



**GREEN
CLIMATE
FUND**

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Mapping of elements related to project or programme eligibility and selection criteria

Summary

This document identifies all the elements related to project or programme eligibility and selection criteria that have been included in: previous Board decisions; conditions imposed by the Board on funding proposals; and the Governing Instrument for the GCF, which can contribute to strengthening the GCF eligibility criteria.

I. Introduction

1. The Board in decision B.17/10 requested the Secretariat, under the guidance of the Co-Chairs, to develop a mapping document that identifies all elements related to project or programme eligibility and selection criteria that have been included in: previous Board decisions; conditions imposed by the Board on funding proposals; and the Governing Instrument for the GCF, which can contribute to strengthening the GCF eligibility criteria. With the aim of presenting this for the Board's consideration at its eighteenth meeting as part of the ongoing process to simplify and clarify project and programme eligibility and selection criteria, and to update the GCF policies and procedures.

2. Moreover, decision B.11/11 refers to strengthening "project/programme eligibility criteria, including categories of incremental cost eligible for funding". GCF does not have explicit project/programme eligibility and selection criteria, per se. Rather, over time, both the Parties, in the form of the Governing Instrument, and the Board, in the form of approved decisions, policies and conditions, elaborated a strategy to delineate criteria that can, and perhaps should, currently be applied when evaluating projects and programmes.

II. Governing Instrument guidance

3. Paragraph 1 of the Governing Instrument states that "the purpose of the Fund is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change".

4. As such, **eligible projects/programmes should advance this purpose**: they should be ambitious and have significant climate impact, at least in the case of mitigation projects/programmes.

5. Paragraph 2 of the Governing Instrument states: "The Fund will contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways."

6. This indicates that **projects submitted to GCF should contribute to stabilizing "greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system"** as per the UNFCCC. It also denotes that **projects/programmes should promote paradigm shift**.

7. Paragraph 3 of the Governing Instrument states: "The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two".

8. Paragraph 50 states: "The Board will balance the allocation of resources between adaptation and mitigation activities under the Fund and ensure appropriate allocation of resources for other activities."

9. In addition, paragraph 51 states: "A results-based approach will be an important criterion for allocating resources."

10. These three provisions **require each project/programme to yield maximum impacts – and limits to be set for both mitigation and adaptation allocations**.

11. Under the section on eligibility, paragraph 35 of the Governing Instrument states:

"All developing country Parties to the Convention are eligible to receive resources from the Fund. The Fund will finance agreed full and agreed incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus), technology development and

transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries.”

12. This paragraph of the Governing Instrument stipulates which **countries are eligible to receive resources from GCF** (i.e. developing country Parties to the Convention), the **project/programme costs that can be supported by GCF** (i.e. agreed full and agreed incremental costs) and the **selection of activities eligible for funding** (action on adaptation, mitigation (including REDD-plus), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries).

13. Paragraph 36 of the Governing Instrument states: “The Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans”.

14. This can be viewed as an eligibility requirement – that **projects/programmes be within country programmes and that they advance a country’s climate change strategies and plans.**

15. Under the section on readiness and preparatory support, paragraph 40 states:

“The Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs [nationally appropriate mitigation actions], NAPs [national adaptation plans], NAPAs [national adaptation programmes of action] and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.”

16. The above text outlines the **activities eligible for funding under readiness and preparatory activities.**

17. The operation modalities of GCF are outlined in paragraphs 31 and 32 of the Governing Instrument, and paragraphs 37–39 outline the funding windows and fund structure. Finally, paragraph 18 on the role of the Board, specifically itemizes the Board’s role and functions, including:

“(b) Approve operational modalities, access modalities and funding structures;

(c) Approve specific operational policies and guidelines, including for programming, project cycle, administration, and financial management;

(d) Approve funding in line with the Fund’s principles, criteria, modalities, policies and programmes...”

