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**GCF/B.30/06**

13 September 2021

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# Update of the simplified approval process

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## Summary

This document submits for the consideration of the Board at its thirtieth meeting (B.30) a set of options to update the simplified approval process (SAP). The document, which was called for by decision B.18/06, takes into account comments from Board members received on the draft SAP, including comments received on a July 2021 consultation draft. It also takes into consideration the results of the Secretariat-commissioned review of the SAP, the assessment of the SAP by the Independent Evaluation Unit (IEU), and the SAP-related mandates included in the GCF's updated Strategic Plan. This draft differs from the version considered at B.28 by: removing the proposal for delegating to the Executive Director the approval of certain SAP projects/programmes; further clarifying the process proposed for taking SAP decisions without a Board meeting; the inclusion of an option for expanding SAP access by increasing the level of GCF funding eligible for consideration in SAP proposals from USD 10 million to USD 20 million or 50 million; the inclusion of an annex analysing a wider range of potential impacts of proposed changes to the SAP; and the inclusion of options allowing an increase in the GCF funding threshold to USD 50 million only for proposals that: scale up projects previously proven successful; advance programmatic SAP proposals, have advanced roles for DAEs and/or that involve risk Category C proposals; and the inclusion of an option to make SAP concept notes optional rather than mandatory. Finally, this version outlines some of the additional actions that the Secretariat is taking to respond to some of the recommendations of the IEU Rapid Assessment of the SAP; these actions were previously presented in the Secretariat's Management Response to the IEU Rapid Assessment of the SAP.

## I. Background

1. Paragraph 31 of the Governing Instrument (GI) lays out a vision for the GCF as an institution that *"will provide simplified and improved access to funding, including direct access."* Paragraph 53 of the GCF GI calls on the GCF Board to *"develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities"* and guidance from the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) requested the Board to adopt that process. Towards these ends, and with a view to increasing and simplifying access, the Board agreed decision B.18/06 and adopted a Simplified Approval Process (SAP) Pilot Scheme (SAP Pilot). In accordance with its terms, the SAP Pilot covers proposals on adaptation and mitigation, that:

- (a) *"[A]re ready for scaling up and have the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development"*;
- (b) require *"a GCF contribution of up to USD 10 million"*; and
- (c) have *"environmental and social risks and"/or "impacts classified as minimal to none"*.

2. The SAP Pilot has now been operational for over three years. During that time (and up to the twenty-ninth meeting of the Board (B.29)), GCF accredited entities (AEs), working with the approval of national designated authorities (NDAs)/focal points, received Board approval for 23 SAP funding proposals. These approved proposals were valued at USD 355 million including USD 208 million of GCF resources and USD 147 million in co-financing. Seventy-four per cent of SAP project approvals are in one of the least developed countries (LDCs), small island developing States (SIDS) or African States. Eight SAP approvals (35 per cent) were submitted by national or regional direct access entities (DAEs). In terms of funding, over 33 per cent of SAP Pilot funding was related to DAE projects. Fourteen of the approved SAP projects are adaptation projects; four are mitigation projects and five are cross-cutting.

3. Decision B.18/06 called for a review of the SAP Pilot to be undertaken *"two years from its operationalization, or when the aggregate amount of approvals under the Pilot Scheme reached USD 80 million of GCF financing, whichever is earlier."* That decision also requested the Secretariat to develop a proposal based on that review that would include:

- (a) A proposal for approving SAP funding proposals between meetings of the Board;
- (b) Recommendations to further improve the efficiency and effectiveness of the process; and
- (c) Consideration of expanding the type of eligible activities and increasing GCF funding.

4. In November of 2019, the aggregate amount of SAP approvals topped USD 80 million triggering the mandate for the review called for in decision B.18/06. At B.25, that review was presented to and discussed by the Board (GCF B.25/12), and after a robust discussion, the Board requested the Secretariat to further develop the SAP for Board consideration (decision B.25/08).

5. Following the Board's discussion at B.25, the Independent Evaluation Unit (IEU) completed, posted on its website, and later (in March of 2021) submitted to the Board an independent assessment of the SAP (GCF/B.28/18). Further, at B.27, the Board approved the GCF updated Strategic Plan 2020–2023 (decision B.27/06) which included among its operational and institutional priorities a provision stating that GCF will *"develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities,*

*including by enhancing and updating the simplified approval process (SAP) as part of the 2020–2023 Board workplan.”* In addition, as requested in decisions B.18/06 and B.25/08, the Secretariat prepared, consulted and presented to B.28 a proposal to further develop the SAP. Finally, following B.29, the Secretariat prepared and distributed for consultation a new draft proposal and in response received a number of additional comments and ideas from Board members.

6. The SAP review commissioned by the Secretariat, the IEU rapid assessment of the SAP and the successive comments of the Board made clear what the Secretariat, AEs and NDAs have largely come to understand about the SAP Pilot programme – that, as currently constructed, the SAP is not a simplified approval process. While the SAP funding proposal template and other annexes have been simplified compared with the regular proposal approval process (PAP) templates, the overall requirements are only marginally simplified relative to the PAP. In addition, the SAP concept note is a mandatory requirement and, while this is a necessary step to determine the eligibility of the subsequent full funding proposal for the SAP, it is an additional requirement to what is required by the PAP. Furthermore, the approval process itself has not been simplified or accelerated, either through the use of rolling reviews (as called for in decision B.18/06) or through the use of a process for approval of SAP proposals without a meeting of the Board (as contemplated in decision B.18/06).

7. This document submits for Board consideration a group of options for action to update the SAP that responds to the request made by the Board (decision B.18/06) and takes into account the above noted consultations and reviews.

8. The key differences between the actions proposed for Board consideration in this proposal, and those included in the last published SAP proposal (GCF/B.28/08) are as follows:

- (a) This version excludes the provision in the B.28 proposal that would have delegated to the Executive Director the approval of certain SAP projects/programmes;
- (b) This version clarifies the proposed process for approval of SAP proposals by the Board without a Board meeting, by making clear that the process maintains the prerogative of the Board to take funding decisions on projects and programmes and that any proposals objected to during the review without a Board meeting are not being disapproved, but instead, consistent with the process in paragraph 43 of the rules of procedure, will be considered at the upcoming Board meeting; and
- (c) This version includes a range of options for increasing the level of GCF funding that could be provided for SAP approvals beyond the SAP Pilot’s eligibility threshold of USD 10 million.
- (d) This version includes an option for making SAP concept notes optional, rather than mandatory

9. In addition to the changes above, the proposed decision in this version includes a provision designed to express the Board’s intent that the Secretariat and independent Technical Advisory Panel (TAP) should work together to make SAP funding proposal review simpler by clarifying and reducing the information required for SAP submissions in a manner that takes into account their smaller size and lower risk. It also includes a provision clarifying that a Board decision approving the use of decisions without a Board meeting for SAP proposals does not prejudice or affect any additional action that the Board may take pursuant to the Rules of Procedure paragraph 43 mandate for the Board “*to adopt guidelines on determining in which cases decisions without a Board meeting may be taken.*” Beyond these changes being proposed for Board

consideration and possible action, this document maintains the option included in the B.28 proposal that would expand SAP access to those projects or programmes with potential limited adverse environmental and/or social risks and/or impacts (Category B) and medium level of intermediation (I2). It also addresses and provides information on the proposal of a group of Board members aimed at “*targeting a higher percentage of Direct Access entities in the SAP.*”<sup>1</sup> Finally, section III (iv) of the document explains in greater detail the steps that the Secretariat is taking consistent with decision B.18/06 and the Secretariat management response to the IEU (GCF/B.28/18/Add.01) proposal to facilitate, accelerate and simplify the SAP process including through, among other things: (a) developing a SAP Capacity-Building and Project Development Programme; (b) further simplifying the documentation required for presenting SAP proposals, including significantly reducing the requirements for SAP concept notes (c) working, in collaboration with the independent TAP, to clarify and reduce the amount of detailed technical information that would be required for the appraisal of SAP project proposals; and (d) developing a framework for fast tracking and scaling up certain SAP-eligible project types that are being widely demanded by developing countries, and whose proven climate impact and potential for transformational change have been well documented, including through their successful implementation in other climate funds or in specified proposals approved by the GCF Board. A summary of these changes and a comparison of the SAP to the PAP is reported in table 1 (page 15) below.

## II. Policy rationale

10. As approved by the Board (decision B.18/06), the objective of the SAP Pilot is “*to apply best practices to reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities, in particular small-scale activities*” that promote scalable and transformational actions, in support of the GCF mandate. The terms of the SAP Pilot also aimed to have at least 50 per cent of all approved projects under the Pilot Scheme from DAEs. In that regard, the SAP is designed to advance the direction of paragraph 34 in the GI and “*provide simplified and improved access to funding, including direct access*”. As a consequence, the SAP should be viewed as a critical component of any GCF DAE strategy. Indeed, the SAP can serve as an effective mechanism for familiarizing DAEs with GCF’s requirements and serve as a launching pad for scaling up their capacity to prepare larger projects and achieving higher levels of accreditation.

11. In terms of implementation, the SAP decision approved by the Board (decision B.18/06) called for proposals under the Pilot Scheme to be subject to independent TAP review on a rolling basis, and to be based on a simplified set of documents. That being said, the policy noted that “*Unless otherwise specifically modified [...], all other relevant GCF policies apply as usual to the Pilot Scheme.*” Regarding the approval of SAP proposals, the SAP Pilot guidance called for SAP projects to be submitted to the Board for consideration during its regular meetings, “*until such time as a process for approving Funding Proposals under this Pilot Scheme through in-between Board meetings is adopted by the Board.*” The SAP Pilot guidance called for the post-approval process for approved SAP proposals to be undertaken in an expedited manner where possible, including in relation to the clearance of any conditions and disbursements.

12. Finally, and as noted above, the SAP decision called for a review of the Pilot: “*two years from its operationalization, or when the aggregate amount of approvals under the Pilot Scheme*

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<sup>1</sup> GCF/B.28/08/Add.02.

*reaches USD 80 million of GCF financing...*” As quoted, this language only relates to the possible triggering of a review. It should therefore be understood that the USD 80 million referenced in this provision in no way constitutes a resource allocation cap for the funding of SAP projects.

13. Taking into account the Board's deliberations on the SAP Pilot, its value proposition can be said to lie in its ability to facilitate and speed up project preparation, review, approval and disbursement so that funding could be quickly deployed on the ground to address the urgent climate change needs of GCF countries, and in particular, LDCs, African countries and SIDS; to enhance DAEs' (including private sector) access to the GCF while leveraging climate finance; and to promote proposals and funding for scaling up projects or programmes that contribute to transformational change at the country and/or global level.

14. The Board and the Secretariat now have the benefit of a Secretariat-commissioned review and the independent IEU assessment to help it in considering measures that can be taken to update the SAP. Regarding those assessments, both the Secretariat review and the IEU independent assessment noted positive aspects of progress to date including that:

- (a) The SAP has enabled enhanced access for African States, LDCs and SIDS. In particular, these countries represent 72 per cent of the current SAP pipeline compared with 55.9 per cent of the PAP pipeline. Regarding SIDS, 19 per cent of the current SAP pipeline involves SIDS compared with 12 per cent of the PAP. The SAP has also mobilized more DAE and adaptation proposals. Specifically, 65.4 per cent of the current SAP pipeline is from DAEs as compared to 45 per cent for the PAP pipeline;
- (b) The SAP has enabled more adaptation proposals. As of 31<sup>st</sup> July 2021, adaptation proposals represent 47.3 per cent of the SAP pipeline, while representing less than 20 per cent of the current PAP pipeline;
- (c) The Secretariat has established a proactive SAP team that has taken a number of steps to simplify the preparation stage through, for example, the development of SAP-specific templates, guidelines, online tutorials and an online submission system, with many related documents translated into different languages. These actions, as well as hands on support provided by the SAP team, are reported in the evaluations to be appreciated by stakeholders and instrumental to the preparation of quality SAP concept notes and funding proposals; and
- (d) There continues to be a strong demand for a simplified approval modality by the GCF.

15. On the other hand, both the Secretariat-commissioned review and the IEU independent assessment agreed that, as currently constructed and implemented, the SAP Pilot is only marginally simpler, quicker and less burdensome than the process used to review and approve much larger, higher risk projects under the PAP. The reviews identified the following core factors:

- (a) The IEU review found that at the time of the evaluation the SAP process was only 8–15 per cent faster than the PAP process;
- (b) The Secretariat-commissioned review noted that the overall amount of information requested by the Secretariat and the independent TAP are perceived by stakeholders to be similar; and
- (c) All stakeholders interviewed commented on the need to achieve further simplification through a reduction of the documentation and of the number of annexes that need to be provided.

16. Given the above, many AEs/DAEs (including private sector AEs/DAEs) have not seen the value added and benefits of using the SAP process. In fact, the IEU independent assessment noted that several AEs indicated that they would not use the SAP again because the project size limit is too small for the level of preparation required. The lack of simplification and acceleration is also suggested in the IEU assessment to have limited the use of the SAP, especially by SIDS.

17. In summary, the SAP Pilot has attracted a higher number of DAEs and adaptation projects than the PAP and has led to some reductions in the burden of document preparation and the time for review. However, the current SAP process has not succeeded in substantially reducing the burden of project preparation, or in appreciably improving the efficiency and effectiveness of the GCF project cycle for these "small" GCF activities.

