

**GREEN
CLIMATE
FUND**

Meeting of the Board
10 – 12 March 2020
Geneva, Switzerland
Provisional agenda item 17

GCF/B.25/02/Rev.01

6 March 2020

Consideration of funding proposals

Summary

This document presents the funding proposals to the Board for consideration at its twenty-fifth meeting. It also presents an overview of the projected GCF portfolio and a brief guide to the funding proposal packages.

I. Overview of funding proposals for consideration

1.1 Funding proposals submitted for consideration by the Board

1. For the twenty-fifth meeting of the Board (B.25), a total of 6 funding proposals are presented to the Board for its consideration. These 6 proposals request, at this Board meeting, USD 169.7 million of GCF funding, supporting projects and programmes with a total value of USD 618.7 million. Table 1 presents the list of the 6 proposals. The numbering of the funding proposals continues from the proposals approved at previous Board meetings, 124 of which comprise the current portfolio.¹

Table 1: List of funding proposals submitted for consideration by the Board at its twenty-fifth meeting

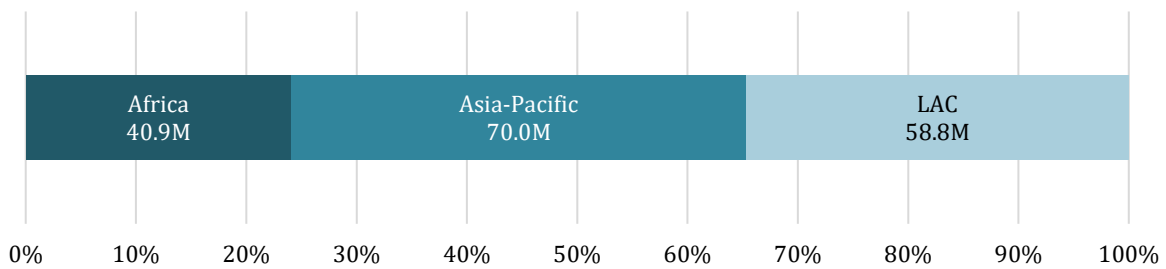
No.	Project name	Accredited entity	Country	Thematic window	Public/private	RfP	GCF funding (million USD) ^a
FP 124	Strengthening Climate Resilience of Subsistence Farmers and Agricultural Plantation Communities residing in the vulnerable river basins, watershed areas and downstream of the Knuckles Mountain Range Catchment of Sri Lanka	IUCN	Sri Lanka	Adaptation	Public		39.8
FP 125	Strengthening the resilience of smallholder agriculture to climate change-induced water insecurity in the Central Highlands and South-Central Coast regions of Vietnam	UNDP	Viet Nam	Adaptation	Public		30.2
FP 126	Increased climate resilience of rural households and communities through the rehabilitation of production landscapes in selected localities of the Republic of Cuba (IRES)	FAO	Cuba	Cross-cutting	Public		38.2
FP 127	Building Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe	UNDP	Zimbabwe	Adaptation	Public		26.6
FP 128	Arbaro Fund – Sustainable Forestry Fund	MUFG_Bank	Ecuador, Ethiopia, Ghana, Paraguay, Peru, Sierra Leone, Uganda	Mitigation	Private	MFS	25.0
SAP 013	Scaling Smart, Solar, Energy Access Microgrids in Haiti	NEFCO	Haiti	Cross-cutting	Private	MFS	9.9
Total GCF funding requested							169.7

Abbreviations: FAO = Food and Agriculture Organization of the United Nations, IUCN = International Union for Conservation of Nature, MFS = Mobilizing funds at scale, MUFG_Bank = MUFG Bank, Ltd, NEFCO = Nordic Environment Finance Corporation, RfP = Request for proposal, UNDP = United Nations Development Programme
^aThe individual funding amounts are rounded to the nearest tenth therefore the total may not be the exact sum of these numbers due to rounding.

¹ Note that: FP031 was not submitted; FP032 was withdrawn; FP055 and FP057 were not approved by the Board; approval of FP029 lapsed on 23 October 2017; approval of FP030 lapsed on 28 July 2018; and approval of FP006 lapsed on 26 September 2018; FP079 and FP088 (currently FP110) were withdrawn by the accredited entity; FP054 was lapsed on 27 June 2019; and FP123 was withdrawn by the accredited entity. Accordingly, this results in 124 approved projects/programmes – 99 public sector and 25 private sector - as of 31 December 2019.

