GREEN CLIMATE FUND

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

Summary

This document, in response to decision B.17/10, 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.

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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. In the same decision, the Board reaffirmed the elements of funding proposal eligibility criteria embedded in previous decisions, including those related to the results management framework, the investment framework, country ownership, and engagement with nationally designated authorities, focal points and accredited entities.

3. 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.

4. Different iterations of this document were previously published at the nineteenth, twentieth, twenty-first, the twenty-third meetings of the Board.

II. Policy rationale

5. The decision to request a mapping of elements related to project or programme eligibility and selection criteria stems from discussion of the Board in various meetings, often during the consideration of funding proposals. Issues with regards to conditions that have limited GCF to fund specific activities have been raised numerous times at the Board, for example on financing disaster response and relief and financial scholarships. Several times Board members declared the need for a set of eligibility criteria against which funding proposals could be accurately assessed, while other Board members stressed the need to issue clearer GCF policies and guidelines on funding proposal issues to make it easier in the future to determine the eligibility of funding proposals.

6. As part of the review and approval process of funding proposals, the Secretariat and the Board have relied on the Governing Instrument, prior Board decisions and the review of each funding proposal by the Secretariat and the independent TAP to ensure strategic alignment between GCF objectives and the specific activities and goods and services for which funding is being requested.

7. However, as GCF operations grow, countries and AEs, particularly direct access entities, require clearer guidance on the type of activities, expenditures, good and services that GCF can finance. Such information should be available as they embark on the preparation of funding proposals to facilitate the overall process.

8. 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. Given GCF's broad mandate to promote paradigm shift towards low-emission and climate-resilient development pathways, any guidance or policy on financing eligibility should balance the current flexibility with the need to provide further guidance.

III. Policy proposal

9. As mandated by the Board, the document maps out all the elements related to eligibility and selection criteria from:

(a) Guidance from the Governing Instrument;

(b) Decisions of the Board; and

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

10. Finally, a review of the approach taken by other institutions on eligibility was also undertaken and included in the annex.

11. As an overview, the table below summarizes the elements related to eligibility and selection criteria from the Governing Instrument, decisions and conditions.

	Elements covered
Guidance from the Governing Instrument	• Developing countries Party to the Convention • Mitigation and adaptation • Technology development and transfer • Capacity-building • Preparation of national reports • Country-driven approach
Decisions of the Board	• Allocation: thematic and geographic • Initial results management framework: results areas • Initial investment framework: policies, portfolio targets, and criteria • Strategic plan • Country ownership • Other decisions including on complementarity and coherence, simplified approval process, request for proposals, and co-financing
Conditions imposed by the Board on funding proposals*	• Disaster response and relief • Activities that can be funded by the Project Preparation Facility • Scholarships • Others

* For conditions imposed by the Board on funding proposals, the elements listed are types of activities that the Board has decided GCF proceeds shall not cover in specific funding proposals.

12. The Secretariat maintains that the eligibility and selection of funding proposals are informed by the Governing Instrument, the collection of strategies, frameworks, and policies adopted by the Board. Conditions imposed by the Board on funding proposals should not set precedent and form policy for GCF, notwithstanding that the Board may impose conditions in order to enforce compliance with existing policy, and in the process re-emphasise that the underlying policy does indeed apply and is not expected to be waived. Conditions which do not arise from a Board-approved policy requirement may nevertheless be treated as guidance to the Secretariat and other parties, indicating how the Board is likely to address future proposals to which the condition may similarly apply.

IV. Guidance from the Governing Instrument

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 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 by providing support to developing

countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change".

15. Paragraph 3 states that "[t]he Fund pursue a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders" and that "[t]he Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach".

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 also states that "[t]he Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities".

20. Under the section on funding windows and fund structure, paragraph 37 states that, [i]nitially, the Fund will have windows for adaptation and mitigation. An integrated approach to funding mitigation and adaptation will be used to allow for cross-cutting projects and programmes".

21. Paragraph 38 also states that, "[t]he Board shall also ensure adequate resources for capacity-building and technology development and transfer. The Fund will also provide resources for innovative and replicable approaches".