18. Both the Secretariat-commissioned review and the IEU independent assessment suggested several reasons why the SAP has not achieved the simplification and speed originally hoped for, including the following:

- (a) There has been no simplification in the process for Board approval of SAP proposals. Proposals submitted through the SAP modality are approved in the same way as other GCF projects: three times a year at Board meetings. In that regard, the SAP process has not had the benefit of an approved between meeting approval modality, the possibility of which was suggested in the Board's initial SAP decision (B.18/06);
- (b) The SAP process has not benefited from a rolling independent TAP review of projects as was called for in the guidance approved with the SAP Pilot decision;
- (c) The SAP process has not taken substantial action to identify, speed up and scale up the preparation and implementation of successful project types that otherwise meet the requirements of the SAP decision; and perhaps most importantly
- (d) The Board-approved SAP decision requiring SAP projects to continue to comply with virtually all the relevant GCF policies that apply to PAP proposals has been implemented in a manner that has effectively required SAP proponents to produce a level of detailed information that is very similar to that required for PAP projects.

19. On this latter point, it is important to stress that as long as the SAP programme maintains the Board's direction for SAP projects to largely conform with all of the policies that apply to much larger, higher risk PAP projects,<sup>2</sup> there are limits to the amount of further simplification that can be accomplished in the preparation and review of SAP proposals compared with PAP proposals.

20. One comment that appeared in a number of submissions from Board members related to the IEU's recommendation to the Board, that it develop different and tailored investment criteria for the SAP. As the Board knows, the GCF investment framework, including its subcriteria and assessment factors, are at the heart of the GCF project approval process and were carefully negotiated to consensus over the first nine meetings of the Board. The fact that the IEU directed its recommendation to the Board on SAP-specific investment criteria reflects an understanding of the fundamental and sensitive nature of crafting and/or changing SAP-specific GCF investment criteria. Indeed, following the approval of the investment framework, related pilot investment criteria indicators were developed and carefully considered by the Investment Committee and the Board over 12 Board meetings. As noted previously in response

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<sup>2</sup> Decision B.16/06, annex X, paragraph 1.

to Board member comments, the Secretariat is working on a number of different investment framework papers and, in particular, will soon be working on the review of the pilot investment criteria indicators as noted in decision B.22/15. The Secretariat will use these efforts, as relevant, to provide information for the consideration of the Board on possible SAP-specific investment criteria.

21. In addition, during Board consultation many Board members submitted comments and proposals for the Secretariat to consider additional ways to simplify the review and information requirements for SAP proposals. Other Board members in their comments proposed various changes in the SAP process that would increase the efficiency, effectiveness and reach of the SAP, and help to advance ambitions towards the simplicity and speed implied in both the GI and the Board's initial SAP decision.

22. Section III of this document reviews the key proposed changes to the SAP programme that could require Board approval. Section IV reviews in greater detail a number of actions to develop SAP-related appraisal standards and enhance the efficiency and effectiveness of the programme in line with decision B.18/6 and the direction articulated in the updated Strategic Plan.

23. The Secretariat projects that if no further action is taken to change the SAP approval modality and introduce greater simplicity, the SAP will not meet the aspirations set for it to be a simplified approval process. As a result, it is very likely that GCF will not be able to meet the agreed Secretariat work programme goal of approving 20–25 SAP proposals per year by the end of the first replenishment of the GCF (GCF –1), and in fact, the SAP may face a reduced rate of utilization. This is because, as noted, if the SAP core approval process and information requirements remain largely unchanged, project proponents will continue to see little benefit from using the SAP, with its size and risk limit, rather than the more broadly applicable PAP. Indeed, since B.27, the pipeline of SAP funding proposals has decreased by over 50 per cent. In particular, due to the similarity in requirements, it currently takes a similar effort to prepare and review a micro- or small-sized SAP project with minimal to no environmental and social risks/impacts as it does to review, for example, a large PAP project with significant environmental and social risks/impacts. Therefore, and unless the Board were to direct or otherwise incentivize the use of the SAP, especially through the adoption of a more efficient approval modality, the GCF may not see any increase in SAP project submissions.

24. On the other hand, the Secretariat projects that if the further simplification to the process of approval of SAP proposals is adopted as proposed in this document, and the requirements for SAP development are more clearly articulated and streamlined in a manner commensurate with their size and risk, the preparation of SAP proposals would be simpler and the time for preparing and approving SAP proposals could be significantly reduced, resulting in an increased demand from countries and AEs that would enable proposals to be approved and funds to be deployed more quickly to meet urgent developing country needs.

### III. Analysis of the policy changes considered

25. As noted above, decision B.18/06 requested the Secretariat to develop a proposal which included:

- (a) Consideration of expanding the type of eligible activities and increasing GCF funding;
- (b) A proposal for approving SAP funding proposals between meetings of the Board; and
- (c) Measures to further improve efficiency and effectiveness of the SAP process.

26. In line with the structure of the Board's SAP decision points outlined above, the Secretariat is presenting a menu of potential changes for the Board to consider in crafting an update for the SAP. While some of those potential changes include sub-options, the presence or absence of sub-options is not meant to imply that consensus has been reached on any of the changes put forward in this document. The menu of options for the SAP update includes:

27. Under paragraph 25(a) above:

- (i) expansion of SAP activities to those that entail limited adverse environmental and/or social risks and impacts; and
- (ii) Increasing the USD 10 million GCF funding limit for individual SAP proposals that was established by the Board for the SAP's Pilot Phase; and

(b) Under paragraph 25(b) above, and as requested by the Board in decision B.18/06:

- (i) An option for the approval of SAP funding proposals without a Board Meeting on a no-objection basis.

28. In addition, section III (v) will discuss, and present information related to a proposal from a group of Board members aimed at "*targeting a higher % of direct access entities in the SAP*" Finally, with the exception of paragraph 40 below proposing the optional submission of SAP Concept Notes, items addressing paragraph 25(c) above will be addressed in section III (vi) of this document.

**(i) Expansion of SAP eligibility to projects and programmes with potentially limited adverse environmental and/or social impacts and/or risks as defined in the GCF Environmental and Social Policy**

29. When the SAP Pilot proposal was submitted to the Board at B.18,<sup>3</sup> the Secretariat noted in the introduction of the document that its analysis had concluded that "*micro-scale or small-scale projects that are also assessed to fall under the low or no risk category C were limited in both the portfolio and pipeline of projects*" and that "*without consideration of systemic changes, there would only be a limited range of project types that will qualify under the simplified approach then being proposed.*" As a consequence, the Secretariat proposed to "*learn by doing, through a pilot programme of limited duration, during which period the processes can be checked if fit for purpose in reaching the objectives of the approach, allowing learning and course corrections as necessary at the end of such pilot period.*"<sup>4</sup>

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<sup>3</sup> GCF/B.18/17.

<sup>4</sup> GCF/B.18/17, paragraphs 4, 6 and 8.



30. In furtherance of this understanding, decision B.18/06 requested the Secretariat to develop a proposal based on the SAP review that would consider, among other things, *“expanding the type of eligible activities and increasing GCF funding.”*

31. One SAP Pilot limitation on the types of eligible proposals relates to the requirement for the SAP to consider only those proposals that have environmental and/or social risks and impacts which are classified as minimal to none. Indeed, as predicted before the SAP Pilot was agreed, that limitation has reduced the number of proposals that were eligible for SAP consideration.

32. One potential change being presented for the Board’s consideration of an update to the SAP would expand SAP programme eligibility to projects and programmes that involve potential limited adverse environmental and/or social risks and/or impacts, defined as Category B and medium level of intermediation (I2) in the GCF’s Environmental and Social Policy. Although this expansion will lead to increased risk compared with the current SAP, and could elevate the complexity of the preparation, review and implementation of related Category B proposals, it was seen by the Secretariat-commissioned review as an action that could further incentivize the use of the SAP and facilitate an expansion of access, including for private sector entities. In terms of access, and considering the projects approved in the 2018–2020 period when the SAP was operational, the Secretariat estimates that expanding SAP eligibility to Category B projects would have increased the number of SAP-eligible projects by 2–59 projects, depending on any decision taken on the proposed GCF funding expansion discussed below.

**(ii) Expansion of SAP eligibility to proposals with a GCF contribution of up to USD 50 million**

33. In accordance with the SAP Pilot Scheme approved by the Board in decision B.18/06, SAP eligibility was limited to projects or programmes with a GCF contribution of up to USD 10 million. As an option for updating the SAP and expanding access, the Secretariat received proposals from Board members to lift the SAP GCF contribution limit from USD 10 million to USD 20 million or to USD 50 million, the latter being the high end of the GCF definition of small activities.<sup>5</sup> In addition, the Secretariat recently received Board member proposals to lift the GCF funding threshold to USD 50 million but only in cases where the proposal would scale up and/or replicate activities proven successful in other contexts], SAPs with an enhanced role for DAE[s], for programmatic SAPs proposals or for SAP proposals with a Category C risk designation.

34. To understand the potential impact that a change in the funding threshold parameter could yield, the Secretariat looked back at the portfolio of approved SAP and PAP projects between 01 January 2018 and 31 December 2020. This period covers the three full calendar years throughout which the SAP was implemented alongside the PAP. The full analysis, presented in annex IV, considers how many more projects might have been eligible for SAP consideration if project eligibility were expanded to limited environmental and social (ESS) risks and impacts (Category B/I2) and the contribution limit had been raised to USD 20 million, USD 30 million, USD 40 million and USD 50 million, as proposed by some Board members, or if it were expanded to Category B and raised to, for example, USD 20 million, USD 30 million, USD 40 million and USD 50 million.<sup>6</sup> It also reviewed the combined impact that could be expected

<sup>5</sup> In this scenario, if USD 50 million is requested from GCF, there would be no possibility of additional co-finance from other sources because the total cost limit for GCF small-scale activity is USD 50 million in total (decision B.10/17).

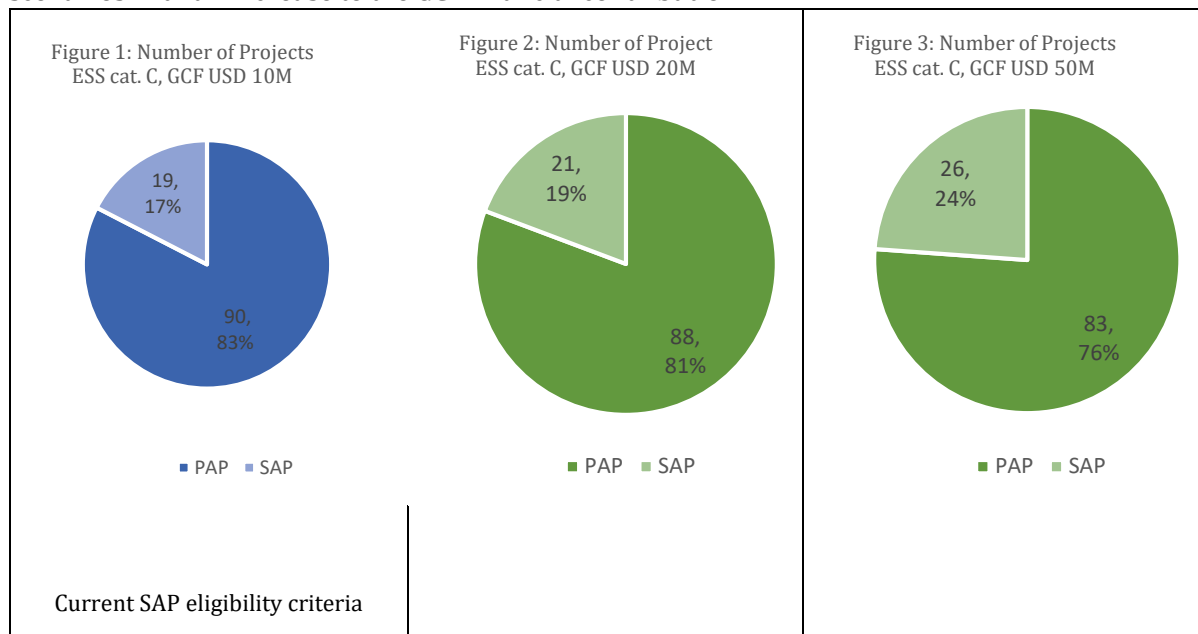
<sup>6</sup> The Secretariat notes that a historical review is not likely to correlate completely with what may happen in the future, and that all other things being equal, an expansion in programme parameters changes incentives and is likely to lead to a larger increase in utilization than the historical usage data would suggest.

from both increasing the risk level of SAP-eligible projects to ESS Category B/I2 and increasing the GCF contribution limit for those proposals.