2. The Secretariat had submitted 11 funding proposals to the independent Technical Advisory Panel (TAP) for review by 13 December 2019. Of the 11 funding proposals, 8 were recommended by the independent TAP, including 1 simplified approval process (SAP) proposal.
3. Three funding proposals were not progressed by the independent TAP due to: in one case, the need to further develop the LULUCF (land use, land use change and forestry) component of a multi-country programme with input from local stakeholders; in another case, a request for more detailed operational procedures and governance structure to establish a new green financial institution; and in the third case, a request for justification regarding the climate change linkage in regards to the responses to the primary hazard.
4. The independent TAP undertakes several rounds of questions and responses, interviews with the respective accredited entities (AEs), discussions with the Secretariat, and extensive process of discussions among the independent TAP members to reach a consensus on the funding proposals which are not ready to be endorsed by the independent TAP.
5. In the first case, a financial programme was proposed targeting the renewable energy, energy efficiency and land use, land-use change, and forestry (LULUCF) sectors in multiple countries. During the course of the independent TAP assessment, the independent TAP identified issues that required additional work to be reflected in an Operations Manual, particularly in regard to the LULUCF component. The independent TAP and AE agreed to suspend the process until the work is completed and its result is incorporated in the funding proposal to be resubmitted for the independent TAP continuous assessment.
6. In the second case, the proposed programme would establish a new green financial institution that is jointly and equally owned by the national government, a consortium of private sector banks and the GCF. The independent TAP determined that it needs to see more developed operational procedures and policy documents before it is confident that the new institution could deliver on the climate impact targeted in the funding proposal. The AE will likely bring the proposal back to a future board meeting with additional supporting documentation.
7. In the third case, the funding proposal presents a project which lacks in justification regarding the climate change linkages with respect to the responses to the primary hazards. The independent TAP finds the project documents a work in progress, where there is a need for bringing clarity in thinking and removal of confusion including counter-intuitive arguments. Once the climate change related justification is properly addressed, the independent TAP finds elements in the project which are technically sound and generally supported by the Board.
8. In accordance with decision B.17/09, paragraph (j), such funding proposals are currently being revised by the accredited entities and the Secretariat with a view to addressing the comments made by the independent TAP and presenting the funding proposals at a future meeting of the Board.
9. Of the 8 funding proposals recommended by independent TAP, two funding proposals were deferred to B.26 due to a need for further stakeholder consultations to ensure country ownership in one case and to strengthen the proposal by incorporating structural mitigants in another case.
10. The regional distribution of the 6 funding proposals are presented in figure 1 below.

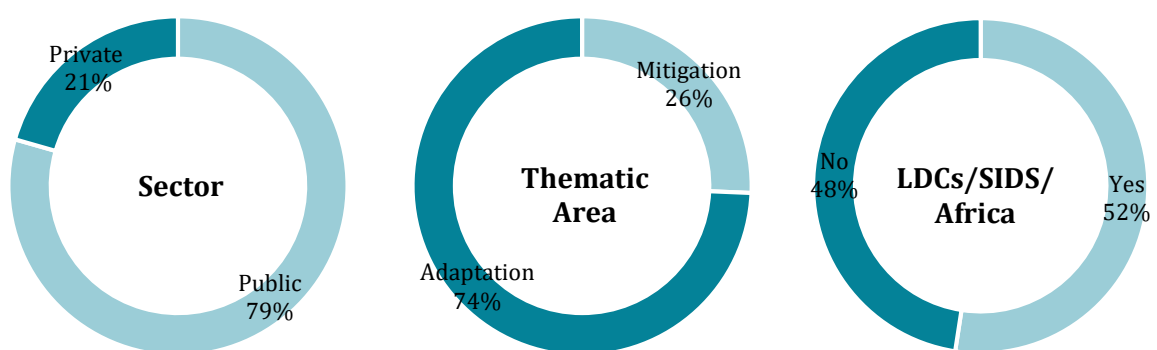
Figure 1: Regional distribution of GCF funding in USD



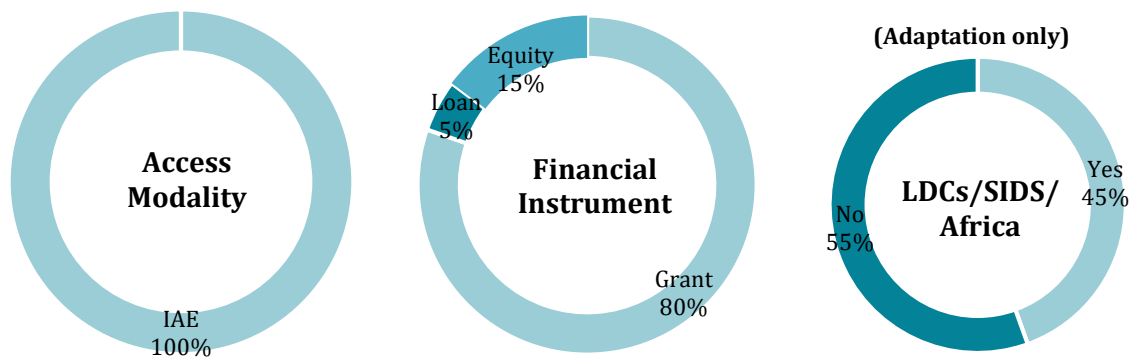
Abbreviations: LAC = Latin America and the Caribbean, M = million.