18. These provisions, together with the mandate to fund agreed full and incremental costs also **provide the elements for the establishment of eligibility criteria for GCF.**

III. Decisions of the Board

3.1 Initial proposal approval process

19. At its fifth meeting, in decision B.05/05, the Board requested the Secretariat to develop and present a resource allocation system. In May 2014, the Board adopted its initial proposal approval process, including the criteria for programme and project funding (decision B.07/03).

20. The same decision confirmed that the criteria for programme and project funding are outlined in decision B.07/06 on the investment framework.
21. The Board also requested the Secretariat to develop methodologies for the selection of programmes and projects that best achieve GCF objectives as stated in decision B.07/03.
22. **The development of these methodologies may also help to strengthen the development of GCF programme and project eligibility and selection criteria.**
23. The criteria for programme and project funding as requested in decision B.05/17 are contained in the GCF investment framework (see document GCF/B.07/06 entitled “Investment framework”).

3.2 Initial investment framework

24. In May 2014, the Board adopted an **initial investment framework** through decision B.07/06. This decision reflects the GCF theme/activity-based resource allocation system as laid out in decision B.05/05. **The investment framework provides six high-level investment criteria against which funding proposals will be assessed.**
25. Document GCF/B.09/07 entitled “**Further development of the initial investment framework: sub-criteria and methodology**” continued and deepened decision B.07/06 by defining the sub-criteria for the six high-level investment criteria, and providing an assessment methodology used in the second-stage due diligence process to provide inputs to the Board for funding decisions. **Essentially, the six investment criteria adopted in decision B.07/06, together with their further development, including the sub-criteria and indicative assessment factors, define the eligibility of proposals for funding consideration.**
26. The investment criteria and sub-criteria are supposed to:
- (a) Signal as clearly as possible to countries, accredited entities, project developers and other stakeholders what kinds of projects or programmes GCF seeks to finance;
 - (b) Enable efficient project and programme funding proposal preparation;
 - (c) Enable the Secretariat and the independent Technical Assessment Panel (independent TAP) to make comparable assessments in an open and transparent manner; and
 - (d) Enable the Board to be clear on what basis the Secretariat and the independent TAP are making their recommendations to the Board on a funding decision.

3.3 Indicative minimum benchmarks

27. The **indicative minimum benchmarks can further develop and operationalize the concept of a proposal’s eligibility** for further funding consideration.
28. The Board requested the Secretariat to develop minimum benchmarks for project and programme proposals to be considered by the Board at its seventh meeting in May 2014, and additional guidance was provided at its ninth meeting in March 2015. As part of decision B.07/06, paragraph (c)(i), the Board requested for consideration minimum benchmarks for each criterion, taking into account the best practices of other institutions.
29. At its ninth meeting, the Board considered a more detailed investment framework, including **sub-criteria and indicative assessment factors, as well as methodology options for the assessment of funding proposals**. One assessment methodology option presented minimum benchmarks, both qualitative and quantitative, for the investment criteria. Ultimately, the Board adopted the more detailed investment framework and decided to use indicative minimum benchmarks (decision B.09/05).

30. The first phase of research and analysis on indicative minimum benchmarks has been concluded providing an **assessment of other institutions' best practices and available data; identified data gaps and constraints that may present challenges for indicative minimum benchmarks; and an estimated preliminary set of indicative quantitative minimum benchmarks for two investment criteria.**

31. The second phase, which is ongoing, is **testing the robustness of the indicative quantitative benchmarks through their retrospective application to projects/programmes already approved by the Board;** further developing qualitative benchmarks; and exploring the potential for expanded benchmarks by results area by developing a pilot approach for projects focused on the resilience of infrastructure and the built environment.

32. A review by the Board on **how it intends to use the minimum benchmarks** could assist in strengthening the development of programme and project eligibility and selection criteria.