35. Figures 1–6 below summarize the analysis of the impact of the SAP portfolio if the GCF financing is increased to USD 20 million and USD 50 million and indicate:

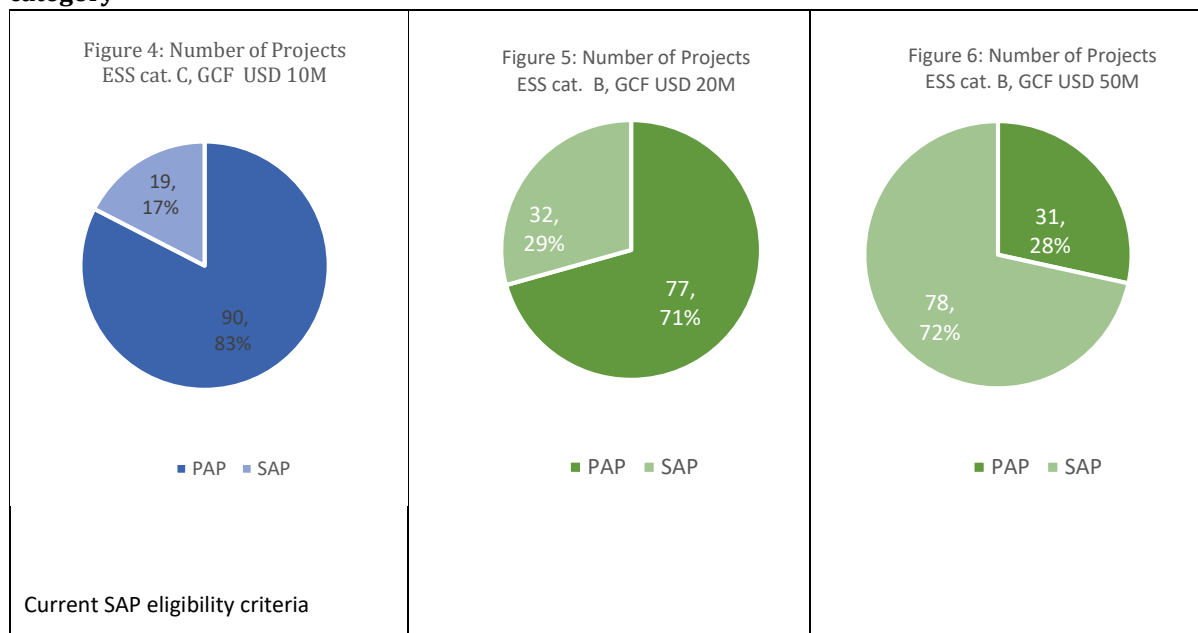
- (a) If the GCF contribution limit had been set at USD 20 million of GCF finance, with no changes in the current ESS risk levels for the SAP (Category C/I3) the consequences would have been an increase of 2 projects over three years, which could have increased the SAP portfolio to a total of 21 by the end of 2020. On an annual average basis, this would correspond to an annual increase of less than 1 approved funding proposals compared with the current SAP.
- (b) If the GCF contribution limit had been set at USD 50 million of GCF finance, with no changes in the current ESS risk levels for the SAP (Category C/I3) the consequences would have been an increase of 7 projects over three years, which could have increased the SAP portfolio to a total of 26 by the end of 2020. On an annual average basis, this would correspond to an annual increase of just 2–3 approved funding proposals compared with the current SAP;
- (c) If the GCF contribution had been set at USD 50 million and the ESS risk category had been expanded to Category B/I2, it would have made an additional 59 approved funding proposals eligible for the SAP, which could have increased the SAP portfolio to 78, a value four times higher than the 19 SAP projects actually approved during that period. On an annual average basis this would have been a steep increase of almost 20 more projects/year compared with the current SAP. Also, in this scenario, 72 per cent of all the GCF approved funding proposals (a total of 78 proposals) would have been SAP proposals; and
- (d) If the GCF contribution level were to be expanded to USD 20 million, still allowing activities under the ESS limited risk category to be eligible for the SAP, it would have made 13 additional approved funding proposals eligible for the SAP, which could increase the SAP portfolio to 32 projects/programmes, corresponding to 29 per cent of all the approved proposals.

**Figures 1–3: Secretariat analysis of the number of approved projects (2018–2020): comparison of scenarios with an increase to the GCF financial contribution**



Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

**Figures 4–6: Secretariat analysis of the number of approved projects (2018–2020): comparison of scenarios with an increase to the GCF financial contribution and the expansion of ESS risk category**



Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

36. In response to additional questions from Board members, the Secretariat also analysed the number of DAE, private sector and adaptation projects in the portfolio (I.e. the GCF

approved proposals between 2018–2020 as discussed above) that would be eligible for SAP treatment under the proposed and alternative funding and risk eligibility criteria (see Annex IV). The Secretariat did not model the potential impact of the recently submitted Board member proposals suggesting new criteria for limiting the use of a USD 50 million GCF funding threshold to certain specific cases (i.e. only for programmatic SAP proposals, scaling up SAP proposals and scaling up SAP proposals that supported enhanced roles for DAEs). Finally, the operational feasibility of meeting an increased demand for the SAP is discussed in section IV of this document. Broadly stated, assuming the Secretariat capacity remains as in the Secretariat’s proposed 2022 work programme, the Secretariat believes that it could process 20–25 SAP proposals per year by the end of GCF-1.

(iii) **Accelerate the approval of SAP funding proposals through the introduction of no-objection approval of SAP proposals and related decisions without a Board meeting**

37. Section 4.3 of the SAP Pilot policy approved by the Board at B.18 (GCF/B.18/23, annex X) states that SAP *“funding proposals whose approval is recommended by the Secretariat shall be submitted to the Board for consideration during its regular meetings, until such time as a process for approving Funding Proposals under this Pilot Scheme through in-between Board meetings is adopted by the Board.”* In addition, decision B.18/06 requested the Secretariat, based on the SAP review, 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.”*

38. In the same decision the Board requested the Secretariat to present for Board consideration as part of the update of the SAP a proposal for approving such proposals,<sup>7</sup> *“between meetings of the Board”*. The process proposed for consideration *“between meetings of the Board”* maintains all of the proposal review requirements applicable to proposals considered by the Board at Board meetings and endeavors to maintain consistency with the Rules of Procedure for no-objection decisions taken without a Board meeting.

39. In that regard, the process of no-objection approval of SAP proposals without a Board meeting would operate following the procedure included in annex II (table 1), as broadly outlined below:

- (a) Each eligible SAP funding proposal ready for Board consideration will be transmitted to members and alternate members of the Board with a proposed project- or programme-specific decision inviting Board members to approve the decision on a no-objection basis within a period that is neither shorter nor longer than 21 days. At the same time the proposal is transmitted, each proposal will be shared with active observers for information and commenting purposes;
- (b) If more than one SAP proposal is being sent to the Board, those individual proposals and their related decisions will be sent in one batch between meetings of the Board. SAP proposals to be considered without a Board meeting will be sent on average three times per year around the midpoint of the time frame between regular Board meetings. Simultaneously with the submission to the Board, the relevant SAP funding proposals will be published on the GCF website and disclosed pursuant to the GCF Information Disclosure Policy. In case of projects or programmes where the ESS risks and impacts are classified as limited, the relevant environmental and social safeguards

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<sup>7</sup> Decision B.18/06 (c)(ii).

reports/documents will be disclosed by GCF and the AE concerned, in accordance with the requirements under the Information Disclosure Policy and the Environmental and Social Policy for Category B or I2 projects or programmes. During the 21-day review period, the Secretariat can receive objections and/or written comments from Board members, alternate members, and active observers. and time permitting, the Secretariat will respond to the comments of Board and alternate members, undertaking efforts to coordinate such responses with the independent TAP and the relevant AE. All submissions and responses shall be shared promptly with all Board and alternate members and active observers;

- (c) If, during the 21-day review period, Board members submit objections, requests for changes, or requests for conditions related to a SAP funding proposal and/or decision, the Co-Chairs will attempt to work through or facilitate discussions on such objections, requests for changes or requests for conditions in an open and inclusive manner. If requested and/or thought useful, the Co-Chairs may facilitate technical sessions and/or discussions among Board and alternate members on such submissions, keeping in mind the no-objection nature of the process; and
- (d) If, at the end of the 21-day review period, no Board members have an outstanding written objection or request for a change or condition, the funding proposal will be approved. If, at the end of the 21-day review period, there is an outstanding written objection or request for a condition, the SAP proposed decision would, consistent with paragraph 43 of the Rules of Procedure, *“be considered by the Board at the following meeting.”*

40. The process outlined above would engage all Board members and active observers and maintain the prerogative of the Board to approve project and programme funding. It would also enable all Board members to share thoughts and, when needed, to discuss issues of concern related to specific proposals. Further, any objection raised would not result in the proposals rejection; consistent with paragraph 43 of the Rules of Procedure, the proposed decision on which there was a standing objection at the end of the 21-day period would be considered by the Board at the next meeting. On the other hand, the no-objection approval of SAP decisions without a Board meeting would enable SAP proposals to be reviewed six times a year (three times in the between Board meetings and three times during the Board meetings), which is expected to reduce the approval timeline for a SAP proposal by as much as 59 days<sup>8</sup> and save Board meeting time.

#### **(iv) Optional submission of SAP concept notes**

40. As noted in the IEU independent assessment, the original SAP decision required the use of concept notes to, among other things, ensure that the project being proposed was consistent with SAP eligibility criteria, particularly as it relates to the proposals ESS risk level. While, in some cases, the requirement of a Concept note has proven useful, there have also been cases in which inquiries strayed well beyond consideration of the projects risk level and its strategic fit with country and GCF priorities. The Secretariat will address these factors, by significantly simplifying the SAP Concept note template and information requirements, and by making concept notes optional. Under this scenario, proponents wishing to get a clear early read from the Secretariat as to project eligibility can chose to submit a shorter concept note. In contrast, proponents wishing to skip the concept note stage will submit related requirements in their

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<sup>8</sup> As elaborated in GCF/B.28/08, paragraph 32, page 8.

funding proposal submissions. In either event, the information required will be sufficient to ensure that all elements needed for the appraisal of their relevance to the GCF and eligibility for SAP are maintained while reducing the amount of non-essential information required. This should help reduce the time spent on both concept note preparation and review.

**(v) Raising the SAP Pilot's aim that, over time, the submissions from DAEs constitute the majority of the SAP proposals**

41. As an option for updating the SAP, a group of Board members submitted a proposal for "*targeting a higher percentage of direct access entities in the SAP.*"<sup>9</sup> In that regard, decision B.18/06 included "*the aim of ensuring that submissions from such entities constitute at least 50% of all approved projects under the Pilot Scheme.*"

42. Since the inception of the SAP, the Secretariat has tracked the aggregate percentage of approved SAP projects from DAEs following each meeting and notes that it has ranged from approximately 33 per cent to approximately 50 per cent depending on the approvals at the subsequent meeting. The Secretariat is working to support the approval of new DAEs and the ability of existing DAEs to submit well-considered GCF projects. This effort includes a range of interventions in addition to the actions proposed for Board action in this document. Specifically, as noted below, the Secretariat will deploy a SAP-tailored capacity-building programme which, in coordination with the Readiness and Preparatory Support Programme (Readiness Programme) and the Project Preparation Facility (PPF), will provide specific technical assistance targeting, in particular, DAEs and NDAs to facilitate their access to the SAP and accelerate the development of their proposals. These measures can form part of a larger DAE action plan (B.29/Inf.07, annex I) designed to strengthen and support DAE capacity to originate, develop and implement robust proposals, and it can also foster cooperation between DAEs and the private sector. The Secretariat expects these efforts, combined with the process changes and other simplification measures suggested, can make the SAP the optimal avenue for first time DAE project submitters to access GCF finance. In the process, these actions will lead to increasing numbers of DAE SAP project submissions and approvals, with the potential to consistently maintain the amount of SAP proposals in the pipeline above 50 per cent.

**(vi) Review of proposals designed to further improve SAP efficiency and effectiveness consistent with decisions B.18/06 and B.28/03**

42. This section reviews the actions that the Secretariat is taking and/or contemplating to further improve the efficiency and effectiveness of the SAP consistent with decisions B.18/06 and B.28/03. It addresses many of the comments and suggestions that the Secretariat received from Board members to simplify, facilitate and accelerate the SAP in the different stages of its activity cycle.<sup>10</sup> Many of those comments also raised particular issues noted in the IEU and Secretariat-commissioned reviews of the SAP. Annex III summarizes the actions that will be taken to simplify, accelerate and facilitate the preparation and review of, and disbursement of funds for, SAP projects and elaborate on the expected benefits of those measures for the AEs.

43. **Develop a SAP Capacity-Building and Project Development Programme:** Using the Readiness Programme, the Secretariat will develop and deploy capacity-building initiatives targeting, in particular, DAEs and NDAs and private sector AEs, to facilitate their access to the

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<sup>9</sup> GCF/B.28/08/Add.02.

<sup>10</sup> These comments were received during the B.28 discussion on the SAP and subsequent bilateral discussions carried out in May/June 2021 with some Board members and/or their advisers and the consultations prior to B.30 (GCF/B.30/06/Add.01).

SAP, and will support and accelerate the development of the SAP proposals. Moreover, to support the AEs, particularly DAEs, the Secretariat will provide specific **Project Preparation Technical Assistance** to SAP funding proposals, in coordination with the PPF. This assistance would support, in particular, DAEs in both the development and finalization of their SAP proposals.

44. **Further reduce the documentation required for SAP proposals:** SAP funding proposals will continue to only require a pre-feasibility study (as opposed to a full feasibility study), and will not require financial/economic modelling studies, unless deemed necessary for a sound preparation of the specific project/programme. Further, AEs opting to submit a SAP concept note will be able to use a more focused and streamlined SAP concept note template.

45. **Simplified proposal review:** In coordination with the independent TAP, the Secretariat will develop a review tool that will streamline and accelerate the SAP review process while simplifying the preparation of SAP funding proposals by providing clarity to the AEs on the expected information needed for a SAP proposal. Further, while reviewing SAP proposals, the Secretariat and independent TAP shall consider the objective of the SAP with a view to ensuring expeditious reviews that are commensurate with the small size, reduced complexity and low risk of SAP proposals. Finally, the Secretariat and the independent TAP will review SAP proposals efficiently and on a rolling basis in accordance with decision B.28/03. (A SAP review checklist is under development in consultation with the independent independent TAP and can already support and accelerate the review of SAP funding proposals by streamlining the approach to the appraisal of SAP proposals and focusing the reviewers' time on the elements that are considered essential to the quality of a SAP project/programme financed/co-financed by the GCF.)