11. The 6 funding proposals submitted for the Board’s consideration are 4 public-sector proposals and 2 private-sector proposals including one SAP proposal, requesting GCF funding of USD 169.7 million.
12. On a thematic basis, USD 43.5 million (26 per cent) is allocated for mitigation projects and USD 126.1 million (74 per cent) is allocated for adaptation projects.
13. USD 169.7 million (6 projects, 100 per cent) is from international access entities (IAEs).
14. The largest portion of the financial instruments are grant (80 per cent, USD 136.3 million), followed by equity (15 per cent, USD 25 million) and loan (5 per cent, USD 8.4 million).
15. In terms of distribution among vulnerable countries, four of the funding proposals either wholly or partly target the least developed countries (LDCs), small island developing States (SIDS) and/or African States, totalling USD 89 million, and account for 52 per cent of the total requested GCF funding amount.²
16. The overall snapshot of GCF funding requested by sector, thematic area, access modality, financial instrument and vulnerable countries are presented in figure 2 below.

Figure 2: SNAPSHOT - GCF funding amount by sector, thematic area, entity type, financial instrument and vulnerable countries, incl. LDCs/SIDS/African States, in USD (per cent) ^a



² The further breakdowns for LDCs, SIDS and African States, respectively are as follows:
 For LDCs: 12% LDCs, and 88% non-LDCs;
 For SIDS: 28% SIDS, and 72% non-SIDS;
 For African States: 24% Africa, and 76% non-African States.



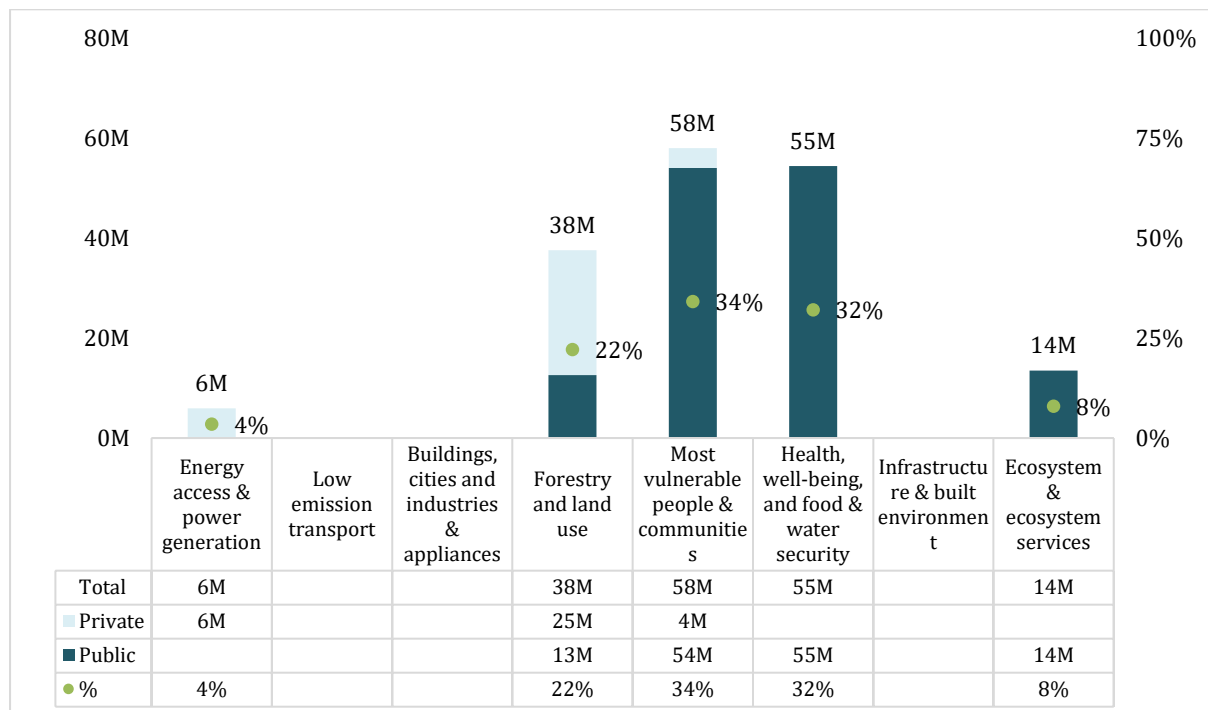
Abbreviations: DAE = direct access entity, IAE = international access entity, LDCs = least developed countries, SIDS = small island developing States.

