



**GREEN
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27 September 2017

Operationalizing the simplified approval process for certain activities, including small-scale activities

Summary

This document contains the Secretariat response to decision B.13/20, in which the Board requested the Secretariat to prepare guidelines on the simplified processes for the approval of proposals for certain activities, in particular small-scale activities. The outcome of the analysis is attached in annex III.

I. Introduction

1. The simplified process for the approval of proposals for certain activities, in particular small-scale activities is anchored in paragraph 53 of the GCF Governing Instrument, Board decision GCF/B.11/11 Para (i) and in UNFCCC COP decision 7/CP.21, paragraph 4.
2. At its thirteenth meeting, in its decision B.13/20, the Board requested the Secretariat to prepare guidelines on the simplified processes for the approval of proposals for certain activities¹, in particular small-scale activities. The outcome of the analysis is attached in annex III, and it takes into account the views expressed during the Co-Chairs' consultations in relation to:
 - (a) The proportion of GCF contribution to the total project size;
 - (b) The level of details required for full proposal development; and
 - (c) Addressing project risks.

Challenges in present approach

3. Based on decision B.13/20, draft guidelines were presented to the Board at its 15th meeting, but no conclusion was adopted, as the Board discussed based on the draft guidelines, the following:
 - (a) Technical risk of failure of projects approved without certain components like feasibility studies; and
 - (b) Risk that what is approved may not necessarily be what is implemented after the feasibility study is done post approval.
4. In addition, since B.16, the Secretariat has done additional analysis and found that micro-scale or small-scale projects that are also assessed to fall under the low/no risk Category C/Intermediation 3 are limited in both the portfolio and the pipeline of projects.
5. It is likely that increasing experience with the GCF's approach to project assessment is not encouraging the submission of smaller projects, since the transaction cost in the current model maybe high for some entities to warrant the submission of smaller projects. The pipeline is therefore not a good guide as to what could be achieved by introducing a simplified approach, since it is likely that the introduction of such an approach would encourage project submissions that would respond to it.
6. The above means that without consideration of systemic changes, there will only be a limited range of project types that will qualify under a simplified approach.
7. Based on the discussions so far under decision B.13/20, including previous written feedback received from Board members, previous consultation undertaken by Co-Chairs as requested in decision B.12/10, and in consultation with the Co-Chairs, the Secretariat is proposing to explore broader approaches that will help reach the objective first set out for the simplified approach, and expand the possible number of projects eligible.
8. Considering the number of processes that need to be developed, tested and applied as noted in the simplified approach outlined in this document, the Secretariat proposes to learn by doing, through a pilot programme of limited duration, during which period the processes can be checked if fit for purpose in reaching the objectives of the approach, allowing learning and course corrections as necessary at the end of such pilot period.

¹ Paragraph 53 of the Governing Instrument states that such simplified approach will be developed by the Fund and in Paris COP guidance 7/CP.21, paragraph 4

9. **Objective:** The objective of this pilot is to apply best practice² in order to reduce the time and effort needed in the preparation, review, approval and disbursement procedures of certain micro projects and programmes that promote and support scalable³ and transformational activities.

10. Annex II outlines the proposed procedures for the Simplified Approvals Process Pilot Scheme.

II. Pilot Programme

11. The pilot will focus on certain projects and programmes that are ready for scaling up and have the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development.

12. This document will be distributed widely and regular webinars will be organized by the Secretariat to assist nationally designated authorities (NDAs) and accredited entities (AEs) clarify project preparation, review and assessment.

13. The key elements, their intended results, and dependencies for a pilot approach are listed below:

	Simplify the approach	Secretariat support	Faster processing
Project preparation	Pre-identify certain type of activities for which lower level of information would be required Check-list on ESS and Risks, Environmental and Social Action Plan Pre-feasibility studies	Support to project preparation Template check lists made available, and webinars provided	Faster processing of project preparation support
Project review	Simplified templates Simple financial and other terms included in templates	Secretariat develops simplified templates and institutes time-bound review processes. Webinars provided	Predictable processing time Dedicated secretariat team Limited or streamlined ITAP assessment
Project approval	Regular Board decision making		
Post approval		Secretariat develops simplified processes	

² Based on the experiences of other funds and institutions, as noted in document GCF B.11/17

³ Should be determined via the pre-feasibility study

Implementation	ESS and risk safeguards covenanted at implementation stage	Robust monitoring system	
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14. The pilot programme will open for simultaneous submissions at any time during the pilot period.