3.4 Initial results management framework

33. The **initial results management framework** of the GCF (decision B.07/04) further clarifies the **type of results that GCF will finance.** This decision, though not intended to define activities eligible for funding, establishes the areas that GCF will support to achieve results, and therefore effectively defines the type of activities that GCF will seek to finance as follows:

- (a) Mitigation through low- and reduced-emission: energy access and power generation, transport, buildings, cities, industries and appliances, and land use, deforestation, forest degradation, and through sustainable forest management and conservation and the enhancement of forest carbon stocks; and
- (b) Adaptation through increased resilience and reduced climate and climate variability risks of: the most vulnerable people, communities, and regions; health and well-being, and food and water security; infrastructure and the built environment to climate change threats; and ecosystems and ecosystem services.

34. However, the initial results management framework remains incomplete. At its third and fourth meetings, the Board instigated a discussion on which should be the result areas that the GCF should invest in (document GCF/B.01-13/03 and document GCF/B.04/03 entitled "Business model framework: objectives, results, and performance indicators"). This led to the development of the initial version of the results management framework adopted by the Board at its seventh meeting (decision B.07/04).

35. Decision **B.07/04 also adopted the core indicators and asked for the development of indicators for the impact and outcome results** as decided in the version of the results management framework presented at that meeting. At the eighth meeting of the Board (B.08), the results management framework indicators were presented and were contained in annex VIII to document GCF/B.08/45 (annex VIII to decision B.08/07) being referred to as performance measurement framework (PMF) indicators. At the time, the Board decided to discuss the indicators one by one, and **adopted only 60 per cent of them, mainly those related to the mitigation results.** The others were "noted" and the Board asked for those indicators to be further refined (decision B.08/07, paragraph (a)).

36. The **non-adopted PMF indicators were presented to the Board at its twelfth meeting.** However, the draft decision was not adopted. Decision B.12/33 asked for additional consultations and mandated the Secretariat to organize a call for inputs on the PMF indicators involving members of the Board, alternate members of the Board as well as active observers. It requested the Secretariat to facilitate technical consultations (teleconferences) following the call for inputs. The Secretariat received 19 submissions as response to the call for inputs. A

compilation of these inputs is available on the GCF website. Based on the inputs received, the Secretariat conducted analyses and developed an audit trail table. Over 300 different inputs on the indicators were counted. The inputs were analysed and divided into three groups according to the level of consensus on their most recent formulation. Based on these written inputs and teleconference consultations, a further revision of the results management framework document was presented at the thirteenth meeting of the Board (B.13) (document GCF/B.13/34).

37. Also, at B.13, the Board deferred the consideration of the document to its fourteenth meeting (B.14) (decision B.13/34). However, the item was not included in the agenda for B.14. **It would be useful to revisit the results management framework and finalize it to support the work of the Secretariat and improve the project or programme eligibility and selection criteria development for GCF**

3.5 Strategic Plan

38. The initial Strategic Plan for GCF, under the Board's Strategic Vision for GCF in section (a) on promoting the paradigm shift towards low-emission and climate-resilient development pathways, notes the following:

“The GCF will support developing countries in the implementation of the ambitious Paris Agreement, whose aim is to enhance the implementation of the UNFCCC including by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, enhancing adaptive capacity and fostering resilience, and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”

39. This means projects submitted to GCF should **aim to hold the increase in the global average temperature below 2 °C above pre-industrial levels.**

40. In the same section, it lists the elements under paradigm shift as follows:

- (a) Financing innovative projects and programmes, inter alia supporting the application and dissemination of cutting-edge climate technologies, which are characterized by the highest levels of mitigation/adaptation ambition, that can be scaled-up and/or replicated or lead to fundamental changes in behaviours and/or investment patterns;
- (b) Programming resources at scale, while seeking to maximize impact as well as to achieve a balanced allocation between mitigation and adaptation activities, and a particular focus on supporting those developing countries particularly vulnerable to the adverse impacts of climate change, including the least developed countries, small island developing States and African States;
- (c) Ensuring full country-ownership through its operational modalities and by providing adequate support to build the required country capacity;
- (d) Also ensuring transparent and inclusive procedures with respect to all GCF-related activities; and
- (e) Crowding-in and maximizing the engagement of the private sector in financing and implementing the paradigm shift towards low-emission and climate-resilient development pathways.

