet the requirements of GCF standalone projects, and are otherwise in conformance with the principles in section I above, the Board may consider a one-time funding decision for the program and all of its sub-projects. For most other programmes, it is expected that only one or subset of sub-projects will be ready for Board consideration at the time of programme submission, and that additional sub-projects or phases will not be submitted until sometime in the future.
6. In this latter case, that is, subprojects submitted subsequent to approval of the programmatic proposal, such subproject proposal should be fully developed and appraised, meet the requirements of the GCF for funding standalone projects, and be consistent with the principles contained in section I above. Accordingly, related submissions must include a signed no objection letter as well as a full description of the mechanism used for and extent of partner government participation in the development of the program and relevant project(s). That said, a programme proposal may also request a program development grant to enable the full development of future sub-projects, and the full participation of relevant countries in that development.
7. Provided that sufficient information is made available by the accredited entity in the programme proposal, a proposal may include a request for the Board to approve in principal, or on a contingent basis, a specific sum to cover the expected cost of a listed set of foreseen future subprojects. In such cases, the required information would include a letter from the related government(s) expressing a strong interest in participating in the development of that programme, and a plan describing how the government(s) will participate in the preparation of the project proposals. The requested amount to be approved in principal should be based on a



list of future sub-projects that the accredited entity and the government(s) have agreed to work to develop, and include funding to enable active government participation. The funding allocation will be time-bound based on programme specifics taking into account the timeframe and complexity of developing the future sub-projects or phases. The specific timeframe for funding allocation effectiveness should be proposed by the accredited entity in the programmatic funding proposal and will be considered by the Board on a case-by-case basis. In any event, such funding allocations should be reviewed by the GCF Secretariat every two years to determine if they should continue in effect or be modified as necessary to meet evolving programme needs.

8. Beyond the standard reporting requirements for a standalone project, a programme submission should also include provisions for additional programme-level reporting. For example, the accredited entity should present, in its submission to the Board, a schedule for reporting on experience gained and lessons learned, including problems faced and policy issues identified for further Board consideration, from the design and implementation of the programme and how well the programme is achieving added value beyond what a collection of standalone projects would have achieved. Related provisions should include requirements for government partners to participate in this reporting and evaluation effort.

#### **IV. Performance based agreements and possibilities for enhanced flexibility regarding implementation**

9. To the extent that initial approvals are based on performance based agreements that make future tranches contingent on meeting clearly defined targets that include measurable climate related impacts, and that the related programmes are otherwise consistent with these guidelines, the accredited entities and their partner countries could be given substantial leeway in moving forward with the development and funding of those activities that they agree will be necessary to meet the required performance standards.

10. The Board will consider these requests on a case-by-case basis.

#### **V. Investment Funds or Financing Facilities**

11. Investment funds or financing facilities (e.g. equity funds, debt funds, revolving facilities, warehousing lines, grant facilities, guarantee facilities, etc.) have key features that distinguish them from other types of programmes including the homogeneity of sub-projects, high number and/or small size of sub-projects, the expected replicability of similar actions, and/or the time-sensitivity of sub-project approvals, and the high level of potential funds that may be involved.

12. For these types of programmes, the Board may consider requests for flexibility in implementation and expenditure of funds consistent with the clearly delineated performance based agreement that includes measurable standards that can be used to demonstrate progress toward achieving the programme's climate change objectives. The Board may consider initial lump sum funding in such cases based on an estimate of the level of funding that would be necessary to operate the programme for a two to three year period.

13. Semi-annual reporting would be required, as well as an understanding that further tranches of funding would be contingent on the presentation of a robust evaluation demonstrating successful attainment of the initially agreed performance measures.

14. In any event, given their unique nature, requests for investment fund or financing facility programmes must include information on the level of funds (or percentage of the transactions value) that would be paid to the accredited entity for managing related projects and the savings that would be expected to accrue to the GCF from such an up-front allocation.

15. In addition, requests for initial funding for these types of programmes would need to include a commitment to operate under a governance structure consistent with the following requirements:
- (a) The country (s) concerned with assistance of the accredited entity would set up a governance structure (typically a committee) at the programme level to ensure: the imposition of the accredited entity's obligations under the accreditation master agreement (AMA), funded activity agreement and Board's approval on the programme; and, the impartial, free and fair decision making on the selection of sub-projects; for regional projects incorporation of a regional level coordination mechanism.
  - (b) The funding proposal would define a set of clear eligibility criteria covering the technical aspects of each programme (i.e. environmental and social safeguards (ESS), gender, monitoring and evaluation, risk, fiduciary, and legal) and GCF's investment criteria, with the objective of setting a standard level of quality for the sub-projects. Examples of indicative eligibility criteria could be as follows:
    - (i) Impact potential: minimum expected impact per subproject;
    - (ii) Sustainable development potential: minimum expected socio-economic benefits of each subproject;
    - (iii) Efficiency & effectiveness: minimum expected ratio of CO<sub>2</sub>/USD invested for each subproject, minimum co-financing ratio of each subproject.
    - (iv) ESS: type of ESS category of the subprojects to be financed;
    - (v) Gender: minimum gender target for each subproject to be financed;
    - (vi) Risk: indicative pipeline of subprojects, credit category of the direct recipient of GCF's financing, portfolio concentration limits; and
    - (vii) Legal: type of legal structure of an eligible investee.
16. Following GCF Board approval, the accredited entity would seek approval from the governance structure (committee) on the sub-projects eligible to receive financing from the programme based on the eligibility criteria approved by GCF's Board (as part of the funding proposal package):
- (a) The accredited entity would regularly report on the progress of the programme implementation and the pre-defined reporting requirements in addition to the requirements set out in the AMA; and
  - (b) Any material deviation from the eligibility criteria would require a prior Board approval.
-