^a For multi-country projects/programmes of LDCs/SIDS/African States, the amount of GCF funding allocated to each country is estimated based on the best information available to the Secretariat. Unless the allocation information is provided in funding proposals or by accredited entities, the funding amounts are evenly distributed to each country according to the number of targeted countries. As the estimates will be updated once expenditure information is received, there may be modifications to the data in the coming months.

17. In terms of results areas, the area for “Most vulnerable countries and communities” will receive the largest portion of GCF funding (USD 58 million, 34 per cent) while the area “Energy access and power generation” will receive the lowest portion of GCF funding (USD 6 million, 4 per cent). The areas for low emission transport, buildings, cities and industries & appliances and infrastructure and built environment will not receive GCF funding at this board meeting (see figure 3).

18. The expected impact potential is to abate a total of 22.9 million tonnes of carbon dioxide equivalent (CO₂e_q) of greenhouse gases and reach 4.8 million (direct and indirect) beneficiaries, based on the estimations of accredited entities (AEs) (see figures 4 and 5).

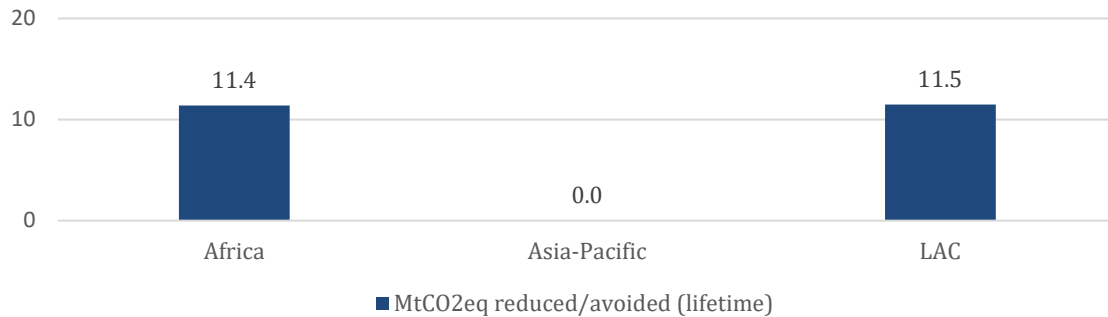
Figure 3: GCF funding amount by result area ^a



Abbreviation: M = million.

^a Estimates of GCF funding by mitigation/adaptation and the eight results areas is based on the information provided by the accredited entities and/or an analysis by the Secretariat of the budget for each funding proposal, with review and verification by the appropriate accredited entities. The methodology continues to be refined and improved, so the estimates may change over time.

Figure 4: Estimated climate impact potential by region



Abbreviations: MtCO₂eq = million tonnes of carbon dioxide equivalent, LAC = Latin America and the Caribbean.

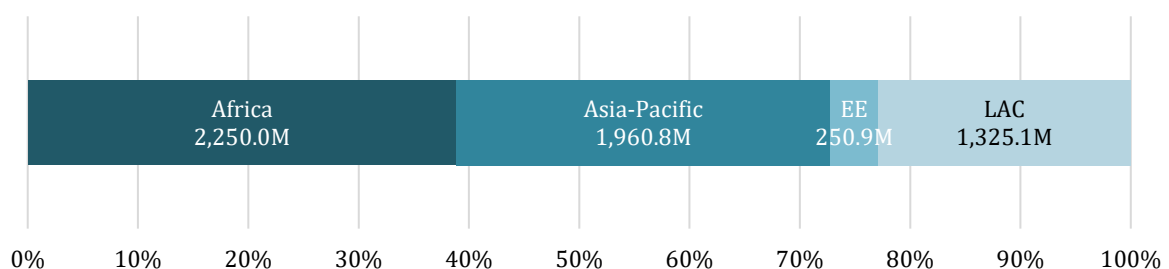
Figure 5: Estimated adaptation impact potential by region



1.2 Projected portfolio composition

19. If the 6 funding proposals presented at B.25 are approved by the Board, the aggregated portfolio would comprise 130 projects and programmes, with a total GCF funding amount of USD 5.8 billion and a total value of USD 21.2 billion, when taking co-financing into account. The regional distribution of the 130 projects or programmes is presented in figure 6 below.