41. With the elements noted **highlighting the specific requirements for projects/programmes to be approved.**

42. Under section B, on supporting the implementation of the Paris Agreement, it states: “The Fund will provide support in terms of finance, capacity building and technology transfer”.

43. This specifies the **kind of support that GCF should be approving**.
44. To achieve maximum impact, the same section proceeds to note that GCF should do the following:
- (a) Take on risks that other funds/institutions are not able or willing to take, including risks associated with deploying innovative climate technologies;
 - (b) Pilot and potentially scale-up and replicate innovative approaches; and
 - (c) Set new standards regarding country ownership, direct access and level of ambition impacting the global practice of climate finance beyond its immediate engagement.
45. This outlines the **list of eligible items** for funding by GCF.
46. Under operational priorities, the initial Strategic Plan states these as follows:
- (a) Allowing GCF to scale up its investments in developing countries with the objective of tapping its full potential to promote urgent and ambitious actions enhancing climate change adaptation and mitigation in the context of sustainable development;
 - (b) Maximizing its impact by supporting projects and programmes that are scalable, replicable and employ GCF resources in the most efficient manner by, inter alia, catalysing climate finance at the international and national levels, including by maximizing private sector engagement;
 - (c) Setting out the approach of GCF to programming and investing the full amount pledged for the 2015-2018 programming period, while striving to maximize the impact of its funding for adaptation and mitigation, and to seek a balance between the two;
 - (d) Ensuring that GCF is responsive to developing countries' needs and priorities, including by enhancing country programming and direct access (e.g. through enhanced support for accreditation of national implementing entities, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency); and
 - (e) Proactively communicating GCF ambition in terms of both scale and impact as well as its operational modalities with a view to enhancing predictability and facilitating access.
47. In effect, these are the **priority actions for funding** by GCF.
48. The strategic plan also calls for the development of a GCF-wide pipeline of transformational projects and programmes that meet the GCF investment criteria. Hence, the strategic plan calls for pipeline development to be prioritized by providing enhanced readiness support, among others, by:
- (a) Identifying opportunities for GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or multilateral development banks. Particularly in the early stages of operations, this might be a way of scaling up quickly and capitalizing on, and learning from, the knowledge and experience of these institutions;
 - (b) Making increased use of simplified requests for proposals (RFPs) aimed at the public and private sectors in consultation with the national designated authorities (NDAs)/focal points targeting promising and innovative approaches ensuring that successful proposals submitted in response to RFPs can demonstrate a viable path to accreditation and a plan to ensure country ownership;
 - (c) Developing replicable approaches and potentially standardized products that would allow proven approaches to be rapidly rolled out in new locations where they match priorities identified in consultation with NDAs/focal points; and

- (d) Operationalizing results-based payments for REDD-plus in line with guidance from the Conference of the Parties to the UNFCCC and the Governing Instrument, evaluating the implementation of results-based payments, and assessing its applicability to other sectors within the purview of GCF.
49. These can also **form elements related to the components that should be eligible for funding under GCF.**

3.6 Other decisions

50. **Other decisions** indirectly **define some of the types of activities that can or cannot be included in funding proposals.** For example, the Initial policy on accredited entity (AE) fees (decision B.11/10) defines the activities that are to be covered by AE fees such as project/programme implementation, supervision, completion, evaluation and reporting, therefore implying that such costs cannot be covered by GCF resources provided directly to the project/programme.
51. Similarly, under the Project Preparation Facility (PPF), decision B.13/21 specifies the activities that can be funded by the PPF, which could be taken to imply that any **preparation activities cannot be part of the costs of the funding proposal.**
52. Nevertheless, several projects intend to use a phased approach, where upstream activities define how GCF proceeds are best employed in the further implementation of the investment. AEs can therefore continue with the current flexible and demand-driven approach and propose the appropriate solution as part of their concept note/funding proposal.
53. In decision B.14/07, the Board requested the Secretariat to explore options for a mechanism that will **draw on appropriate scientific and technical advice**, as initially envisaged by decision B.04/09, paragraph (d).
54. Board decision B.14/02, paragraph (f), also requested the Secretariat to prepare a document for consideration by the Board at its seventeenth meeting identifying concrete options on how the GCF can **support collaborative research and development in developing countries**, in line with the operational modalities of GCF, taking into account decisions B.13/11 and B.13/12, and in the context of operational framework for complementarity and coherence with climate finance delivery channels. This may mean that collaborative research is eligible for GCF support.