15. As a continuously learning institution, the GCF should review the simplified approval process at the end of the pilot period, and draw lessons learned to further streamline and simplify project development and approval.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.18/17 titled “Operationalizing the simplified approval process for certain activities, including small-scale activities”:

- (a) Approves the Simplified Approval Process Pilot Scheme, as set in annex II;
- (b) Decides that the Pilot Scheme shall be reviewed two years from its operationalization;
and
- (c) Requests the Secretariat to:
 - (i) Operationalize such Pilot Scheme as expeditiously as possible; and
 - (ii) Report back to the Board at the end of the pilot period with recommendations on ways to further improve the process to make it more efficient and effective.

Annex II: Simplified Approvals Process Pilot Scheme

I. Objective

1. The objective of this pilot scheme (“Pilot Scheme”) is to apply best practice in order to reduce the time and effort needed in the preparation, review, approval and disbursement procedures of small-scale projects and programmes that promote and support certain scalable and transformational activities.

II. Eligible projects/programmes

2. Subject to paragraph 5 below, this Pilot Scheme applies to projects and/or programmes which satisfy the following criteria:

3. The pilot will focus on projects and programmes that are **ready for scaling up and have the potential for transformation**, promoting a paradigm shift to low-emission and climate-resilient development.

4. Projects or programmes whose total size is no greater than USD 50 million, provided that the GCF participation in such project or programme is capped at USD 10 million⁴; and

5. Projects or programmes whose environmental and social risks and impacts are classified as mild or minimal to none.

6. Projects or programmes falling within paragraph 2(c) above are typically considered to have minimal or no environmental and social risks and impacts. Activities under this category include capacity development, planning support, institutional development, advisory services, communication and outreach, household-level facilities and production within an already built-up area and with no additional footprint (basic post-harvest processing, rainwater harvesting, pico- to micro-scale renewable energy, retrofit renewable energy systems and energy efficiency and conservation, agroforestry and other small-scale climate smart agriculture), early warning and other monitoring systems, response planning support, in-situ rehabilitation of existing public facilities including maintenance and upgrading where waste will not be an issue, small-scale rural and urban community projects, small-scale watershed management and rehabilitation, climate smart agriculture, forest management activities and agroforestry among others. These will be project and context specific, and will be assessed on a case-by case basis.

7. In addition, the pilot is also proposed to apply to activities with potential mild adverse environmental and social risks and impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures. This include small-scale infrastructure including rehabilitation, maintenance and upgrading; rural electrification and renewable energy including limited transmission and distribution and where land requirements will not be an issue; energy efficiency and energy conservation; pico- to micro-scale renewable energy, village-level rural water supply and drainage including smallholder farm irrigation (drip irrigation, shallow wells, etc.); small-scale watershed management, habitat restoration, and rehabilitation, climate smart agriculture, soil and water conservation, forest management and monitoring, agroforestry, among others.

⁴ As per annex 1 of decision B.08/02, “micro” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of up to and including USD 10 million for an individual project or an activity within a programme”; and “small” is defined as “maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme.” The proposed scope in financing under the simplified approval process limits GCF contribution while at the same time, still encourages co-financing. In addition the existence of co-financing also strengthens ESS and risk analysis, as co-financiers often require ESS and or risk related preparation studies.

8. Projects and/or programmes that include known “risk factors” that would require additional information and more detailed due diligence and consultations by the relevant entities shall not be eligible for the Pilot Scheme notwithstanding that it meets the criteria set out in paragraph 2(a) above. The “risk factors” include but are not limited to⁵:

- Activities with potential resettlement and dispossession, land acquisition, and economic displacement issues;
- Activities that may affect indigenous peoples;
- Activities within protected areas and areas of ecological significance including critical habitats, key biodiversity areas and internationally recognized conservation sites;
- Activities that may affect cultural heritage and physical cultural properties;
- Activities with critical infrastructure (like dams, water impoundments, coastal and river bank infrastructure) that would require further technical assessment and safety studies;
- Activities that may generate waste including hazardous waste and pollutants and require further studies on management, minimization and control and compliance to country and applicable international environmental quality standards;
- Activities that may adversely affect working conditions and health and safety of workers or potentially employ vulnerable categories of workers;
- Activities that may involve trans-boundary impacts including those that would require further due diligence and notification to downstream riparian states; and
- Activities that have associated facilities and require further due diligence of such associated facilities.

III. Eligible entities

9. The GCF shall only consider projects and programmes, which have been submitted by the entities which have already been accredited by the Board.

10. The Secretariat shall take appropriate measures to encourage direct access entities to submit projects or programmes under this Pilot Scheme with the aim of ensuring that submissions from such entities constitute at least 40% of all approved projects under the Pilot Scheme.