22. 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."

23. 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."

24. Paragraph 39 also states that, "[t]he Board will consider the need for additional windows. The Board will have the authority to add, modify and remove additional windows and substructures or facilities as appropriate".

V. Decisions of the Board

5.1 Allocation of Fund resources

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

26. In the sixth meeting of the Board, policies and procedures for the initial allocation of Fund resources was presented to the members of the Board, resulting in the adoption of initial parameters and guidelines for allocation of resources during the initial phase of the Fund, which may be considered part of the eligibility and selection criteria (decision B.06/06). The parameters include:

(i) Decision to aim for a 50:50 balance between mitigation and adaptation over time;

(ii) Decision to aim for a floor of fifty per cent of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States;

(iii) Decision to manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximizing the scale and transformational impact of the mitigation and adaptation activities of the Fund;

(iv) Decision to maximize engagement with the private sector, including through a significant allocation to the Private Sector Facility;

(v) Decision that sufficient resources should be provided for readiness and preparatory support; and

(vi) Decision that all allocation parameters should be determined in grant equivalents.

27. From the twelfth meeting of the Board, the Secretariat has reported on these parameters through the status of the GCF portfolio at every meeting of the Board.

28. In decision B.27/06, the Board agreed updated parameters and guidelines for the allocation of resources during the GCF first replenishment period, and requested the Secretariat to update the allocation parameters and portfolio targets under the GCF initial investment framework to reflect these. The updated parameters are as follows:

(a) Maintaining the 50:50 balance of adaptation and mitigation funding over time while seeking to deliver portfolio-level mitigation and adaptation outcomes that exceed average IRM outcomes[1];

(b) Maintaining a minimum allocation floor of 50 per cent of adaptation funding, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including SIDS, LDCs and African States, taking into account their

[1] Portfolio IRM results: 460 million tonnes of carbon dioxide-equivalent reduced/avoided for each USD 1 billion invested in mitigation; and 166 million beneficiaries with increased resilience for each USD 1 billion invested in adaptation. All cited IRM figures are based on the IRM portfolio as at 31 December 2019.

urgent and immediate needs, while aiming to build on IRM outcomes[2]. The Board will aim for appropriate geographical balance;

(c) Supporting developing countries mitigation activities that contribute to respond to the urgency of action to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C;

(d) Significantly increase funding channelled through direct access entities relative to the initial resource mobilization;

(e) Maximize engagement with the private sector, including micro, small and mediumsized enterprises, ensuring the allocation to the Private Sector Facility exceeds 20 per cent; and

(f) Significantly increase mobilized private sector finance at the portfolio level relative to the initial resource mobilization.

5.2 Initial resource mobilization process

29. In decision B.07/09, having met the requirements for the Fund to receive, manage, programme and disburse financial resources, the Board decided to commence the process to mobilize resources commensurate with the Fund's mandate to promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

30. From the tenth meeting of the Board, a report on the status of the initial resource mobilization process has been presented at every meeting of the Board except for the fourteenth, eighteenth and nineteenth meetings. This report includes the status of contributions, status of resources, legal documentation process, and next steps. It also contains a status update on the level of resources available for funding decisions known as commitment authority.

31. At the twentieth meeting of the Board, the status of the initial resource mobilization process included key considerations for managing the remaining commitment authority of approximately USD 2.8 billion of the initial resource mobilization process. Having considered this, the Board, in decision B.20/07, recognized the high demand in the GCF pipeline from developing countries, and that an approach to managing the GCF commitment authority and resources is required to guide developing countries and accredited entities in engaging with GCF.

32. In the same decision, the Board requested the Secretariat to prepare an analysis of options for the financial planning of the GCF commitment authority for the initial resource mobilization with a view to managing the GCF pipeline to balance commitments and diversity among accredited entities and across the initial results areas of the GCF based on confirmed contributions in accordance with decision B.06/06 on resource allocation, and to present this to the Board for consideration and adoption at its twenty-first meeting.