46. **Review capacity expansion:** Similar to the roster of experts of the independent TAP, the Secretariat can expand the SAP review capacity, on an on-demand basis, with the engagement of technical experts provided by reputed professional firms. While the coordination and quality control process will fully remain in the hands of the Secretariat, the additional experts will ensure that the AEs and NDAs receive timely technical feedback to their SAP submissions.

47. **Develop fast-tracking processes:** To reduce the time and effort needed for the preparation and review of SAP proposals, the Secretariat will:

- (a) Develop a set of SAP funding proposal guided templates for the climate impact areas widely demanded by developing countries (such as early warning systems, disaster risk reduction, resilience agriculture, access to clean energy and energy efficiency among others). Through the use of these templates, countries and AEs pursuing related project types could benefit from historical determinations of climate rationale and feasibility, thereby reducing their need to address the more general aspects of the proposals, and enabling them to focus more specifically on the applicability of the proposal to the country context. This should facilitate a lighter review, which will save substantial time and effort on both the development and review processes; and
- (b) Identify certain small-scale activities ready to be scaled up/replicated in coordination with other climate funds including other entities of the UNFCCC financial mechanism while ensuring no duplication of activities in individual countries. This should accelerate the preparation stage because pre-feasibility studies could be updated to address the specific project context rather than developed from scratch.

48. **Developing SAP programme guidance:** Recommendation 1(a) of the IEU evaluation called on the Secretariat to “*develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, and so respond (also) to guidelines from the UNFCCC and the GI*”. As noted in the Secretariat management response to the IEU assessment (GCF/B.28/18/Add.01), the Secretariat considers that the elements suggested for this “strategy”, which will include many of the items noted above, will be better framed under an overall “SAP programming guidance” document. This programming document will guide the GCF, NDAs and AEs on how to identify interventions that can (1) promote climate financing innovation; (2) clarify what scaling up means in the context of the SAP; (3) identify the opportunity to unlock private sector finance (which will be further developed within the upcoming GCF Private Sector Strategy paper); and (4) promote the use of the SAP to address urgent climate change needs in developing countries, in particular in SIDS, LDCs and African States.

49. **Simplifying the review criteria for the SAP and developing different and tailored investment criteria.** Regarding IEU recommendation 2(a), the Secretariat agrees that the criteria advanced by the IEU (innovation, implementation feasibility, scaling up potential and climate rationale) are important appraisal factors for SAP proposals. In fact, as noted above, they are already included in the appraisal of SAP proposals as sub-criteria under the impact potential and paradigm shift potential criteria of the GCF investment framework, and their analysis can be further strengthened as recommended by IEU. In addition, as noted elsewhere in this document, the Secretariat intends to include in relevant investment framework papers ideas related to the Board’s possible consideration of SAP-specific investment criteria or investment criteria indicators.

50. **Developing and enforcing transparent and predictable business standards for every step of the SAP process and providing one set of consolidated comments for each concept note and funding proposal, rather than giving proponents multiple rounds of comments.** As noted in the Secretariat management response to the IEU assessment of the SAP (GCF/B.28/18/Add.01), the Secretariat is addressing the suggestions from the IEU through the development of specific guidance. This includes a clear focus on the internal standard operating procedures for the review of SAP proposals, which define the service time expected for the processing of SAP reviews. The goal is to increase the transparency and business predictability of the SAP for AEs and countries. The standard operating procedures also address the proposed modality to consolidate and share technical feedback with the AEs in “one-go” as recommended by IEU. Regarding this recommendation and recommendation 5(b) calling for the establishment of key performance indicators, the Secretariat will also establish performance indicators in the GCF-1 workplan, and those indicators can be included in the performance measures of the relevant staff to incentivize the timely and effective processing of SAP proposals.

51. **Accelerating post-approval stages of the SAP project cycle:** As noted previously, the Secretariat will further revise its internal SAP standard operating procedures to ensure that SAP reviews are accelerated compared with regular proposals (PAP). In that context, the Secretariat plans to further expedite, to the extent possible, the clearance of conditions that might be attached to the approval of SAP funding proposals in order to accelerate the inception of the activities to be funded and implemented. Finally, the Secretariat will develop a results-based monitoring and reporting system, based on the GCF integrated results management framework (decision B.29/01), for the purpose of simplifying the requirements of annual performance reports and, consequently, the acceleration of disbursements for SAP projects during the implementation stage while ensuring compliance with GCF requirements and accountability standards.



52. Table 1 below summarises the actions proposed to further simplify the SAP and outline the benefits for the applicant AEs and NDAs/FPs that submit proposals through the SAP instead of the regular PAP.

**Table 1: Comparative summary of the simplification measures to improve the efficiency and effectiveness of the SAP.**

	Updated Simplified Approval Process (SAP)	Proposal Approval Process (PAP)	Expected benefit for the applicant AE using SAP
<b>Origination</b>	Crafted a simplified access to PPF funding for small-scale activities such as SAP and tailored assistance for SAP CN and FP to expedite the deployment of experts to the AEs, in particular DAEs, that can accelerate the preparation of SAP proposals.	Regular PPF access process	Shorter time in accessing GCF project preparation assistance for SAP projects, which translates to a shorter time for the preparation of the FPs and increased quality at entry in general.
	Simplification of SAP documentations: i) Simplified/shorter CN template (optional submission) ii) Simplified/shorter SAP FPs templates and only require a pre-feasibility study iii) SAP public sector FPs do not require a full economic/financial model, unless deemed necessary by the Secretariat	Full CN and FP templates  Full feasibility study and economic/financial model required for all proposals	Substantially reduced level of information requirements for SAP submissions compared to the PAP translates in less time and resources for the project preparation and appraisal.
	SAP Fast Tracking development: i) SAP FP guided templates by sector/type of projects which are in demand for SAP-sized interventions ii) Scaling-up/replication of successful projects from other climate funds where only an update of the technical studies and consultations will be needed instead of full preparation of all studies from scratch.	No fast-tracking options	For SAP proposals, AEs that are in a position to scale up climate-related projects (e.g. from the AF) can discount a significant amount of the preparation by updating the existing studies and consultations. By providing the evaluations of the intervention the AE is proposing to scale up, there will be evidence of impact, transformational potential, climate relevance and other appraisal factors which shall make the Secretariat and independent TAP review faster.



<b>Appraisal</b>	<p>Simplification of the SAP review achieved through a check-list based review tool that identifies and makes the essential appraisal elements clear.</p>	<p>PAP review completed as per the GCF programming manual</p>	<p>A simplified check-list based review tool accelerates the appraisal of SAP compared to PAP proposals and contributes to more streamlined assessments. In addition, it provides the AEs the benefit of clarity on the expected level of quality at entry and type of information required when developing a SAP proposal.</p>
	<p>SAP-specific expansion of the Secretariat review capacity for SAP proposals through the support of technical experts provided by reputable firms.</p>	<p>Secretariat review completed as per the programming manual, with GCF divisions leading the appraisal</p>	<p>This measure will ensure that the AEs can generally expect a faster Secretariat's review for their SAP submissions and a predictable turnaround time for feedback from the Secretariat.</p>
<b>Approval</b>	<p>Approval of SAP funding proposals at Board meetings and via between Board meeting decisions</p>	<p>Approval of PAP FPs at Board</p>	<p>By submitting SAP proposals AEs and countries will benefit from accelerated access to GCF finance as their proposals can be processed on average six times/year instead of three times/year as is the case of the regular PAP submissions</p>
<b>Disbursement</b>	<p>Expedited clearance of SAP FAA conditions to effectiveness and first disbursement.</p>	<p>As per the GCF Programming Manual first disbursement can take up to 360 days</p>	<p>The AEs can expect that approved SAP FPs are expedited for FAA effectiveness and can enter the implementation stage shortly after approval.</p>
	<p>The preparation and review of the Annual Performance Reports (APRs) for SAP projects under implementation will be accelerated through the use of a tailored Results-Based Monitoring and Reporting System, which will focus on quantifiable and easy to report results. When the results are received and verified by the Secretariat it will trigger the conditions for the disbursements</p>	<p>APRs and the subsequent disbursements are completed as per the GCF Programming Manual</p>	<p>The SAP specific results-based reporting system is expected to simplify the AEs reporting requirement while allowing a faster verification by the Secretariat that the conditions for subsequent disbursements are achieved.</p>

Abbreviations: PPF = Project Preparation Facility, SAP = simplified approval process, CN = concept note, FP = funding proposal, AEs = accredited entities, DAEs = direct access entities, PAP = regular proposal approval process, AF =

*Adaptation Fund, TAP = independent Technical Advisory Panel, FAA = funded activity agreement, APRs = annual performance reports*

**(vii) Risk–reward trade-offs between increasing the risk profile of SAP proposals and delivering simplification**

52. Taking into account the original Secretariat proposal and a number of proposals submitted by Board members, this consultation version presents a range of actions for the Board to consider for updating the SAP in a manner that could promote the goals established for the SAP in decision B.18/06. In that regard, the Secretariat would like to share its understanding of the risk/reward trade-offs inherent in crafting an appropriate mix of SAP updates designed to achieve these positive results.

53. The Board should note that, from an operational implementation perspective, there are probable trade-offs between: expanding the scope of the SAP; and delivering increased simplification and speed to expand uptake and deployment of the SAP in net terms. The more the scope of the SAP is expanded – to introduce higher risk levels, more complex projects and expand the overall volume of projects to be processed – the more challenging it will be for the SAP to deliver on its simplification and speed objectives. Additionally, if the scope of the SAP is expanded without delivering speed and simplification, there will continue to be little incentive for AEs and countries to use the SAP over the PAP (i.e. there will be no net increase in SAP delivery, only PAP substitution).

54. Specifically, it should be clear that raising the risk profile of SAP-eligible proposals requires a more complex and time-consuming review process, and that raising the risk profile and/or raising the level of GCF funding eligible for SAP consideration inevitably carries with it increased overall risk to the Fund relative to the existing SAP eligibility criteria. In such a situation, consideration might be given to accompanying those changes with a change in the Fund’s risk appetite and/or an affirmation of its commitment to maintain or strengthen, rather than reduce requirements for secondary due diligence. Accordingly, and in terms of the implementation of any agreed package of SAP update actions that the Board may agree on, the Secretariat would caution that it believes it is not possible to increase the risk profile of eligible projects and the level of GCF funding at stake, and at the same time substantially accelerate the process, and reduce the information required for review without increasing the possibility of negative outcomes.

55. Based on the IEU and Secretariat-commissioned assessments of the SAP, and the Secretariat’s analysis of these issues, the Secretariat believes that the optimal risk–reward pathway might come from simplifying and accelerating the approval process and more substantially reducing information requirements for those project types with implementation and ESS risks and impacts classified as “minimal to none”. These actions could be linked to the simplification actions reviewed above, including the fast-track development and review process which can be particularly useful in addressing the “scaling up” goal of the SAP. Benefits from such a low-risk approach would include reduced time and effort in the development of concept notes and proposals, increased speed of their review, enhancement of the ability to scale up investment of proven project types through the SAP, and the creation of a low-resistance path for new DAEs to gain experience with the Fund. Indeed, the development and implementation of low-risk projects, including those building on the success of past efforts, could be the best candidates for some DAEs which, through this initial work, could be better supported to gain a clearer understanding of what is required to work with the GCF through its entire project cycle. If this low-risk approach were followed, the Secretariat could focus its limited resources on

better supporting smaller DAE projects, thus helping build their capacity and making a meaningful contribution to an overall DAE action plan.

56. In contrast, if the SAP moves to larger, higher risk proposals, the Secretariat's review and support would, by necessity, be more broadly focused. In all, the Secretariat believes that if this low-risk approach were followed, if a between meeting modality were approved for acceleration, and if sufficient resources were employed to enable the Secretariat to support DAEs, develop fast-track frameworks and facilitate quick SAP reviews, the processes and information requirements of the SAP could be more dramatically simplified, and reviews could be accelerated without appreciably increasing risks to the Fund. Such a low-risk approach would not end the drive for SAP improvements. Indeed, it could serve as a first step in the progressive development of the SAP which, once proven for lower risk proposals, could be more clearly evaluated for use on other projects.

57. That being said, this document presents a range of potential changes for the consideration of the Board and, understanding that the authority and responsibility for decisions of the GCF reside with the Board, the Secretariat will work diligently to effectively implement any package of SAP enhancements that the Board may decide to adopt.

#### **IV. Impact assessment and implementation arrangements**

58. The changes proposed in this policy would:

- (a) Increase the efficiency of the SAP in terms of a reduction in the burden for project preparation and project review and project approval, the latter of which could, through approvals without a Board meeting, reduce the time to approval by up to 59 days;
- (b) Enhance access to GCF climate finance, especially for DAEs, LDCs and SIDS;
- (c) Expand the number of projects that can be approved under the SAP modality – if coupled with an accelerated approval modality; and
- (d) Increase the speed of deployment of GCF funding.

59. It should be noted that the potential development, review and approval of up to 20–25 SAP proposals a year would imply a need for the Secretariat to support the development of a larger number of DAE proposals and process approximately double or triple the number of concept notes on an annual basis (40–60). This steep increase in the development of SAP proposals will be supported by both the Readiness Programme and the PPF, particularly in relation to proposals from DAEs. The increase in the SAP review of proposals will be supported, on a demand basis, by the assistance of technical expert reviewers. That said, throughout the review process, the Secretariat will remain fully responsible for quality control and coordination of appraisal of proposals in order to ensure maintenance of the high appraisal standards set by the GCF. In addition, final review of all proposals will remain within the Secretariat.