3.7 Country ownership

55. Issues related to country ownership also contribute to eligibility and selection. In this context, the following are noted from decisions already taken by the Board.
56. The results management framework (decision B.05/03) notes that access to GCF resources could be enhanced by the inclusion of indicators capturing country-driven policies that have the potential to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development as set out in the Governing Instrument. **There is also the potential to have indicators with further work on indicative minimum benchmarks for country ownership.**
57. Under Readiness and preparatory support (decision B.05/14), countries present their readiness proposals on the basis of self-assessed needs with the support of a delivery partner/AE. **A baseline in terms of country readiness and needs could possibly support the development of the eligibility and selection criteria.**
58. On adaptation planning processes (decision B.13/09), the Board recognized that accredited entities could bring forward **programmatic approaches for the formulation of**

multi-country national adaptation plans and/or other adaptation planning processes under the project approval process. However, the Board has yet to adopt modalities on the programmatic approach.

59. At B.17, the guidelines for enhanced country ownership and country drivenness were adopted (decision B.17/21). In these, guiding principles were agreed, including: “The need for country ownership to continue throughout the project cycle, from readiness activities, and the pre-concept stage, through implementation to monitoring and evaluation of a project or programme” (decision B.17/21, annex XX, para. 4 (vi)). **This principle highlights that the costs for implementation and monitoring and evaluation are eligible.**

60. When reflecting country ownership in the operational modalities of GCF, training of local staff during project or programme implementation to improve the sustainability of actions would be eligible. However, in FP035, scholarships were deemed ineligible for funding under GCF resources. **This could mean that the training of local staff in-country in support of project implementation is eligible but not sending staff abroad for formal studies.**

IV. Conditions attached to funding proposals

61. The initial proposal approval process established that the Board can approve, approve with conditions or reject funding proposals. As of its sixteenth meeting, the Board had approved 43 funding proposals. Only two funding proposals have been approved without conditions, FP007 and FP008, both at the first meeting at which funding proposals were considered.

62. Some of the conditions attached to approved projects prevent funding going towards certain activities. Such conditions imply a general policy, and indicate the type of activities that the Board may wish to exclude from financing. For example, within the 43 approved projects and programmes so far, seven include conditions that imply some form of eligibility criteria as contained in the table below:

Description of conditions and type of eligibility criteria

Funding proposal number	Description	Type of eligibility criteria
01	Business Plans for Bio-businesses	Conditional list for eligibility
18	GCF proceeds shall not be used for financing activities related to disaster response and relief	Negative list
24	Transaction costs limited to 15% of grant facilities	Conditional list for eligibility
35	GCF proceeds will not be used to finance scholarships	Negative list
36	GCF proceeds will not be used for project preparation activities that can be funded by the Project Preparation Facility	Negative list
38	Limitations on investments on hydropower	Conditional list for eligibility
39	No investments in category A projects	Negative list

63. In decision B.16/02, the Board requested the Secretariat to assess the conditions attached to funding proposals and, in the event any such conditions are considered by the Secretariat to be inconsistent with GCF policies, the Secretariat shall make a recommendation to the Board for further guidance and pending such guidance, the relevant condition shall be deemed not to apply. **It remains to be decided if the above eligibility and selection**

conditions should set precedent and form policy for GCF.