33. In decision B.21/14, the Board, having considered the analysis of options for the financial planning of the GCF commitment authority for the initial resource mobilization, made the following decisions relevant to the eligibility and selection criteria:

[2] IRM outcomes: (i) 54 per cent adaptation funding and 46 per cent mitigation funding in grant equivalents (GE); (ii) 69% (GE) of the adaptation allocation for countries particularly vulnerable, including SIDS, LDCs and African States; (iii) Funding allocated to projects in 105 developing countries: Africa, 35 per cent; Asia-Pacific, 40 per cent; Latin America and the Caribbean, 21 per cent; Eastern Europe, 4 per cent in GE; (iv) 19% (GE) allocated through the Private Sector Facility

(e) Decides to allocate the remaining commitment authority for the initial resource mobilization period and 2019 for funding proposals as follows over the course of its meetings in 2019:

(i) Up to USD 600 million to fund projects submitted in response to requests for proposals and pilot programmes, including the requests for proposals on REDD plus results-based payments, mobilizing funds at scale, micro, small and medium-sized enterprises, enhanced direct access and the simplified approval process; and

(ii) Remaining commitment authority, projected to be in the range of USD 0.7–0.8 billion after accounting for subparagraph (e)(i) above and paragraphs (f)–(g) below, to be allocated for other funding proposals; and

(i) Also requests the Secretariat, in managing the pipeline for 2019, to bring forward funding proposals that fully align with the Green Climate Fund investment criteria and continue to balance commitments and diversity among accredited entities, across regions and across the initial results areas of the Green Climate Fund in accordance with prior decisions of the Board, particularly decision B.06/06 on resource allocation.

5.3 Initial proposal approval process

34. 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 Section 5.5, paragraph 42 – 46).

35. 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. 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.

5.4 Initial results management framework

36. 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 provides guidance on the type of activities that GCF will seek to finance as follows:

(a) Mitigation through 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.

37. 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)).

38. 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.

39. 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.

40. At the twenty-second meeting of the Board, the Independent Evaluation Unit and the Secretariat jointly presented on “Results Management Framework: Independent Evaluation Unit’s Recommendations to improve the Results Management Framework: Final Report” including the Secretariat management response. In response, the Board requested a revised results management framework and updated performance management frameworks no later than the twenty-fourth meeting of the Board, that integrate relevant Board decisions, policies and frameworks related to results management across the GCF process cycles, to the extent possible, including developing measurement, reporting and verification systems/methodologies for indicators in consultation with the relevant experts and thematic bodies, as mentioned in the summary and narrative recommendations of the Independent Evaluation Unit contained in document GCF/B.22/07 (decision B.22/13).

41. At the twenty-fifth meeting of the Board, the Integrated Results Management Framework was presented as an addendum to the Report on the activities of the Co-chairs in document GCF/B.25/Inf.11/Add.01. This updated framework on results management will, once adopted, provide updated guidance on the types of results that GCF seeks to measure from its funded activities.

5.5 Initial investment framework

42. 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 initial investment framework consists of: (a) investment policies, (b) investment strategy and portfolio targets, and (c) investment guidelines.

43. The investment policies cover all grants, concessional loans and other financial instruments extended by the Fund. The investment strategy and portfolio targets represent initial decisions on allocation parameters and portfolio targets. Finally, the investment guidelines include six criteria and 24 coverage areas for assessing programme/project proposals. The six criteria are impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership, and efficiency and effectiveness.

44. In decision B.09/05, paragraph (b) the Board adopted the initial activity-specific sub-criteria and indicative assessment factors, which take into account the Fund's initial investment framework, the Fund's initial result areas and initial results management framework, and other relevant decisions, with the understanding that national and sector-wide sub-criteria can be used only at the discretion of the recipient countries.

45. 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.

46. By decision B.07/06, paragraph (c)(ii), the Board requested the Secretariat to develop minimum benchmarks for each criterion in the initial investment framework , taking into account the best practices of other institutions, to be considered by the Board at its eighth meeting.

47. By decision B.09/05, the Board adopted the more detailed investment criteria and requested the Secretariat to develop indicative minimum benchmarks in accordance with investment policies as decided by the Board, to ensure that projects and programmes demonstrate the maximum potential for a paradigm shift towards low-carbon and climate-resilient sustainable development.

