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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: guidance from the Conference of the Parties; the Governing Instrument for the GCF; previous Board decisions; conditions imposed by the Board on funding proposals; and a review of the approach taken by other institutions on eligibility.

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 and 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 that can contribute to strengthening the GCF eligibility criteria.

2. Moreover, decision B.11/11 refers to strengthening project or programme eligibility criteria, including categories of incremental cost eligible for funding. This is reiterated in decision B.19/06, in which the Board noted the linkages between matters related to incremental costs and concessionality and the policy gaps identified in decision B.11/11, including project eligibility criteria, as well as issues related to co-finance and other matters considered at subsequent Board meetings, and requested the Secretariat to develop an integrated approach to resolve these interrelated issues for consideration by the Board at its twentieth meeting.

3. GCF has not yet established explicit project or programme eligibility and selection criteria per se, but eligibility and selection are currently assessed based on Board-approved policies related to funding proposals and can be considered to be embedded in the information required to develop the funding proposal and its annexes.

4. This document includes the mapping of decisions, guidance and recommendations to inform the GCF eligibility and selection criteria from:

(a) Guidance from the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in relation to the Paris Agreement;

(b) Guidance from the Governing Instrument;

(c) Decisions of the Board; and

(d) Conditions imposed by the Board on funding proposals.

5. A review of the approach taken by other institutions on eligibility was also undertaken.

II. Paris Agreement: guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change

6. The COP decided in UNFCCC decision 1/CP.21 that GCF, as one of the operating entities of the Financial Mechanism of the Convention, shall serve the Paris Agreement.

7. Article 7, paragraph 5, notes that adaptation action should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate.

8. Similarly, Article 7, paragraph 7(b) and (c), highlights activities that strengthen institutional arrangements and scientific knowledge to inform climate services and decision-making.

9. In addition, Article 7, paragraph 9(e), recognizes that economic diversification and sustainable management of natural resources are adaptation activities that build the resilience of socioeconomic and ecological systems.

10. Article 8, paragraph 4, notes that areas of cooperation and facilitation to enhance understanding, action and support may include early warning systems, risk insurance facilities and resilience of communities, livelihoods and ecosystems.

11. Article 9 of the Paris Agreement emphasizes country-driven strategies and states that financial resources provided should enhance the implementation of their policies, strategies, regulations and action plans and their climate change actions for both mitigation and adaptation.

12. Other COP guidance and Articles of the Paris Agreement indicate activities that may be considered as eligible and will be further considered by the Secretariat.

III. Guidance from the Governing Instrument for the GCF

13. 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".

14. Paragraph 2 states that "[t]he Fund will contribute to the achievement of the ultimate objective of the [UNFCCC]. In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways".

15. Paragraph 3 states that "[t]he Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two".

16. Paragraph 50 states that "[t]he Board will balance the allocation of resources between adaptation and mitigation activities under the Fund and ensure appropriate allocation of resources for other activities".

17. In addition, paragraph 51 states that "[a] results-based approach will be an important criterion for allocating resources".

18. Paragraph 35 of the Governing Instrument, under the section on eligibility, 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."

19. Paragraph 36 states that "[t]he Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans".

20. 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."

21. The operational modalities of GCF are outlined in paragraphs 31 and 32, and the funding windows and fund structure in paragraphs 37–39. Lastly, paragraph 18 sets out the role and functions of the Board, including that it will:

(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."

IV. Decisions of the Board

4.1 Initial proposal approval process

22. In decision B.05/05, the Board requested the Secretariat to develop and present a resource allocation system.

23. In decision B.07/03, the Board adopted its initial proposal approval process and confirmed that the criteria for programme and project funding are outlined in decision B.07/06 on the investment framework.

24. In the same decision, the Board requested the Secretariat to develop methodologies for the selection of programmes and projects that best achieve the objectives of GCF.

25. In decision B.05/17, the Board referred to essential requirements for resource mobilization outlined in annex XXII to document GCF/B.05/23, including the initial proposal approval process with the criteria for programme and project funding. This was addressed through the GCF investment framework (see document GCF/B.07/06).

4.2 Initial results management framework

26. The initial results management framework (RMF) presented in 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 emissions: through increased low-emission energy access and power generation, and increased access to low-emission transport; from buildings, cities, industries and appliances; from land use, deforestation and forest degradation; and through sustainable forest management and conservation and the enhancement of forest carbon stocks; and

(b) Adaptation through reduced exposure to climate-related risks and increased resilience of the most vulnerable people, communities, and regions; health and well-being, and food and water security; infrastructure and the built environment; and ecosystems and ecosystem services.