Figure 6: Regional distribution of GCF funding in USD



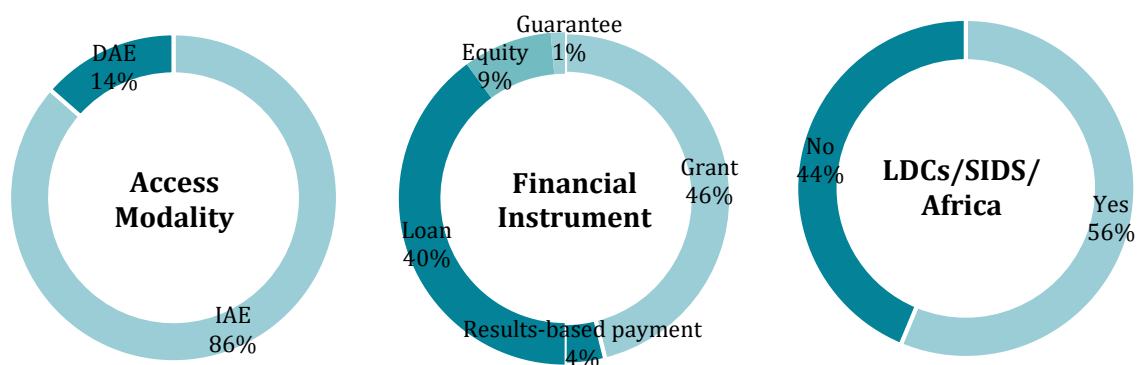
Abbreviations: EE = Eastern Europe, LAC = Latin America and the Caribbean, M = million.

20. The majority of GCF funding will be channelled through IAEs, allocating USD 5.0 billion for 103 projects, which represents 86 per cent of total GCF funding. The remaining 14 per cent will flow into DAEs in the amount of USD 784 million for 27 projects.

21. The portfolio will utilize a wide range of financial instruments as authorized by the Governing Instrument for the GCF. The largest portion of the portfolio will be financed by grants (46 per cent, USD 2.7 billion) and loans (40 per cent, USD 2.3 billion), followed by equity (9 per cent, USD 502.4 million), result-based payments (4 per cent, USD 228.6 million) and guarantees (1 per cent, USD 79.6 million).

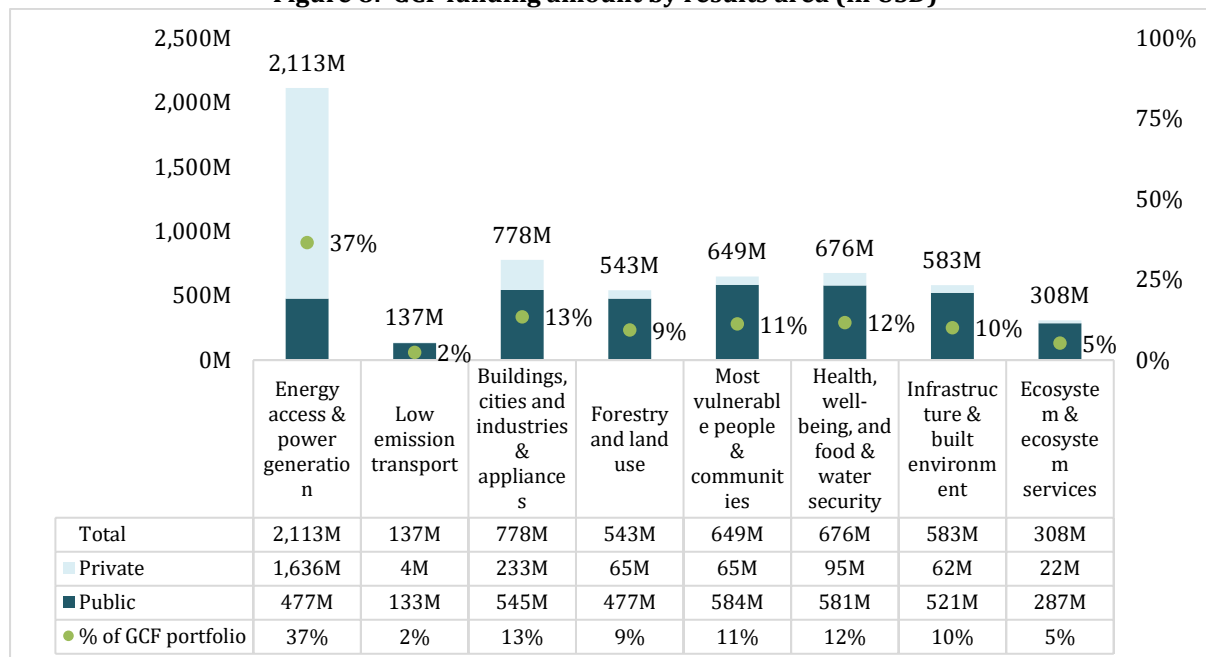
22. Of the 130 funding proposals in the projected portfolio, 82 projects and programmes will either wholly or partly target the LDCs, SIDS and/or African States totalling USD 3.3 billion, and account for 56 per cent of the total requested GCF funding amount (see figure 7).³