64. **It is also to be decided if the activities funded in approved proposals are eligible by default and if such a positive list should be developed.**

V. Conclusions and recommendations

65. As GCF operations grow, it is necessary to provide further guidance to stakeholders on the type of activities, expenditures and goods and services that GCF can finance. National authorities and AEs, with support from the GCF Readiness and Preparatory Support Programme, have been developing a strong pipeline of projects for submission to GCF. By B.16, the portfolio of projects approved by the Board has reached USD 2.2 billion. As part of the review and approval process of these funding proposals, the Secretariat and the Board have relied on the Governing Instrument, prior Board decisions and the review of each funding proposal to ensure strategic alignment between GCF objectives and the specific activities and goods and services for which funding is being requested. In addition, AEs have also used conditions attached to Board-approved funding proposals as a guide to ensure strategic alignment to the needs of GCF.

66. However, countries and AEs, particularly direct access entities, require clearer guidance on the type of interventions and expenditures in support of projects/programmes that can be financed by GCF. Such information should be available as they embark on the preparation of funding proposals to facilitate the overall process.

67. The proposed approach should balance the current flexibility with the need to provide clearer guidance to countries and AEs. Given the broad mandate that GCF must promote the paradigm shift towards low-emission and climate-resilient development pathways, the financing eligibility policy should not be too restrictive. Unlike other climate change related funds with very specific objectives, one of the main characteristics of GCF is its broad mandate to support the UNFCCC and the Paris Agreement. As the needs of countries seeking to mitigate and adapt to climate change evolve, GCF must be ready to respond with increasingly innovative financing mechanisms and their development could be constrained by an excessively restricted financing eligibility policy.

68. At the strategic level, GCF could concentrate on key principles until such time as the results management framework is reviewed. The eight initial results areas of the GCF should underpin the overall strategic financing eligibility framework of GCF, that is, GCF will finance activities that contribute to achieving any of the results areas.

69. As GCF prepares to develop a co-financing policy (decision B.17/10), it can also consider reviewing the results management framework to update and complete it.

70. The mapping above also highlights the following gaps, which the Board can address as follows:

- (a) The development of methodologies for the selection of programmes and projects that best achieve the objectives of GCF may help to strengthen the development of GCF programme and project eligibility and selection criteria;
- (b) A review by the Board on how it intends to use the minimum benchmarks can assist in strengthening the development of the programme and project eligibility and selection criteria;
- (c) It would be useful to revisit the results management framework and finalize it to support the work of the Secretariat, and improve the project or programme eligibility and selection criteria development for GCF;
- (d) Consideration of the strengthened implementation of priorities outlined in the Strategic Plan;



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- (e) The Board should decide if the conditions attached to funding proposals should set precedent and form policy for GCF. Similarly, the Board should decide if activities funded in approved projects are by default eligible and could be the basis for a positive eligibility criteria list;
 - (f) The Secretariat should work more closely with scientific and technical entities in support of country readiness activities having proven benefits for adaptation and mitigation along the GCF results areas;
 - (g) The Board can re-review the modalities on programmatic approach;
 - (h) In line with decisions B.12/20, and B.13/10, the Board could request the Secretariat to work more closely with the UNFCCC secretariat to elaborate on how GCF can support implementation of the Paris Agreement. These evolving priorities could be considered as part of eligible funding for the replenishment; and
 - (i) The Board may wish to ask the Secretariat to compile and develop programme or project eligibility and selection criteria based initially on the mapping exercise performed here.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.19/38 titled “Mapping of elements related to project or programme eligibility and selection criteria”,

- (a) Affirms that the conditions and other covenants attached by the Board to approved funding proposals are project- or programme-specific and do not necessarily reflect a GCF policy of general applicability; and
- (b) Requests the Secretariat to review the results management framework of GCF with the aim of improving project/programme eligibility and selection criteria, and to submit a revised results management framework for the Board’s consideration at its twenty-first meeting.