48. 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).

49. At the twenty-second meeting of the Board, the investment criteria indicators were adopted by the Board for a pilot period of one year (decision B.22/15).

5.6 Strategic Plan for the Green Climate Fund

5.6.1. Initial Strategic Plan

50. The initial Strategic Plan for GCF was adopted by the Board in 2016 for the Initial Resource Mobilization period. It set out the Board's long term 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.

51. 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 with 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.

52. 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".

53. 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.

54. The initial 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.

5.6.2. Updated Strategic Plan

55. Building on the implementation of the initial Strategic Plan and the successful GCF first replenishment process, the Board through decision B.27/06 endorsed the Updated Strategic Plan for the Green Climate Fund: 2020-2030 (USP). The USP affirms the Board's long term strategic vision for the GCF and sets out strategic objectives (section III) and strategic priorities (section IV) for 2020-2023.

56. The USP articulates that GCF will:

(a) Deliver future programming in alignment with the priorities identified by developing countries in their Nationally Determined Contributions (NDCs), Adaptation Communications (ACs), National Adaptation Plans (NAPs), Technology Needs Assessments (TNAs), Technology Plans (TPs) and other national climate strategies and plans, as updated periodically to build ambition toward delivering the Paris Agreement, and further implementation of the Convention;

(b) Strengthen support to developing countries to develop national adaptation planning and use climate information to better understand long-term climate risks and adaptation needs;

(c) Continue providing and facilitating efficient access to resources for activities relevant to averting, minimizing and addressing loss and damage associated with the adverse effects of climate change in developing countries, to the extent consistent with the existing investment, results frameworks and funding windows and structures of the GCF, and collaborate with the UNFCCC and others to help conceptualize relevant investments;

(d) Use its resources, wherever possible, to catalyse both public and private sources of finance at the international and national levels towards mitigation and adaptation; and

(e) Seek to drive cooperation between financing mechanisms to help countries navigate the climate finance landscape.

57. The updated Strategic Plan includes strategic objectives to achieve:

(a) Greater mitigation and adaptation impact for developing countries compared with the initial resource mobilization period while strengthening country ownership and capacity to identify, design and implement projects and programmes;

(b) Balanced funding across mitigation and adaptation over time, as well as using minimum allocation floors as appropriate in allocating resources;

(c) Scaled up funding for ambitious projects informed by countries' adaptation needs and mitigation potential;

(d) Significantly increased funding channelled through DAEs relative to the IRM

(e) Significantly increased portfolio level mobilization achieved through the GCF contributions to private sector projects; and

(f) Balanced GCF risk appetite across all results areas.

58. In relation to the priority of fostering a paradigm-shifting portfolio, the USP includes directions for GCF-1 strategic programming to build on the project and programme ideas and priorities identified by developing countries to:

(a) Help developing countries and implementing partners design projects and programmes that support paradigm shift across eight mitigation and adaptation results areas;

(b) Promote projects and programmes with potential for innovation, replication, scale and financial sustainability (reflecting the components of paradigm shift), as well as projects which deliver integrated mitigation, adaptation and development benefits;

(c) Show how the risk appetite of GCF differs from other climate multilateral funds, which is to take on risks that other funds/institutions are not able or willing to take, by increasing instances in which GCF takes educated risks – to support technology development and transfer, first loss positions or participation in higher risk tranches – to demonstrate the viability of innovative approaches and deliver at scale;

(d) Reduce transaction costs and processing times, along with raising impact, by focusing stakeholders' efforts on the most promising project and programme ideas – whether small or large – aligned with the GCF investment criteria.

5.7 Country ownership

59. Issues related to country ownership also contribute to eligibility and selection, as part of the Governing Instrument and as referred to in the decision of the Board to map out elements related to eligibility and selection (decision B.17/10). In this context, the following elements are noted from decisions taken by the Board.

60. 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.

61. 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.

62. The initial investment framework (decision B.07/06) also emphasizes country ownership as part of the six investment criteria for assessing funding proposals.

63. 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.

64. 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 for monitoring and evaluation are eligible.