Figure 7: GCF funding amount by access modality, financial instrument and vulnerable countries, incl. LDCs/SIDS/African States in USD (per cent)



23. Figure 8 shows the projection of GCF funding in the eight results areas. Among the results areas, the “energy access and power generation” area will receive the largest portion of GCF funding (USD 2.1 billion, 37 per cent) while the “low emission transport” area will receive the lowest (USD 137 million, 2 per cent).

Figure 8: GCF funding amount by results area (in USD)^a



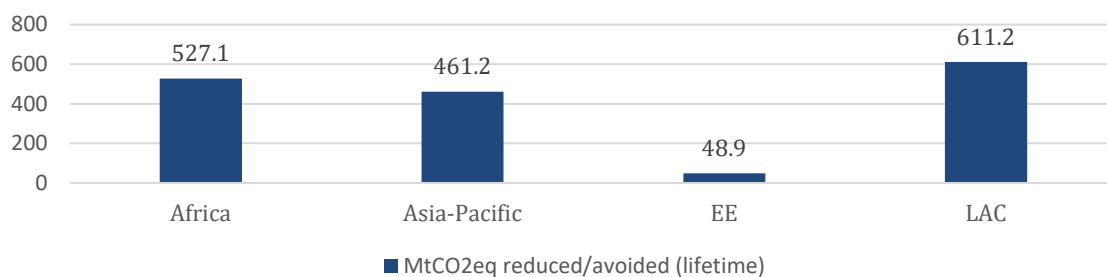
³ The further breakdowns for LDCs, SIDS and African States respectively are as follows:
 For LDCs: 25% LDCs, and 75% non-LDCs;
 For SIDS: 15% SIDS, and 85% non-SIDS;
 For African States: 39% Africa, and 61% non-African States.

Abbreviation: M = million.

^a Estimates of GCF funding by mitigation/adaptation and the eight results areas is based on the information provided by the accredited entities and/or an analysis by the Secretariat of the budget for each funding proposal, with review and verification by the appropriate accredited entities. The methodology continues to be refined and improved, so the estimates may change over time.

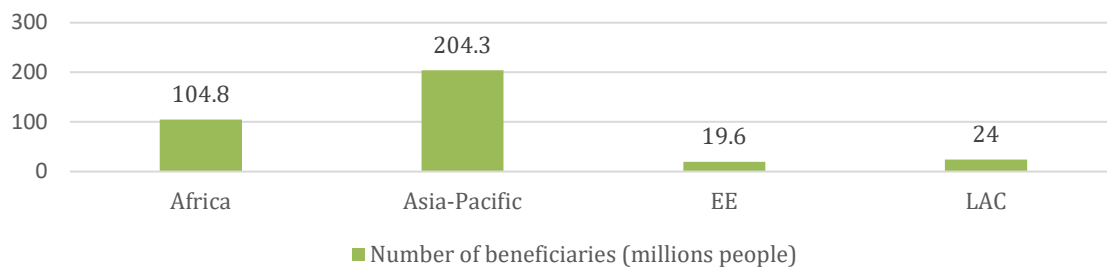
24. The GCF portfolio of approved projects is expected to abate a total of 1.6 billion tonnes of CO₂eq of greenhouse gases and reach 353 million (direct and indirect) beneficiaries, based on the estimations of AEs. (see figures 9 and 10)

Figure 9: Estimated climate impact potential by region



Abbreviations: EE = Eastern Europe, LAC = Latin America and the Caribbean, MtCO₂eq = million tonnes of carbon dioxide equivalent.

Figure 10: Estimated adaptation impact potential by region



Abbreviations: MtCO₂eq = metric tonnes carbon dioxide equivalent, EE = Eastern Europe, LAC = Latin America and the Caribbean.