IV. Project screening, review and approval

Project screening and further development

11. The pilot will require the submission of a Concept Note (CN). The Concept Note shall set out a summary of the project or programme and details relating to the project size, the proposed extent of the GCF’s participation and the environmental and social risks and impacts

⁵ The Secretariat shall prepare guidance on, and define in detail, such risk factors prior to operationalizing this Pilot Scheme.

of the project or programme. The Secretariat will develop a simplified Concept Note template for this purpose.

12. The Secretariat will put in place the structure and process for review of proposals with target schedule and completion dates of reviews.
13. The Concept Note may be submitted at any point during the operation of the Pilot Scheme and shall be accompanied by:
 - (a) A pre-feasibility study; and
 - (b) The results of the environmental and social risk screening that identify project-related environmental and social risks and impacts and their proposed mitigation measures.
14. An Environmental and Social Action Plan (ESAP) will also be required that will describe the actions necessary to carry out the mitigation measures including timelines for their implementation, continuing consultations and engagement, monitoring and reporting, and actions to develop further the institutional environmental and social management system where gaps are identified. The ESAP will also identify any additional studies and work that will need to be carried out by the entity post approval stage and prior to the execution of relevant activities. The result of the environmental and social risk screening and the ESAP will allow the Secretariat to confirm the level of risk and the environmental and social safeguards requirements of the activities proposed for GCF financing and will be attached as a covenant to the Funding Proposal, becoming binding on the approval of the project. All environmental and social (E&S) risks and impacts are to be checked by the Secretariat.
15. Upon receipt of the Concept Note and related documentation, the Secretariat shall first assess the eligibility of the proposed project or programme and the relevant entity. Concept Notes which satisfy the eligibility criteria out in sections II and III shall then be screened in relation to the environmental and social risks and impacts, stakeholder engagement undertaken, and grievance redress mechanisms, which will be put in place.
16. The review of safeguards will take into account the results of the environmental and social risk screening and the ESAP.
17. Such screening will be conducted against standardized screening form which shall be developed and published by the Secretariat, and which shall be supplemented by explanation including through webinars on how the screening form should be completed by entities and how the screening will be conducted.
18. In addition, the Secretariat will provide technical support on how to complete the Concept Note and checklist to relevant entities through the use of online webinars and other appropriate means.
19. Entities whose Concept Notes are eligible and whose screening has concluded in a positive determination shall be invited to submit a Funding Proposal for the Secretariat's review.
20. The Funding Proposal will follow a simplified format based on the updated project approval process and using a template that will be developed by the Secretariat for this purpose.

Project review

21. It is expected that the entity will conduct all relevant due diligence for the project prior to the submission of a funding proposal.
22. In its second-level due-diligence, the GCF will validate the risk category of the project/programme activity. The GCF will confirm during project/programme assessment that all activities are consistent with the risk categories adopted.

23. Proposals under this pilot will be subject to a limited or streamlined iTAP review.
24. The entity proposing the project will need to provide a summary of consultations and a stakeholder engagement plan including activity-level and entity-level grievance redress mechanisms following the guidance and standard format to be provided by the Secretariat.
25. Simplified financial and other terms shall be included with the Funding Proposal.
26. Pilot projects assessed with minimal to no ESS risks do not have ESS disclosure requirements by the submitting entities.
27. For pilot projects assessed to have mild ESS risks, the ESAP will need to be disclosed by the entity thirty days before approval date. Entities may make changes to the published document as a result of the assessment by the Secretariat if such changes do not significantly increase the overall risk profile of the activities. Besides publication in English, entities may publish only a summary of the documents translated into local language, as may be applicable.

Project approval

28. Funding Proposals whose approval is recommended by the dedicated Secretariat review team shall be submitted to the Board for consideration during its regular meetings.

Post Approval

29. The Secretariat will implement the post-approval process for approved Funding Proposals in a simplified and expedited manner, where possible, including in relation to the clearance of any conditions, and disbursements. It should be noted that legal arrangements for entities not already accredited might become more complex as compared to typical FAAs.

Implementation

30. The list of items attached as conditions and covenants to the project will be implemented by the entity and monitored by the Secretariat
 31. Any changes to project design and implementation arrangements will trigger a project restructuring process that will include re-assessment of project risks and compliance with relevant GCF policies.
 32. A robust monitoring system will be put in place to assist projects reach compliance, where possible gaps exist. This robust monitoring system may also build capacity of the entities to meet GCF standards and to be able to put forward better proposals in the future. The Secretariat will develop this monitoring system for the simplified approval process in this regard.
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