60. Effectiveness and implementation of the SAP updates being put forward for possible Board approval would be expected to begin immediately upon Board approval. Specifically, assuming that the Board agrees the new modality for approving SAP proposals without a Board meeting, SAP proposals ready for Board review may be submitted soon after that SAP update is approved. In addition, if the Board were to decide to increase the funding threshold and/or expand the risk threshold for the SAP, AEs could immediately submit new SAP proposals in line

with the newly agreed eligibility criteria. Further, after a Board decision, the AEs with proposals in the PAP pipeline that otherwise meet the new SAP criteria can choose to request a redesignation of their eligible proposals as SAP or maintain their proposals as they had been submitted. In that regard, it should be noted that early SAP growth may be driven by PAP substitutions; later demand driven growth may depend on the changes adopted and the degree to which the AEs are seeing real on-the-ground benefits to using the more simplified and expanded SAP.

61. While the above noted SAP update actions could deliver immediate benefits, a number of the ongoing measures designed to improve the effectiveness and efficiency of the SAP, including enhanced support to DAEs, and the reconsideration of the concept note content and review can be expected to be rolled out over the next 12 months. If a SAP update is approved at B.30, the Secretariat would expect to include an early report on lessons learned through the implementation of the SAP in its last 2022 report to the Board on Secretariat activities.

## V. Budgetary implications

62. **Funding:** In the proposal preparation stage, the development of SAP concept notes and proposals will, consistent with the DAE action plan, be carried out with the support of the Readiness Programme and PPF resources. As noted above, in the review stage, the Secretariat has geared up support capacity to ensure the availability of sufficient resources to review an enhanced number of SAP proposals. Resources to support DAEs in the post-approval stages will, consistent with the DAE action plan, be mobilized from Readiness Programme funding. Accordingly, a growing demand for SAP action would imply future infusions of funding for those programmes that took into account SAP implementation needs.

63. **Staffing:** The degree to which changes in the SAP can lead to a significant net increase in funding proposal submissions (as opposed to a substitution of PAP proposals) is not currently clear. If the primary driver for the increase in SAP proposals turns out to be substitution from PAP, the Secretariat can work within current overall staffing levels to meet the increased demand. That said, it should be noted that the staffing estimates included in the review of the Secretariat's capabilities (GCF/B.29/05) did not take into account future policy changes, including changes to the SAP. Accordingly, if the changes in the SAP result in a net increase in the overall number of SAP proposals driven by SAP submissions and not PAP substitution, this will have clear implications for the level of staff that will be needed to support SAP origination, carry out SAP reviews and support SAP implementation. Any related needs would have to be included in future augmentations of the Secretariat's administrative budget and staffing capacity. Such requests would be based on time-specific needs assessments carried out in consultation with the Budget Committee.

## Annex I: Draft decision by the Board

The Board, having considered document GCF/B.30/06 titled "Update of the simplified approval process", and with reference to decision B.18/06, which mandated the review of the simplified approval process Pilot Scheme:

- (a) [Approves] the updated simplified approval process as set out in annex II.
- [Approves] the expansion of eligible simplified approval process projects/programmes to include those with potential limited environmental and/or social risks and/or impacts (Category B) and medium level of intermediation (I2);]
  - [Approves] the expansion of GCF financing to individual simplified approval process projects/programmes from USD 10 million to USD [20] [ 50] million;]
  - [Approves] the expansion of GCF financing to simplified approval process projects/programmes from USD 10 million up to USD 50 million for activities that [scale up or replicate activities previously proven successful], enhance the role of direct access entities], [advance programmatic simplified approval process proposals], and/or [projects/programmes that involve minimal or no adverse environmental and/or social risks and/or impacts. (Category C) and low level of intermediation (I3)]
  - [Approves] changing the submission of simplified approval process concept notes from mandatory to optional]
  - [Approves] the acceleration of the consideration and approval of simplified approval process funding proposals through the introduction of a specific procedure for approvals without a Board meeting on a non-objection basis as set out in annex II.]
- (b) [Stresses] that the procedure for the consideration of simplified approval process proposals in between Board meetings included in Annex II, applies only to the simplified approval process and further stresses that the procedure set out in annex II is without prejudice to any action that the Board may take pursuant to paragraph 42 of the rules of procedure and related Board decisions calling for continued consultations on guidelines for the review of proposals without a Board meeting;] and
- (c) Requests the Secretariat and the independent Technical Advisory Panel to make the simplified approval process simpler by clarifying and reducing the information required for simplified approval process proposals in a manner that takes into account their smaller size and lower environmental and social safeguards risk category.

## Annex II: Updated simplified approval process and activity cycle

### I. Objective

1. The objective of the simplified approval process (**SAP**) is to operationalize paragraph 53 of the Governing Instrument for the Green Climate Fund and to reduce the time and effort needed in the preparation, review, approval and disbursement procedures associated with **small-scale activities** that meet the SAP eligibility criteria (as defined in section II below) and to contribute to the implementation of the Updated Strategic Plan for the GCF<sup>1</sup>. This updated SAP policy sets out:

- (a) The eligibility criteria for GCF projects/programmes to be considered for funding under the updated Simplified Approval Process (SAP);
- (b) The actions that will be undertaken to further simplify the preparation and the appraisal as well as the acceleration of the disbursements of SAP proposals;
- (c) The project and programme activity cycle for SAP funding proposals:
  - (i) The indicative descriptive steps for the origination and preparatory stages of SAP proposals;
  - (ii) The modalities for the submission of concept notes and funding proposals under the SAP;
  - (iii) The modalities for the review of project/programmes under the SAP;
  - (iv) The modalities for the approval of projects/programmes under the SAP; and
  - (v) The legal arrangements for approved SAP proposals; and
- (d) The modality for the review and evaluation of the SAP.

2. Unless otherwise specifically modified or provided for herein, all other relevant GCF policies and procedures apply *mutatis mutandis* to the SAP. The SAP will follow a simplified project and programme activity cycle (**SAP activity cycle**) set out in table 1.<sup>2</sup>

### II. Eligibility criteria of projects/programmes under the simplified approval process

3. SAP projects or programmes are expected to possess significant climate impact potential. They will include projects and programmes that are ready for scaling up and have the potential for transformation and promoting a paradigm shift to low-emission and climate-resilient development.

4. Funding proposals for projects and programmes that meet the following criteria are eligible to be processed under the SAP:

- (a) Projects or programmes with a GCF contribution of up to USD [10 million] [20 million] [50 million] [10 million, or, if such projects or programmes [scale up projects previously

<sup>1</sup> Decision B.27/06, annex VI, paragraph 29(b).

<sup>2</sup> The Updated Project and Programme Cycle, annex IV of decision B.17/09, will not apply to SAP projects and programmes.

proven successful], [advance programmatic SAP proposals], [have advanced roles for direct access entities (DAEs)] and/or [projects/programmes that involve minimal or no adverse environmental and/or social risks and/or impacts. (Category C) and low level of intermediation (I3)] and whose total cost, including co-finance, does not exceed USD 50 million; and

- (b) Projects or programmes whose potential adverse environmental and/or social risks and/or impacts are classified as (i) minimal to none [or (ii) limited], as described in the GCF Environmental and Social Policy.<sup>3</sup>

### III. Origination, preparation and review

5. All relevant GCF policies and quality standards will be maintained for the SAP proposals during their preparation and review, in line with the stages highlighted in table 1 below.

6. To further simplify, accelerate and facilitate access to the SAP, especially for direct access entities (DAEs), the Secretariat will:

- (a) **Develop a SAP Capacity-Building and Project Development Programme:** Using the Readiness and Preparatory Support Programme, the Secretariat will develop and deploy capacity-building initiatives targeting, in particular, DAEs, national designated authorities (NDAs) and private sector accredited entities (AEs) to facilitate their access to SAP and support and accelerate the development of SAP proposals. Moreover, to support the AEs and in particular the DAEs, the Secretariat will provide specific **project preparation technical assistance** to SAP funding proposals in coordination with the Project Preparation Facility (PPF) for the development and finalization of their SAP proposals. These efforts will support AEs and DAEs, and will not be a pre-requisite to the submission of SAP proposals from AEs and DAEs.
- (b) **Further simplify the documentation required for presenting SAP proposals:** To reduce the time and effort needed to prepare and review SAP proposals, the Secretariat will develop a further simplified template for the SAP concept notes, which will ensure that all elements needed for the appraisal of their relevance to GCF and eligibility for SAP are maintained while reducing the amount of non-essential information required.
- (i) SAP funding proposals can be presented with only a pre-feasibility study in lieu of a full feasibility study. However, if the Secretariat deems it necessary following its review of the SAP proposal, it can request the AE to provide additional information to ensure an appropriate appraisal.
- (ii) During the preparation of the funding proposal, resource-intensive studies such as economic and financial analyses and models should be required only when deemed necessary. Given the SAP mandate for simplified preparation requirements, if, during the review of SAP proposals, there is a need for additional non-critical information or data, provisions should be made for the related data collection or more detailed technical studies to be performed by the AE during the implementation stage.
- (iii) The Secretariat shall develop a specific simplified template for the SAP assessment findings report and a guided appraisal toolkit with the standards

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<sup>3</sup> Decision B.19/10.



that both the Secretariat and the independent Technical Advisory Panel (TAP) will follow to ensure the consistency of the reviews and transparency of how SAP reviews are performed relative to the SAP requirements.

- (c) **Develop a Simplified review process:** In coordination with the independent TAP, the Secretariat will develop a review checklist that will streamline the review of SAP proposals. This will accelerate and facilitate the review process and simplify the preparation of funding proposals while providing clarity to the AEs on the expected quantity and quality of information in SAP proposals.
- (i) While reviewing a SAP funding proposal, the Secretariat and the independent TAP shall consider the objective of the SAP. The goal is to achieve expeditious reviews that are commensurate with the small size and low ESS risk of SAP proposals, and to present succinct assessment findings reports. The Secretariat and the independent TAP shall review SAP proposals efficiently and on a rolling basis.
  - (ii) In accordance with decision B.10/17, the Secretariat and independent TAP reviews of SAP funding proposals will not be subject to the application of the high/medium/low scaling pilot when assessing the degree to which investment criteria have been met.
- (d) **Develop fast-tracking processes:** To reduce the time and effort needed for the preparation and review of SAP proposals, the Secretariat will:
- (i) Develop a set of SAP funding proposal guided templates in the GCF impact areas widely demanded by developing countries (such as early warning systems, disaster risk reduction, resilience agriculture, access to clean energy and energy efficiency among others.)
  - (ii) Identify certain small-scale activities ready to be scaled up/replicated in coordination with other climate funds, including other entities of the United Nations Framework Convention on Climate Change financial mechanism or as suggested by the Board during the approval of GCF funding proposals.

#### IV. Approval process and post-approval stage

7. The approval and post-approval steps for the SAP are described in stage 6.1 of the SAP activity cycle set out in table 1 below.
8. The Secretariat will expedite the clearance of conditions that might be attached to the approval of SAP funding proposals in order to accelerate the inception of the activities to be funded.
9. The Secretariat will develop guidance for the AEs on building a results-based monitoring and reporting system, based on the GCF integrated results management framework for the purpose of simplifying the annual performance report requirements and accelerating disbursements for SAP projects during the implementation stage while ensuring compliance with GCF requirements and accountability standards.

#### V. Review and evaluation of the simplified approval process

10. The Secretariat will regularly review the progress of implementation of the SAP and will report to the Board on that progress periodically through the report to the Board on the Secretariat's activities. If the Secretariat determines that the SAP necessitates a change or revision that requires Board action, it will evaluate the matter and bring the evaluation and any proposed changes to the Board for consideration.

## **VI. Effectiveness and transition arrangements**

11. The SAP modality described in this annex shall become effective upon Board approval. It will apply to all SAP concept notes and funding proposals, including those that are in the pipeline under the SAP Pilot Scheme and which have not been approved by the Board. AEs with proposals in the regular project and programme cycle (PAP) pipeline that could be approved under SAP may choose to redesignate their proposals as SAP proposals in accordance with the revised and expanded eligibility criteria or maintain their proposals as they had been submitted.

12. The actions to be undertaken by the Secretariat, described in sections III and IV above, to further simplify, accelerate and facilitate the preparation, review and implementation of SAP proposals will be delivered within 12 months from the Board approval of the SAP modality and their progress will be reported to the Board periodically through the report on the activities of the Secretariat.