5.8 Other decisions related to funding proposals

65. 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.

66. 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.

67. 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.

68. 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).

69. 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.

70. 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.

71. 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.

72. 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.

73. In decision B.24/04, the Board adopted the policy on co-financing which defines co-financing and related terms that apply to GCF-funded activities and sets out guiding principles, approaches for co-financing in GCF-funded activities and reporting obligations, including provisions for monitoring and evaluating co-financing. Activities that are co-financed by AEs may not be eligible for GCF funding on the basis of whether or not it has expected results against climate change mitigation and/or adaptation.

VI. Conditions imposed by the Board on funding proposals

74. The initial proposal approval process established that the Board can approve, approve with conditions or reject funding proposals. By its twenty-eighth meeting, the Board had approved 173 funding proposals, 111 of which with conditions.

75. 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.

76. Meanwhile, some of the conditions attached to approved projects and programmes prevent funding going towards certain activities such as activities related to disaster 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. The table below contains a list of all projects that include such conditions that could imply some form of eligibility, up to and including those approved at B28.

Funding proposal	Description
FP015	GCF proceeds shall not be used for financing activities related to disaster response and relief
FP018	GCF proceeds shall not be used for financing activities related to disaster response and relief
FP035	GCF proceeds will not be used to finance scholarships
FP036	GCF proceeds will not be used for project preparation activities that are eligible for the GCF Project Preparation Facility
FP039	Category A subprojects will not be supported under the GCF financing
FP046	Project will not crowd-out other private sector renewable energy projects
FP072	Activities should avoid the need to exploit our sources of water
FP095	Confidential information under the Disclosure Policy shall not be disclosed
FP109	GCF proceeds will not support or finance, directly or indirectly, any activities in relation to drinking water supply interventions in targeted municipalities that do not satisfy the requirements

77. 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.

Annex I: Consultations

1. Previous versions to address the mapping of elements related to project or programme eligibility and selection criteria have been published at the nineteenth, twentieth, twenty-first and twenty-third meetings of the Board. However, due to limited time during these Board meetings, the agenda was never opened.

2. As per guidance provided from the Co-Chairs in 2020, the document has been under review by the Investment Committee (IC) since B.26.

3. The table below summarizes major comments and feedback received from the Board and IC members that have been incorporated and reflected in the current document.

BM	Comments and feedback	Action taken and proposal
B.19	Document GCF/B.19/38 was published for the nineteenth meeting of the Board which provided interpretations of the elements related to the eligibility and selection criteria. During the consultations, some Board members expressed concern about over-/mis-interpreting Board decisions, conditions imposed by the Board on funding proposals and the guidance providing in the Governing Instrument for the GCF.	The Secretariat removed any interpretations and kept to mapping the elements.
B.20	Document GCF/B.20/Inf.13 was published for the twentieth meeting of the Board which included illustrative examples of lists for GCF financing eligibility and selection criteria including a conditional list that includes activities that would be funded if a certain condition is met, a negative list that includes activities that are not eligible for funding, a positive list of eligible activities according to results areas and technical recommendations to improve the quality of investments for particular result areas. During consultations, Board members raised the issue that these lists could be restrictive. Activities already funded in approved proposals and conditions imposed by the Board on funding proposals should not set precedent and form policy for the GCF because the approval of funding an activity is always context specific and time bound. However, other Board members maintained that clearer guidance is needed.	As per the guidance of the Co-Chairs, the list for activities have remained in the document.
B.26	In preparation for the twenty-sixth meeting of the Board, as per guidance from the Co-Chairs, the document has also been shared with the Investment Committee (IC) for initial review prior to further Board-wide consultation. The	A summary of the elements has been set in a table in section III of the document for better visibility.

	review of the IC members expressed concerns with the possibility of interpretation of any mandates and has asked the Secretariat to add a summary of all the eligibility criteria that are identified in the various guiding elements in order to get an easy overview.	

Annex II: Review of the approach taken by other institutions

1. 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.

2. 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;[3] 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.

3. 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.

4. 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:[4]

(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;

[3] 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]>.

[4] 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>.

(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 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

(e) 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.