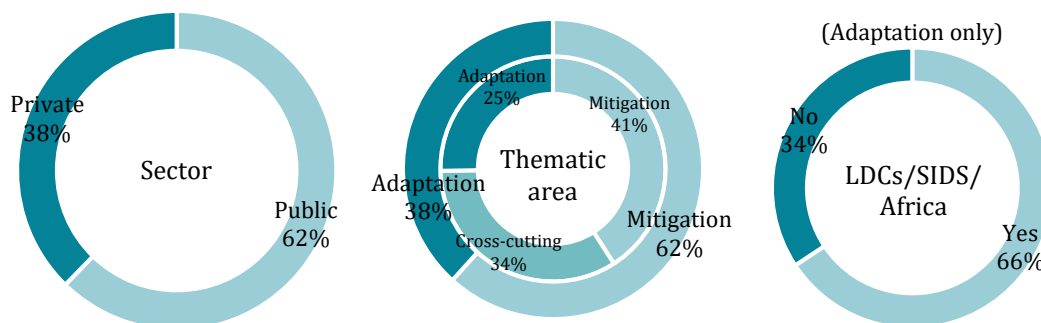
25. As per the investment framework and programming document from the initial resource mobilization⁴, the breakdown by sector, thematic area, and adaptation allocation for LDCs, SIDS and/or African States are presented in both nominal and grant equivalent terms⁵ (see Figure 11).

⁴ As per decision B.06/05 and decision B.07/06, the GCF will aim for the following portfolio targets: (1) a 50:50 funding balance between adaptation and mitigation over time; (2) a floor of fifty per cent of the allocated adaptation funding to be channeled to vulnerable countries, including the least developed countries (LDCs), small island developing States (SIDS) and African States; (3) a reasonable and fair allocation across a broad range of countries in order to ensure geographic balance of funding; and (4) maximization of fund-wide engagement with the private sector, including through a significant allocation to the Private Sector Facility. Also, in line with guidance in United Nations Framework Convention on Climate Change (UNFCCC) decision 7/CP.20, paragraph 13, where the Conference of the Parties requested the Board, in its implementation of the accreditation framework, to pay adequate attention to the priorities and needs of developing country Parties, including LDCs, SIDS and African States.

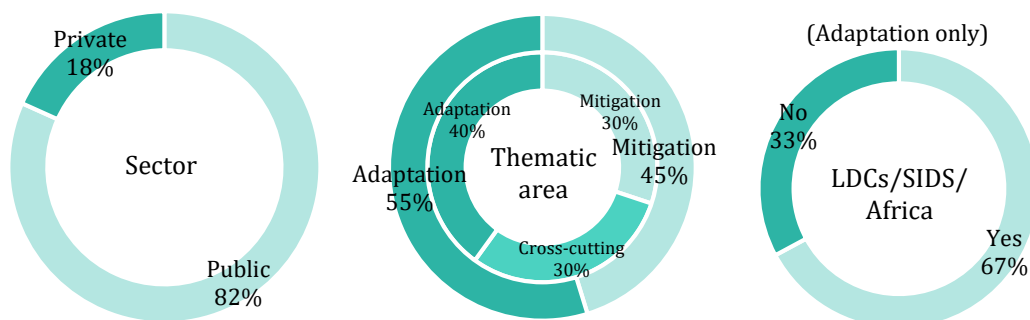
⁵ The grant equivalents were estimated for each project using a uniform 5 per cent discount rate. The Grant Equivalent Calculator tool developed by the Office of Risk Management and Compliance of the GCF to measure the grant-like element embedded in GCF financing has been used for the calculations.

Figure 11: Initial resource mobilization target status - GCF funding amount by sector, thematic area and adaptation allocation for LDCs/SIDS/African States in nominal and grant equivalent terms (per cent)

Nominal terms



Grant equivalent terms



Abbreviations: LDCs = least developed countries, SIDS = small island developing States.

II. Funding proposal package guide

26. Six funding proposals are presented as individual addenda (see document GCF/B.25/02/Add.01-06) including one simplified approval process (SAP) proposal, each containing seven parts:

- (a) Part A. The funding proposal,⁶ as submitted by the accredited entity (AE);
- (b) Part B. The no-objection letter(s), as issued by the national designated authority(ies);
- (c) Part C. The environmental and social report disclosure document;
- (d) Part D. The Secretariat's assessment;
- (e) Part E. The independent Technical Advisory Panel's assessment;
- (f) Part F. The response from the AE to the independent Technical Advisory Panel's assessment; and
- (g) Part G. The gender assessments and action plans.