**Table 1: Simplified approval process project and programme activity cycle (SAP activity cycle)**

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
<b>I. Country, regional and/or AE programmes (preparatory stage, not mandatory)</b>			
1.1	Submission and compilation of country programmes	NDA or focal point  Secretariat	<ol style="list-style-type: none"> <li>1. NDAs/focal points will submit a country programme, including a national adaptation plan or voluntary adaptation plan and appropriate elements of countries' nationally determined contributions, to the Secretariat, considering how the small-scale activities eligible for the SAP can accelerate the targets they have set in their climate strategies and plans, including the possibility of SAP to scale up successful projects and programmes.</li> <li>2. NDAs/focal points may request support from the Readiness and Preparatory Support Programme under the readiness activity areas outlined in decision B.22/11.</li> <li>3. NDAs/focal points may inform the Secretariat of preferred AEs to implement programmes and projects under the country programme.</li> <li>4. The Secretariat will compile country programmes and submit this to the Board for its information.</li> </ol>
1.2	Submission and compilation of accredited entity work programme	AE  Secretariat	<ol style="list-style-type: none"> <li>1. AEs will submit annual and/or multi-annual work programmes to the Secretariat.</li> <li>2. AEs will develop annual and/or multi-annual programmes in consultation with NDAs/focal points also taking into consideration how their proposed small-scale activities can benefit from SAP, including the possibility of SAP to scale up projects and programmes that have been evaluated as successful.</li> <li>3. The Secretariat will compile AE work programmes to be submitted to the Board for information and discussion.</li> </ol>
1.3	Structured dialogues	Secretariat, NDAs/focal points and AEs	In accordance with the GCF Strategic Plan and pursuant to decision B.17/09 (annex IV, stage I, step 1.3), the Secretariat will host an annual strategic dialogue at the regional level in each region. For the avoidance of doubt, this step applies to all GCF project and programme cycles.
<b>II. Generation of SAP programme or project funding proposals (preparatory stage, not mandatory)</b>			

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
2.1	Strategic approaches	NDA, Secretariat and AEs	<ol style="list-style-type: none"> <li>1. Based on the country and AE work programmes, countries will identify priorities, analyse financial needs and gaps and identify partners to design and implement SAP funding proposals.</li> <li>2. The Secretariat will provide support to NDAs/focal points and DAEs to conduct the process for SAP pipeline origination through strategic approaches.</li> </ol>
2.2	Request for proposals	Board, Secretariat	<ol style="list-style-type: none"> <li>1. The Board may periodically approve requests for proposals (RFP) to guide the development of the GCF SAP portfolio in specific areas in accordance with the GCF updated Strategic Plan. Based on the individual eligibility criteria of each RFP the Secretariat will determine if the SAP modality can be used to implement the respective RFPs.</li> </ol>
2.3	Regular call for funding proposals	Secretariat	<ol style="list-style-type: none"> <li>1. The Secretariat may publish regular calls for SAP funding proposals on the GCF website or RFPs if and as requested by the Board.</li> <li>2. NDAs/focal points and AEs may submit funding proposals to the Secretariat in response to RFPs as well as the funding proposals included in country and AE work programmes.</li> </ol>
<b>III. Concept note</b>			
3.1	Concept note submission	AE and NDA/focal point	<ol style="list-style-type: none"> <li>1. [Concept notes are not mandatory for SAP projects and programmes.] The AEs and NDAs/FPs can submit concept notes using the simplified SAP template to receive early feedback on the environmental and social risk screening and categorization output, so that they can be promptly informed whether the proposed project/programme is eligible for approval under the SAP modality.</li> <li>2. The NDAs/focal points and/or AEs will submit the concept note to the Secretariat via the SAP online submission system (SAP OSS) established by the Secretariat.</li> <li>3. In accordance with the country ownership guidelines and relevant decisions of the Board, AEs are encouraged to engage NDAs/focal points prior to the submission of concept notes.</li> </ol>
3.2	Concept note confirmation	AE, NDA/focal point	<ol style="list-style-type: none"> <li>1. Upon receipt of a concept note from an AE submitted via the SAP OSS, the Secretariat will notify the relevant NDA/focal point of the submission.</li> <li>2. If the concept note does not fit under the national priorities and country ownership of the respective country, the NDA/focal point should notify the Secretariat within three weeks from the submission of the concept note through the SAP OSS.</li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
3.3	Concept note pipeline	Secretariat	The Secretariat will present, prior to each Board meeting, an updated concept note pipeline of SAP proposals that were received under step 3.2 and not objected to by the NDA/focal point. The SAP pipeline will be presented in coordination with the regular pipeline report to the Board.
3.4	Feedback and recommendations on the concept note	Secretariat, NDA/focal point, AE	The Secretariat will provide feedback and recommendations to the AE and/or NDA/focal point, and will advise if: the concept note can move into the funding proposal stage, the concept note should be revised and resubmitted, or the concept note is rejected. At this stage, the Secretariat will confirm if the project/programme described in the concept note conforms to the SAP eligibility criteria.
3.5	Project preparation and technical assistance support	AE, Secretariat	<ol style="list-style-type: none"> <li>1. The PPF can support project and programme preparation requests from all AEs, especially DAEs, for projects/programmes under SAP.</li> <li>2. The NDA/focal point will submit the no-objection letter related to the PPF request through the AE.</li> <li>3. AEs will submit PPF proposals based on the PPF application template.</li> <li>4. The Secretariat will report to the Board, as part of the regular reporting, on the pipeline of PPF requests received, approved and under implementation under SAP.</li> <li>5. The Secretariat will report to the Board, as part of the regular portfolio report, on the progression of SAP concept notes receiving PPF support.</li> <li>6. SAP funding proposals developed with PPF resources should be submitted to the Board within two years of PPF approval unless sufficient justification for an extension is provided.</li> </ol>
<b>IV. Funding proposals</b>			
4.1	Funding proposal pipeline	Secretariat	The Secretariat will update the information on the GCF portfolio prior to each Board meeting and publish it on the GCF website. The SAP pipeline will be presented together with the regular pipeline report to the Board.
4.2	No-objection letter	NDA/focal point	<ol style="list-style-type: none"> <li>1. The NDA/focal point will provide a no-objection letter for each SAP funding proposal, in line with the GCF no-objection procedure in accordance with decision B.08/10.</li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
4.3	Funding proposal submission to the Secretariat	AE, Secretariat	<ol style="list-style-type: none"> <li>1. AEs will submit complete SAP funding proposals to the Secretariat via the SAP OSS with all the mandatory and requested annexes (including the no-objection letter) as specified in step 5.3 (3).</li> <li>2. The Secretariat will acknowledge the submission of the funding proposal package. This is completed automatically by the SAP OSS once the submission is recorded.</li> </ol>
<b>V. Secretariat analysis and independent technical assessment and recommendations to the Board</b>			
5.1	Analysis and recommendation	Secretariat	<ol style="list-style-type: none"> <li>1. The Secretariat will carry out necessary and appropriate second-level due diligence review of SAP funding proposals on a rolling basis.</li> <li>2. The Secretariat will assess compliance with GCF environmental and social safeguards, Environmental and Social Policy, Gender Policy, Indigenous Peoples Policy, financial policies and any other policies adopted by the Board, in addition to the performance of the project or programme against activity-specific criteria.</li> </ol>
5.2	Independent assessment	Independent TAP, AEs	<ol style="list-style-type: none"> <li>1. The independent TAP will conduct an independent technical assessment of the SAP project or programme proposal against activity-specific criteria, as defined in the initial investment framework (decisions B.09/05 and B.BM-2018/09) or in any successor policy thereto, and the provisions of this updated SAP policy.</li> <li>2. The independent TAP will prepare a report setting out their assessment findings and indicate whether or not they recommend the relevant SAP funding proposal for approval. The independent TAP review will be performed on a rolling basis.</li> <li>3. The Secretariat will facilitate the response from AEs to the assessment and recommendations from the independent TAP. The independent TAP assessment and the AE responses will be published on the GCF website.</li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
5.3	Submission of the documentation to the Board	Secretariat	<ol style="list-style-type: none"> <li>1. At each meeting of the Board, the Secretariat will report on the indicative pipeline of SAP concept notes and funding proposals, [ including those which are expected to be considered by the Board through a decision between Board meetings (see stage 6.1)].</li> <li>2. Only those SAP funding proposals that are recommended for approval by both the Secretariat and independent TAP reviews will be submitted to the Board for consideration.</li> <li>3. The Secretariat will submit the following funding proposal package for consideration by the Board:               <ol style="list-style-type: none"> <li>(a) The final completed funding proposal template as submitted by the AE;</li> <li>(b) No-objection letter(s);</li> <li>(c) The Secretariat's assessment of compliance with safeguards and policies and performance of the project or programme against activity-specific criteria and a cover note containing a summary of the second-level due diligence carried out and the funding recommendation by the Secretariat;</li> <li>(d) Independent TAP assessment;</li> <li>(e) Response of the AE to the independent TAP assessment;</li> <li>(f) Environmental and social report(s) disclosure (if applicable);</li> <li>(g) Gender assessment and action plan;</li> <li>(h) List of proposed conditions resulting from the review process;</li> <li>(i) Term sheet; and</li> <li>(j) Any other relevant annex.</li> </ol> </li> </ol>
<b>VI. Consideration and approval of funding proposals</b>			
6.1.	Decision	Board	<ol style="list-style-type: none"> <li>1. All SAP funding proposals shall be approved by the Board.</li> </ol>



KEY STAGES AND INDIVIDUAL STEPS	ACTOR(S)	RESPONSIBILITY AND TASK
		<p>2. Ordinarily, SAP funding proposals will be considered at Board meetings. [Where the SAP funding proposals that were included in the pipeline report under step 5.3(1) are ready for Board consideration they will be considered between Board meetings through a decision without a Board meeting pursuant to the procedure outlined in paragraph 4 below. SAP proposals to be considered between Board meetings will be sent not more than three times per year around the mid-point of the timeframe between regular Board meetings.]</p> <p>3. <b>Consideration at a Board meeting.</b> When a SAP funding proposal is considered at a Board meeting, the Board takes a decision to:</p> <ul style="list-style-type: none"> <li>a. Approve the funding proposal; or</li> <li>b. Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or</li> <li>c. Reject the funding proposal.</li> </ul> <p>4. <b>[Consideration between Board meetings.</b> In respect of SAP funding proposals to be considered between Board meetings:</p> <ul style="list-style-type: none"> <li>a. After notification to the Co-Chairs of the SAP funding proposals that are ready for Board consideration between Board meetings such SAP funding proposals ready for Board consideration will be transmitted to Board members and alternate Board members, together with a proposed project or programme-specific decision, which will invite Board members to approve the decision on a no-objection basis within a review period of 21 days. At the same time the proposal is transmitted, each proposal will be shared with active observers for information and commenting purposes.</li> <li>b. If more than one SAP proposal will be sent to the Board, those individual proposals and their related decisions will be sent as a batch between meetings of the Board.</li> <li>c. Simultaneously with the submission to the Board, the relevant SAP funding proposals will be published on the GCF website and disclosed pursuant to the GCF Information Disclosure Policy. In case of projects or programmes where the environmental and/or social risks and impacts are classified as limited, the relevant environmental and social safeguards reports/documents will be disclosed by GCF and the relevant AE in</li> </ul>



KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			<p>accordance with the requirements under the Information Disclosure Policy and the Environmental and Social Policy for Category B or I2 projects or programmes.</p> <p>d. During the 21-day review period, the Secretariat can receive written comments from Board members, alternate members and active observers, and will strive to respond to the comments of Board members and alternate members, undertaking efforts to coordinate such responses with the independent TAP and the relevant AE. The submissions and responses will be shared with all Board members, alternate members and active observers.</p> <p>e. If, during the 21-day review period, Board members submit objections, requests for changes or requests for conditions related to a SAP funding proposal and/or decision, the Co-Chairs will attempt to work through or facilitate discussions with the Board member(s) submitting such objections. If requested by a Board member and/or deemed useful by the Co-Chairs, the latter may facilitate technical sessions and/or discussions among Board members and alternate members on related submissions.</p> <p>f. If, at the end of the 21-day review period, no Board member has an outstanding written objection or request for a change or condition, to a SAP funding proposal and or the decision, the funding proposal will be approved. If, at the end of the 21-day review period, there is an outstanding written objection or request for a change or condition, in relation to a SAP funding proposal, the proposed SAP funding proposal will be considered by the Board at the next scheduled Board meeting.]</p>
6.2	Post-approval follow-up	Secretariat	<ol style="list-style-type: none"> <li>1. Pursuant to stage 6.1 above, the Secretariat will inform the Board, the AE and the NDA/focal point of the Board's decision and the next steps in relation to any approval conditions.</li> <li>2. If the SAP proposal is approved, the Secretariat will inform the Board members and alternate members, the AE, the relevant NDAs/focal points and the active observers; also communicate the approval decision to the Trustee; and publish the decision on the GCF website.</li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			3. In the case of rejection by the Board, the Secretariat will inform the NDA/focal point that, in accordance with decision B.BM-2017/10, they may request reconsideration of the funding decision via the Independent Redress Mechanism.
6.3	Implementation of Board conditions	Secretariat	The Secretariat will report to the Board at each meeting on the status of implementation of any approval conditions and identify any matters that require further Board action. The SAP report on implementation will be presented in coordination with the regular implementation report to the Board.
<b>VII. Legal arrangements for approved proposals</b>			
7.1	Funded activity agreement	Secretariat, AE	<ol style="list-style-type: none"> <li>1. The Secretariat will work with AEs to conclude any necessary legal arrangements between GCF and the AE.</li> <li>2. Legal agreements will be signed by the GCF Executive Director and the AE.</li> <li>3. The Trustee will be notified.</li> <li>4. The NDA/focal point will be informed of the outcome of the funded activity agreement.</li> </ol>
7.2	Letter of commitment	Trustee	The Trustee will provide a letter of commitment, subject to the availability of funding.
7.3	Funding proposal conditions	Secretariat, AE, Board	The Secretariat will assess the conditions attached to SAP funding proposals by the Board and, in the event any such condition is considered by the Secretariat to be inconsistent with GCF policies, the Secretariat will make a recommendation to the Board for further guidance and, pending such guidance, the relevant condition will be deemed inapplicable (decision B.16/02(I)).