27. At its third and fourth meetings, the Board instigated a discussion on the results areas in which GCF should invest (see document GCF/B.04/03). This led to the development of the initial version of the RMF adopted by the Board at its seventh meeting (decision B.07/04).

28. Also, by decision B.07/04, the Board adopted the core indicators for mitigation and adaptation and requested the Secretariat to develop indicators for the impact and outcome results as decided in the version of the RMF adopted at the seventh meeting of the Board. At the eighth meeting of the Board, the RMF indicators were presented, as contained in annex VIII to decision B.08/07 (annex VIII to document GCF/B.08/45) and were referred to as performance measurement frameworks (PMFs) 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 Board took note of other indicators that required further refinement and

requested that the Secretariat further develop those indicators (decision B.08/07, paras. (a) and (b)).

29. The PMF indicators that had not been adopted by the Board at its eighth meeting were presented to the Board at its twelfth meeting. However, the Board, in decision B.12/33, deferred consideration of further development of the PMF indicators as contained in document GCF/B.12/13 to its thirteenth meeting. The Board sent an invitation to members of the Board, alternate members of the Board and active observers to submit additional inputs on further development of the indicators. The Secretariat received 19 submissions in 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 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.

30. At its thirteenth meeting, the Board deferred the consideration of the further development of some PMF indicators as contained in document GCF/B.13/26 to its fourteenth meeting (decision B.13/34). However, the item was not included in the agenda for the fourteenth meeting.

31. Lastly, in decision B.19/06, the Board noted the linkages between policy gaps and the RMF and agreed that an approach should be taken that addresses the gaps in the RMF and takes note of practices used by other institutions.

4.3 Initial investment framework

32. By decision B.07/06, the Board adopted an initial investment framework which would reflect 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 (see annex XIV to decision B.07/06 (annex XIV to document GCF/B.07/11)).

33. Document GCF/B.09/07 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.

34. The investment criteria and sub-criteria are designed to:

(a) Signal as clearly as possible to countries, accredited entities (AEs), project developers and other stakeholders what kind 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 Advisory Panel (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 TAP are making their recommendations to the Board on a funding decision.

4.4 Investment criteria indicators

35. The investment criteria indicators, previously known as indicative minimum benchmarks, can further develop and operationalize the concept of a proposal's eligibility for further funding consideration.

36. By decision B.07/06, paragraph (c)(ii), the Board requested the Secretariat to develop minimum benchmarks for project and programme proposals, taking into account the best practices of other institutions, to be considered by the Board at its eighth meeting.

37. 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. Ultimately, the Board adopted the more detailed investment framework and requested the Secretariat to develop indicative minimum benchmarks (decision B.09/05).

38. At its nineteenth meeting, the Board considered the indicative minimum benchmarks developed by the Secretariat and decided that "indicative minimum benchmarks" be referred to as "investment criteria indicators", as recommended by the Investment Committee, and requested the Secretariat to further develop a proposal on investment criteria indicators, under the guidance of the Investment Committee, for the consideration of the Board at its twentieth meeting (decision B.19/07).

4.5 Strategic Plan

39. The initial Strategic Plan for GCF, under the section of the Board's Strategic Vision for GCF 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.

40. In the same section, it lists the elements under promoting the 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. Under the section on supporting the implementation of the Paris Agreement, it states that “[t]he Fund will provide support in terms of finance, capacity building and technology transfer”.

42. To achieve maximum impact, the same section notes that GCF should:

(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.

43. Under the section on operational priorities, the initial Strategic Plan lists the core operational priorities 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 the ambition of GCF in terms of both scale and impact as well as its operational modalities with a view to enhancing predictability and facilitating access.

44. 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 also calls for pipeline development to be prioritized by providing enhanced readiness support and by, inter alia:

(a) Identifying opportunities for GCF to add value by co-financing projects and programmes together with the Global Environment Facility (GEF), the Adaptation Fund or multilateral development banks (MDBs). 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 proposal (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 COP and the Governing Instrument, evaluating the implementation of results-based payments, and assessing their applicability to other sectors within the purview of GCF.