27. The following additional four addenda are also provided to supplement the six funding proposal packages referred to in paragraph 26 above:

- (a) Document GCF/B.25/02/Add.07-08: the funding proposal packages for FP128 and SAP013, including the full funding proposals, terms sheets and the Secretariat's assessments⁷;
- (b) Document GCF/B.25/02/Add.09: the list of proposed conditions and recommendations for FP124-128 and SAP013. The Board is requested to review the proposed conditions and recommendations, which it may choose to adopt in full or in part, for inclusion in the draft decision (see annex I);
- (c) Document GCF/B.25/02/Add.10/Rev.01: the term sheets for FP124-127 setting out, in summary form, the key terms and conditions relating to the proposed funded activity.

28. On the basis of the information and assessments presented, the Board is requested to arrive at a decision for each funding proposal. Pursuant to decision B.17/09, the Board has three decision options:

- (a) To approve the funding proposal;
- (b) To provide an approval that is conditional on modifications to project or programme design or that is subject to the availability of funding; or
- (c) To reject the funding proposal.

29. Once the decision is made, it will be recorded by the Secretariat and communicated to the Trustee. The Secretariat will also inform the AE and the national designated authority (NDA) or focal point (FP) of the decision and the next steps. In case of rejection, the Secretariat will inform the NDA/FP that they may request reconsideration of the funding decision via the independent Redress Mechanism.⁸

⁶ Due to the confidentiality of the private-sector proposals, funding proposal summary packages are presented.

⁷ For confidentiality purposes, these addenda are made available on a secure website.

⁸ Decision B.17/09.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.25/02/Rev.01 titled “Consideration of funding proposals”:

- (a) Takes note of the following funding proposals:
- (i) Funding proposal 124 titled “Strengthening Climate Resilience of Subsistence Farmers and Agricultural Plantation Communities residing in the vulnerable river basins, watershed areas and downstream of the Knuckles Mountain Range Catchment of Sri Lanka”, by the International Union for Conservation of Nature, as contained in document GCF/B.25/02/Add.01 and 10/Rev.01;
 - (ii) Funding proposal 125 titled “Strengthening the resilience of smallholder agriculture to climate change-induced water insecurity in the Central Highlands and South-Central Coast regions of Vietnam”, by the United Nations Development Programme, as contained in document GCF/B.25/02/Add.02 and 10/Rev.01;
 - (iii) Funding proposal 126 titled “Increased climate resilience of rural households and communities through the rehabilitation of production landscapes in selected localities of the Republic of Cuba (IRES)”, by the Food and Agriculture Organization of the United Nations, as contained in document GCF/B.25/02/Add.03 and 10/Rev.01;
 - (iv) Funding proposal 127 titled “Building Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe”, by the United Nations Development Programme, as contained in document GCF/B.25/02/Add.04 and 10/Rev.01;
 - (v) Funding proposal 128 titled “Arbaro Fund – Sustainable Forestry Fund”, by MUFG Bank, LTD, as contained in document GCF/B.25/02/Add.07;
 - (vi) Simplified Approval Process (SAP) funding proposal 013 titled “Scaling Smart, Solar, Energy Access Microgrids in Haiti”, by Nordic Environment Finance Corporation, as contained in document GCF/B.25/02/Add.08; and
- (b) Approves funding proposal 124 for the amount of USD 39,775,000, submitted by the International Union for Conservation of Nature, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.10/Rev.01;
- (c) Also approves funding proposal 125 for the amount of USD 30,205,367, submitted by the United Nations Development Programme, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.10/Rev.01;
- (d) Further approves funding proposal 126 for the amount of USD 38,206,791, submitted by Food and Agriculture Organization of the United Nations, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.10/Rev.01;
- (e) Approves funding proposal 127 for the amount of USD 26,574,567, submitted by the United Nations Development Programme, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.10/Rev.01;
- (f) Also Approves funding proposal 128 for the amount of USD 25,000,000, submitted by the MUFG Bank, LTD, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.07;

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- (g) Further approves simplified approval process (SAP) funding proposal 013 for the amount of USD 9,900,000, submitted by the Nordic Environment Finance Corporation, subject to the conditions set out in document GCF/B.25/02/Add.09 and in the respective term sheet set out in document GCF/B.25/02/Add.08;
- (h) Reaffirms that pursuant to annex IV to decision B.17/09, the Executive Director or his designee is authorized to negotiate and enter into legal agreements on behalf of the GCF with accredited entities and other parties involved in respect of funding proposals approved by the Board, taking into account any condition approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and
- (i) Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.
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