### Annex III: Secretariat actions to increase the efficiency and effectiveness of SAP

Action	Expected impact/benefit for the AEs	Description and potential impact (to come)	Preparation	Appraisal	Disbursement/implementation
SAP capacity-building programme and technical assistance	Increased number of DAEs submitting SAP funding proposals with prospective higher number of SAP proposal from DAEs approved in the medium term/end of GCF-1.	With the Readiness Programme and PPF, develop and deploy a SAP-tailored capacity-building programme, coupled with specific technical assistance, targeting in particular DAEs and NDAs, to facilitate their access to SAP and accelerate the development of their proposals.	F & A		
SAP documents simplification	Reduced preparation time and efforts for AEs.	To reduce the time and effort to prepare and review SAP proposals, the Secretariat will develop a shorter template for the SAP concept notes and to the extent possible for the other funding proposal package annexes. Consistent with SAP simplified requirements, SAP funding proposals will require only a pre-feasibility study in lieu of a full feasibility study and SAP proposals will not require a full economic/financial model for public sector projects/programmes unless deemed necessary by the Secretariat.	A & S	A & S	
Simplification of the SAP review	Simplified, streamlined and consistent appraisals by the Secretariat and independent TAP.	Develop a review checklist to streamline the review of the SAP funding proposals. This will accelerate and facilitate the review process and simplify the preparation of the proposals while providing clarity to the AEs on the expected quality standard at entry.	S	A & F	
SAP review capacity expansion	Reduced feedback time to the AEs for reviewing SAP projects and programmes and a	Cost-effectively expand the SAP review capacity through the support of technical experts provided by professional firms. The coordination and quality control process will remain with the Secretariat, which would continue to review and recommend each proposal.		A	

Action	Expected impact/benefit for the AEs	Description and potential impact (to come)	Preparation	Appraisal	Disbursement/implementation
	higher level of predictability for AEs on when the technical feedback from the Secretariat on their SAP submissions will be received.				
SAP fast tracking	Reduced preparation time and efforts for the AEs coupled with accelerated/simplified appraisal.	<p>The Secretariat will (i) promote a set of SAP funding proposal guided templates in climate areas widely demanded by developing countries. This can save time/resources for the project preparation and facilitate and accelerate the review of those SAP projects that followed the guidance provided.</p> <p>(ii) Identify certain small-scale activities ready to be scaled up/replicated in coordination with other climate funds including other entities of the UNFCCC financial mechanism. This can discount the preparation stage as feasibility/pre-feasibility studies which would need to be updated but not developed from scratch.</p>	A, F & S	A & F	
SAP Results-Based Monitoring and Reporting System (SAP RBMR)	Reduced time/complexity for AEs for the annual reporting during the SAP funding proposal implementation stage.	The Secretariat will develop guidance on post-approval monitoring and reporting. This action will allow a simplification of the annual performance reports with an impact on acceleration of the disbursements and implementation of SAP projects.			A & S
Accelerate post-approval processes	The AEs can expect that, in general, SAP-approved funding proposals are expedited for FAA effectiveness and can	Expedite and expedite the clearance of conditions that might be attached to the approval of SAP funding proposals in order to accelerate the inception of the activities to be funded.			A

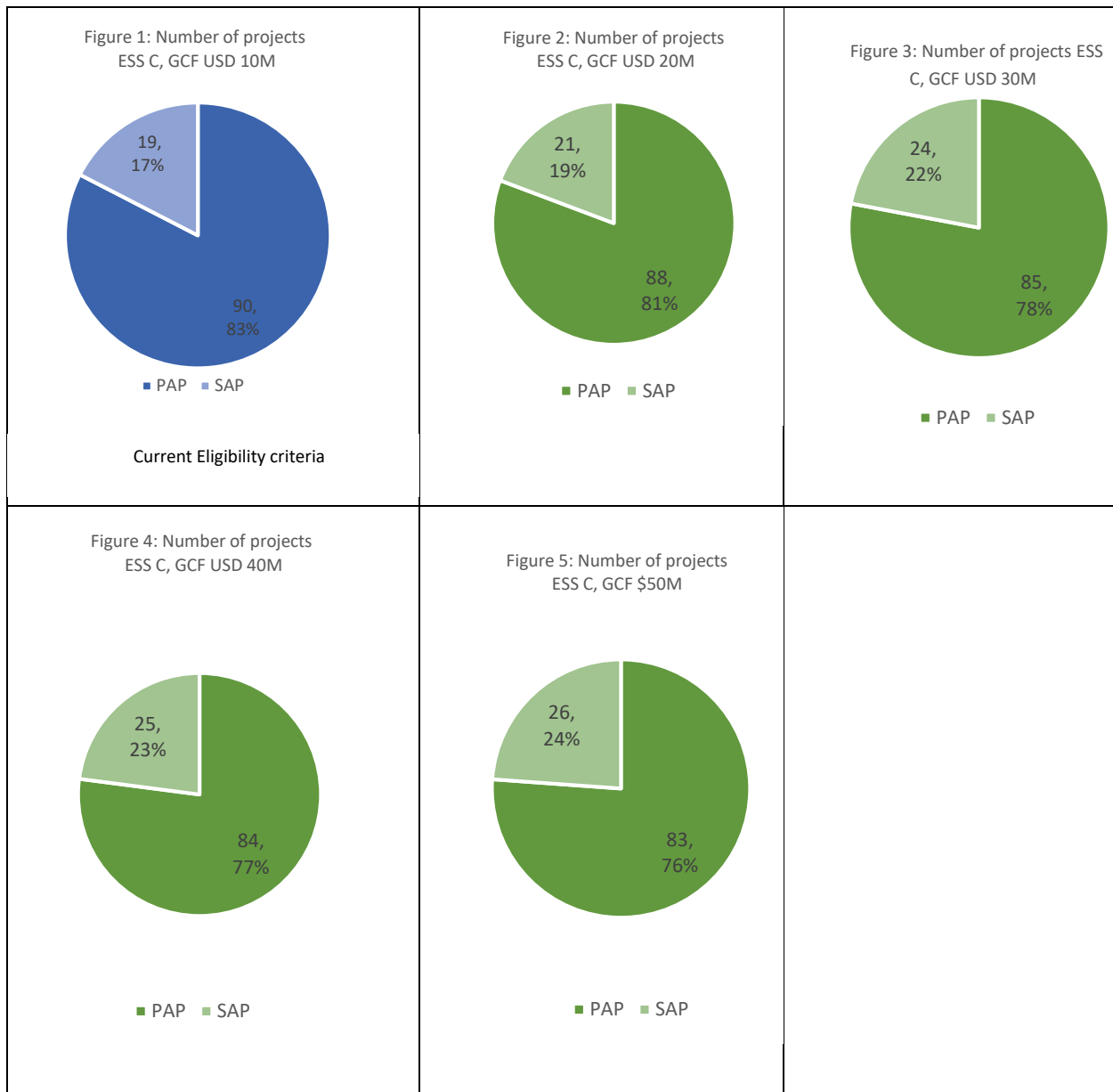


Action	Expected impact/benefit for the AEs	Description and potential impact (to come)	Preparation	Appraisal	Disbursement/implementation
	enter into the implementation stage shortly after approval.				

Abbreviations: DAEs = direct access entities, SAP = simplified approval process, PPF = project preparation facility, NDA = national designated authority, AE = accredited entities, A = acceleration, S = simplification, F = facilitation, TAP = independent Technical Advisory Panel, UNFCCC = United Nations Framework Convention on Climate Change, FAA = funded activity agreement

## Annex IV: Analysis scenarios for the increment of GCF financing and environmental and social safeguards expansion

1. To understand the potential impact that a change in the funding threshold parameter could yield, the Secretariat looked back at the portfolio of approved simplified approval process (SAP) and regular project approval process (PAP) projects between 1 January 2018 and 31 December 2020. This period covers the three full calendar years throughout which the SAP has been implemented alongside the PAP.
2. The analysis considers three scenarios and reports how many more projects could have been eligible for SAP consideration if the eligibility criteria would have been changed according to the following parameters:
  - (a) The GCF contribution limit had been raised to USD 20 million, USD 30 million, USD 40 million and USD 50 million, maintaining the level of ESS risks and impacts to minimal to none (Category C/I3); and
  - (b) If the ESS risks and impacts were expanded to limited risks (Category B/I2) with no expansion to the current level of the GCF contribution (USD 10 million); and if the ESS risks and impacts were expanded to limited risks (Category B/I2) while raising the GCF contribution to USD 20 million, USD 30 million, USD 40 million and USD 50 million.
3. Each of these two scenarios is then further broken down to highlight the specific impact of the changes to the abovementioned SAP eligibility criteria in the case of (i) SAP proposals submitted by direct access entities (DAEs); (ii) SAP proposals in the private sector; (iii) SAP proposals in private sector adaptation; and (iv) SAP proposals in cross-cutting projects.
4. While there is no specific predictive value that can be inferred from the analysis presented here, one of the main findings is that an expansion of GCF finance for SAP projects and programmes, not coupled with an expansion of the ESS risk category (to limited risks/impacts) would have had a limited impact on the projects that would have been approved as SAP if the eligibility criteria for SAP were different in the period under observation.
5. On the contrary, if the ESS risk category had been expanded to limited risks/impacts (B/I2), with an increase of GCF finance from USD 10million to USD 20 million, this would have lead to an increase of 13 more SAP proposals approved during the observed period, which in percentage terms corresponds to a 41 per cent increase.
  - (i) **Scenario 1 – ESS Category C/I3 and different levels of GCF contribution within the limit of the small-scale activities (USD 20 million, USD 30 million, USD 40 million and USD 50 million)**
6. **Figure S1/1–6:** Changes in all SAP projects approved in the reference period (2018–2020) if ESS category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million



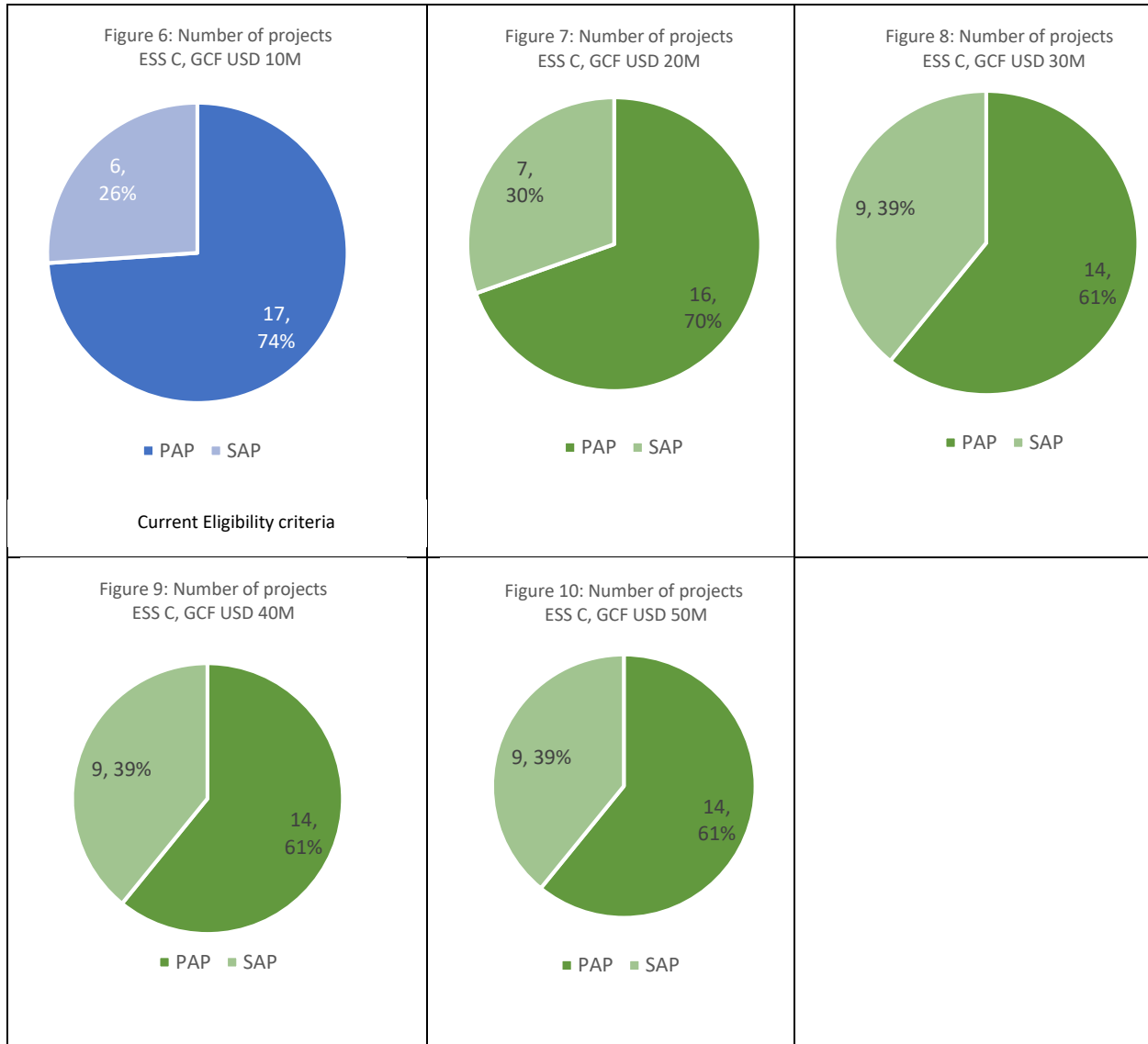
Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

7. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the ESS risk category from Category C/13 to B/12 would have had a limited impact on the amount of SAP projects that would have been approved. Even when expanding the GCF contribution to the maximum limit of small-scale activities (USD 50 million), the increase of approved SAP proposals would have been only 7 per cent over the baseline.