4.6 Other decisions related to funding proposals

45. Other decisions indirectly define some of the types of activities that can or cannot be included in funding proposals. For example, the interim policy on fees for AEs (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 or programme. Subsequently, a revised policy on fees for AEs was adopted by the Board in decision B.19/09, which also included the adoption of the general principles and indicative list of eligible costs covered under GCF fees and project management costs.

46. Similarly, with regard to 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 preparation activities cannot be part of the costs of the funding proposal.

47. Nevertheless, several projects intend to use a phased approach, where upstream activities define how GCF resources 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.

48. In decision B.14/07, the Board requested the Secretariat to explore options for a mechanism that would draw on appropriate scientific and technical advice, as initially envisaged by decision B.04/09, paragraph (d).

49. In decision B.14/02, paragraph (f), the Board requested the Secretariat to prepare a document for consideration by the Board at its seventeenth meeting identifying concrete options on how 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 frameworks for complementarity and coherence with climate finance delivery channels. This may mean that collaborative research is eligible for GCF support.

50. On adaptation planning processes (decision B.13/09), the Board recognized that AEs 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.

51. In decision B.14/07, 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. The Board requested the Co-Chairs to continue to consult on the programmatic approach with a view to concluding policy guidelines on the programmatic approach for consideration at its fifteenth meeting. At its fifteenth meeting, however, the Board decided to extend consultations on the mandates given (decision B.15/02) and the programmatic approach was not presented.

52. In decision B.18/06, the Board decided to operationalize the Simplified Approvals Process Pilot Scheme. The Board requested the Secretariat to develop a proposal for approving funding proposals brought forward under this Pilot Scheme between meetings of the Board in the context of the ongoing work to develop further options for decision-making. It also requested the Secretariat to report back with recommendations to further improve the efficiency and effectiveness of the process, and to consider expanding the type of eligible

activities and increasing GCF funding after two years of operationalization or once USD 80 million of GCF financing had been allocated.

53. In decision B.18/07, the Board decided to adopt the RFP for the pilot programme for REDD-plus results-based payments, as set out in annex XI to that decision and the corresponding scorecard provided in annex XII to the same decision, which specifies the requirements that funding proposals must meet in order to receive GCF funds.

4.7 Country ownership

54. Issues related to country ownership also contribute to eligibility and selection, as one of the six investment criteria. In this context, the following elements are noted from decisions taken by the Board.

55. The RMF (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 develop indicators with further work on investment criteria indicators for country ownership.

56. 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 support the development of the eligibility and selection criteria.

57. On adaptation planning processes (decision B.13/09), the Board recognized that AEs 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.

58. At the seventeenth meeting of the Board, the guidelines for enhanced country ownership and country drivenness were adopted (decision B.17/21). Within 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.

59. 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 funding proposal 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 that sending staff abroad to undertake formal studies is not.

4.8 Conditions imposed by the Board on funding proposals

60. The initial proposal approval process established that the Board can approve, approve with conditions or reject funding proposals. As at its nineteenth meeting, the Board had approved 74 funding proposals, 56 of which with conditions.

61. Some of the conditions attached to approved projects and programmes prevent funding going towards certain activities such as activities related to disasters response and relief, activities that can be funded by the PPF, and scholarships. Such conditions may indicate types of

activities that the Board may wish to exclude from financing. Table 1 below contains a list of seven projects that include such conditions that could imply some form of eligibility.

Table 1: Description of conditions and type of eligibility criteria

Funding proposal number	Description
FP001	Business plans for bio-businesses
FP018	GCF proceeds shall not be used for financing activities related to disaster response and relief
FP024	Transaction costs limited to 15% of grant facilities
FP035	GCF proceeds will not be used to finance scholarships
FP036	GCF proceeds will not be used for project preparation activities that can be funded by the Project Preparation Facility
FP038	Limitations on investments on hydropower
FP039	No investments in category A projects

62. 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.

63. Activities already funded in approved projects and programmes may also be regarded as eligible by default. These are the funded activities aligned with the result areas of GCF promoting low-emission and climate-resilient development. This also includes cross-cutting activities such as capacity-building and institutional support.

V. Review of the approach taken by other institutions on eligibility

64. At the strategic level, GEF defines activities eligible for financing based on each of the conventions that it supports and its focal area strategies. The texts of those conventions (the Convention on Biological Diversity, UNFCCC, the Stockholm Convention on Persistent Organic Pollutants, the United Nations Convention to Combat Desertification and the Minamata Convention on Mercury) provide the same type of overarching strategy that, in the case of GCF, is provided by the Governing Instrument as well as by UNFCCC. At each replenishment of GEF, the GEF Council agrees on a set of “focal areas” for that programming period, which further define the strategic areas of support for each of the above-mentioned conventions. Although financing is not necessarily limited to activities falling under these focal areas, they serve as part of the financing strategy during the respective programming period.

65. The Climate Investment Funds (CIFs) defines specific financing eligibility for each of its funds. Given the more specific purpose of each of the CIFs, there is a clear definition of activities eligible for financing:

(a) The Clean Technology Fund provides resources to scale up low-carbon technologies with significant potential for long-term greenhouse gas emission savings. The Clean

Technology Fund specifies the definition of "low-carbon" with respect to energy generation in the context of technologies that do not have zero emissions but that contribute to the transition towards low emissions. This approach determines a maximum number of tonnes of carbon dioxide generated per megawatt hour;[1] and

(b) The Strategic Climate Fund supports the Forest Investment Program, the Pilot Program for Climate Resilience and the Scaling Up Renewable Energy Program in Low Income Countries. These programmes have very specific eligibility criteria regarding the types of activities that can be financed, and each has its own investment criteria.

66. Funds such as GEF and CIFs leave the determination of financing eligibility of expenditure types and specific goods and services to the partner agencies through which they operate. By providing funding, rather than directly preparing and implementing projects, GEF and CIFs do not have policies on the specific expenditures that can be financed; this task is the responsibility of the agencies carrying out the projects. To a certain degree, such an approach also reflects the closer relationship that these funds have with their partner agencies.

67. Institutions directly designing and implementing projects, such as MDBs and bilateral development agencies, have a more active approach to financing eligibility criteria, with increased flexibility. Most MDBs developed financing eligibility criteria based on the assumption that their investments were focused on developing capital assets, primarily infrastructure, and therefore were generally unwilling to finance non-capital expenditures (e.g. salaries or other recurrent expenditures) or activities that were not deemed to be "productive". Since the early 2000s, that approach has been evolving in several areas:[2]

(a) Full costs financing: originally, many MDBs would finance only a fraction of project costs (around 90 per cent), to ensure that there was appropriate cost sharing with the recipient country. Most MDBs have now moved away from this approach and have made 100 per cent of project costs eligible for financing;

(b) Local costs financing: funding from MDBs and bilateral agencies was generally provided in foreign currency and it was expected that the recipient would cover expenditures in local currency from its own sources. This practice is generally no longer followed by most providers of financing, as most currencies have become convertible, thus making this point irrelevant;

(c) Taxes and duties: it was assumed that external providers would not cover taxes and duties as these items should be covered by the recipient, at least in public sector projects for which taxes are not an expenditure but a revenue. Most MDBs and many bilateral agencies have now moved to make taxes and duties eligible for financing, recognizing that in many cases it is not practical to disaggregate all the taxes and duties for each expenditure item and that economic distortions can be created if, for example, governments simply choose to make projects financed by external agencies tax free;

(d) Recurrent costs: the financing by external agencies of recurrent costs such as maintenance and salaries (including those of civil servants) was perceived as detrimental to sustainability and further encouraged the bias towards capital

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[1] CIF. 2009. *CTF Investment Criteria for Public Sector Operations.* Available at < https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_investment_criteria_public_sector_final.pdf]>.

[2] See, for example, the changes made by the World Bank to its financing eligibility criteria in *Eligibility of Expenditures in World Bank Lending: A New Policy Framework.* Available at <http://www1.worldbank.org/publicsector/pe/befa05/march26expenditureeligibilityboardpaper.pdf>.

investments by MDBs and many bilateral agencies. This restriction has now been relaxed by many financiers, recognizing that, in order to achieve results, financing of recurrent costs may be required, provided that there is a transparent framework to reflect them and projects have a road map to make those recurrent expenditures sustainable in the long term (i.e. after the existing source of external financing comes to an end); and

68. Compensation, land and other costs: as part of the compensation process related in particular to environmental and social safeguards, projects may need to finance payments for livelihoods affected or for the purchase of land. As in some of the above examples, other institutions did not generally make these expenditures eligible for financing, as they were also perceived as part of the counterpart funding that the recipient ought to cover. This practice has also evolved, with some institutions now willing to finance these activities as they view such expenditures as an integral part of any project.