8. **Figure S1/6–10:** Changes in SAP projects approved submitted by **DAEs**, in the reference period (2018–2020) if ESS category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million.



Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

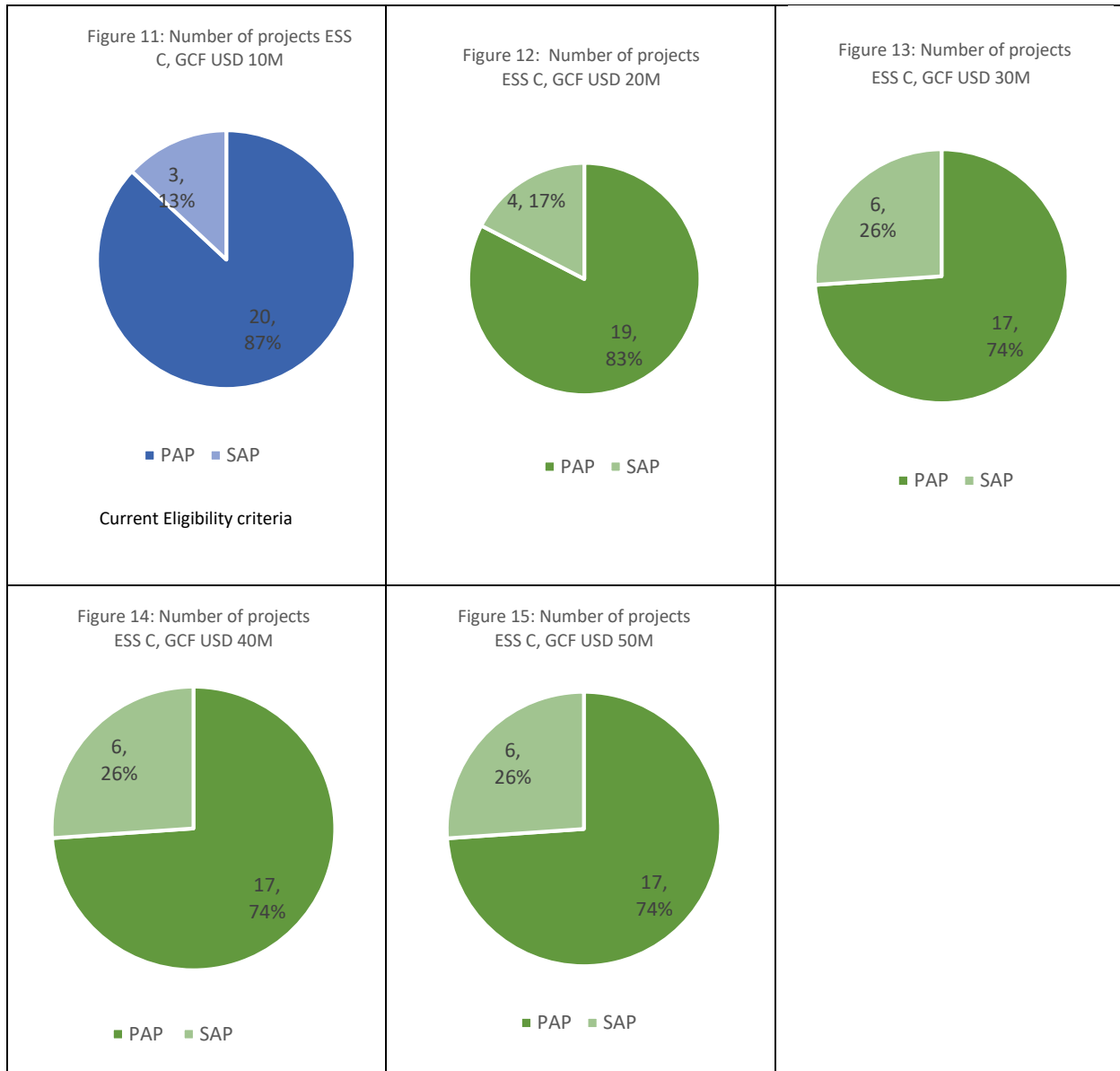
9. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the ESS risk category from C/I3 to B/I2, would have had a limited impact on the number of SAP projects submitted by DAEs. In percentage terms, even expanding the GCF contribution to the maximum limit of small-scale activities (USD 50 million), would have implied a nominal



increase of 13 per cent over the baseline. However, given the overall limited amount of approved GCF DAE proposals over the three years under consideration, the actual increase in terms of number of SAP proposals approved from DAEs would have been of only three funding proposals over the three years under consideration.

10. **Figure S1/ 11–15:** Changes in SAP projects approved for **private sector** in the reference period (2018–2020) if the ESS category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million.

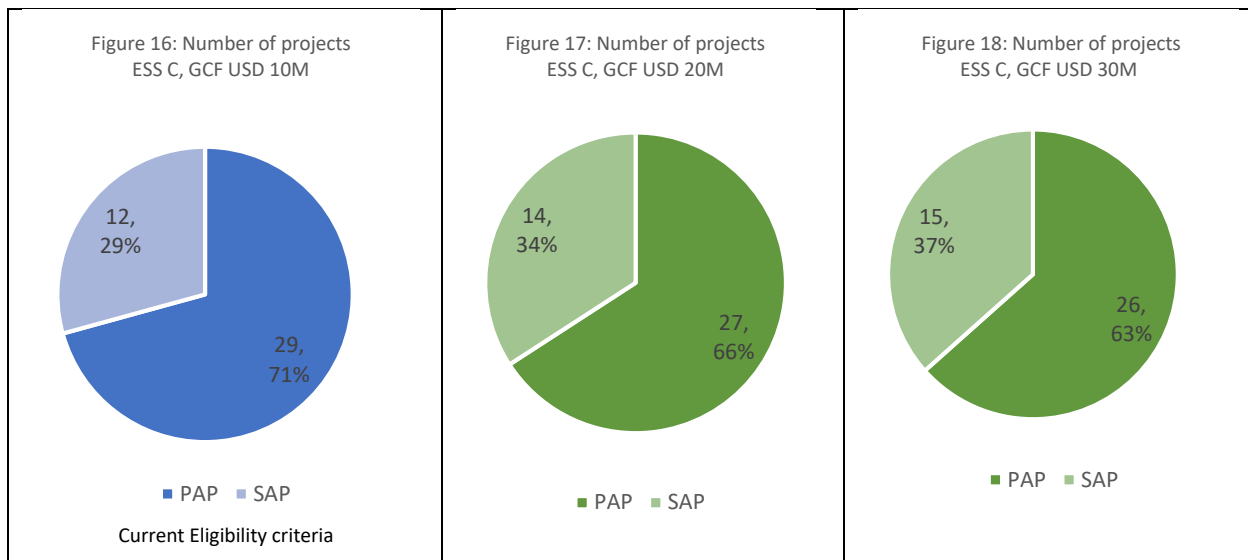


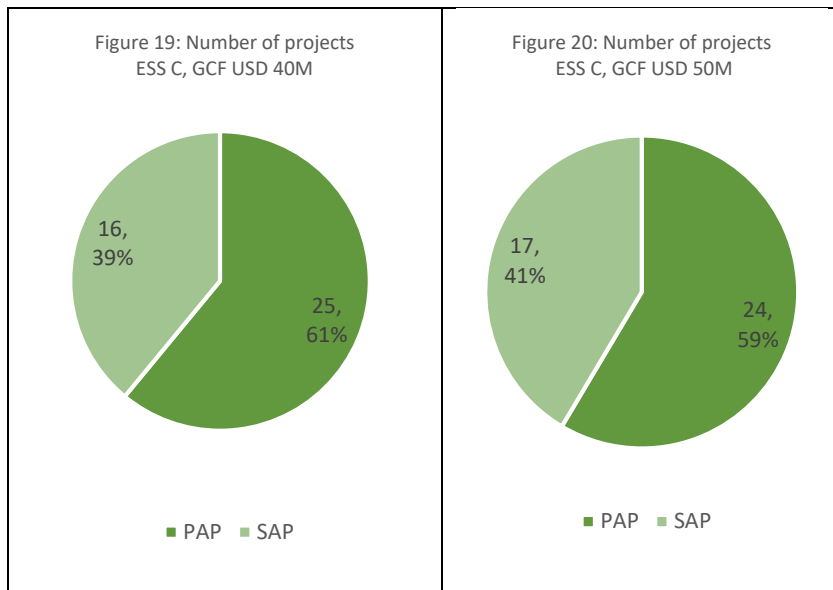
*Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process*

11. **Finding:**

(a) Expanding only the amount of GCF finance, without an expansion of the ESS risk category from C/I3 to B/I2, would have had an impact on the amount of private sector SAP. Already expanding the GCF contribution to USD 30 million doubles the amount of SAP private sector projects that would have been approved. Raising the GCF contribution over this amount would not have increased the number of SAP private sector projects in the portfolio. As with the analysis of DAE proposals, only 23 private sector projects were approved in the three years, therefore the extrapolation of this finding might be limited.

12. **Figure S1/16–20:** Changes in SAP projects approved in **adaptation** in the reference period (2018–2020) if the ESS category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million



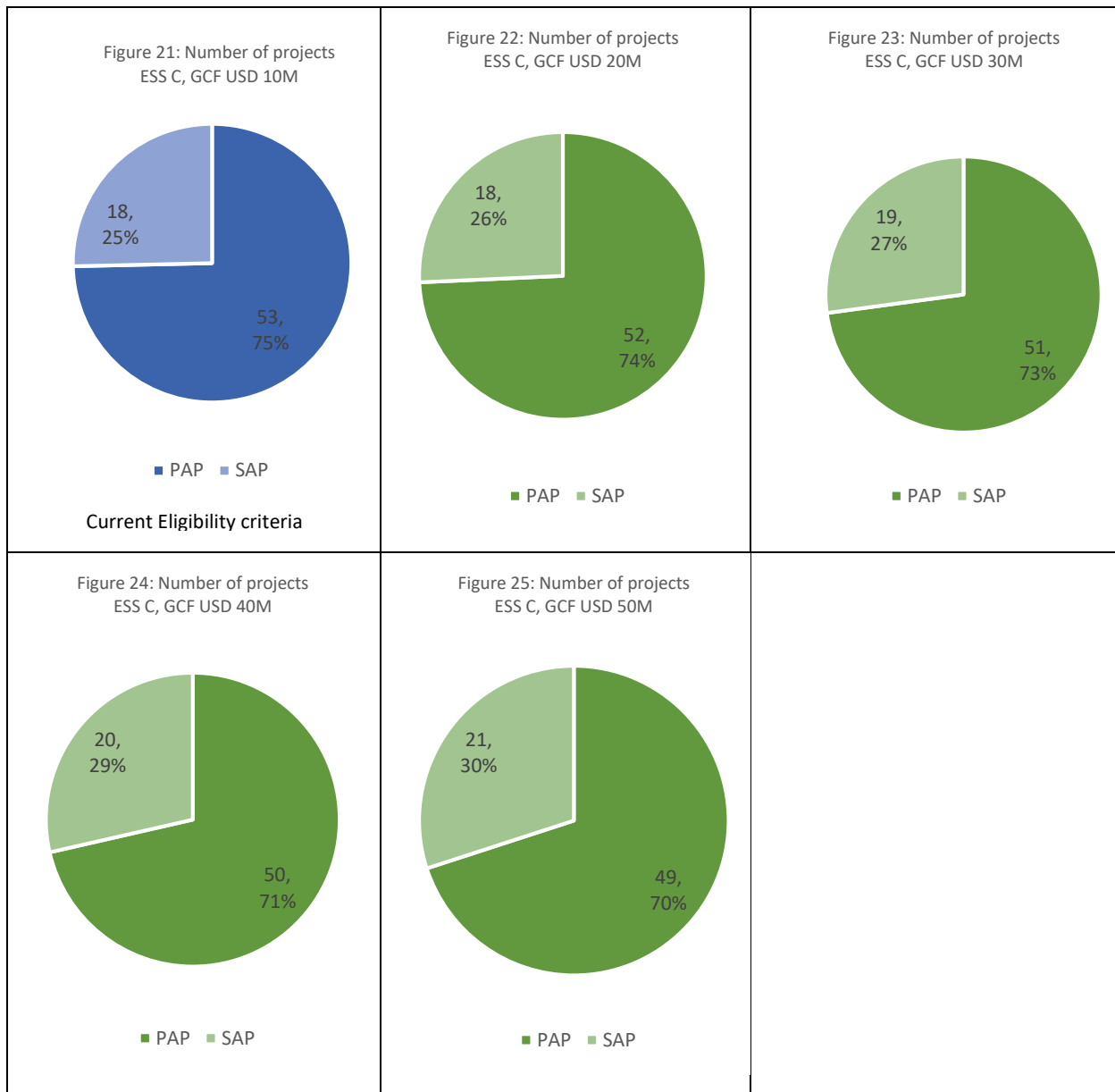


Abbreviations: *ESS* = Environmental and Social Safeguards category, *M* = million, *PAP* = Proposal Approval Process, *SAP* = Simplified Approval Process

13. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the ESS risk category from C/I3 to B/I2, would have had a moderate impact on the number of SAP adaptation projects. Expanding the GCF contribution to USD 50 million would increase the number of SAP projects in adaptation by 12 per cent, from 12 to 17 (5 more approved SAP adaptation proposals over 3 years). The rate of increase also seems well proportionate to the rise in the amount of GCF funding.

14. **Figure S1/21–25:** Changes in SAP projects classified as **adaptation/cross-cutting** approved in the reference period (2018–2020) if ESS category is unchanged (category C/I3) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million



Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

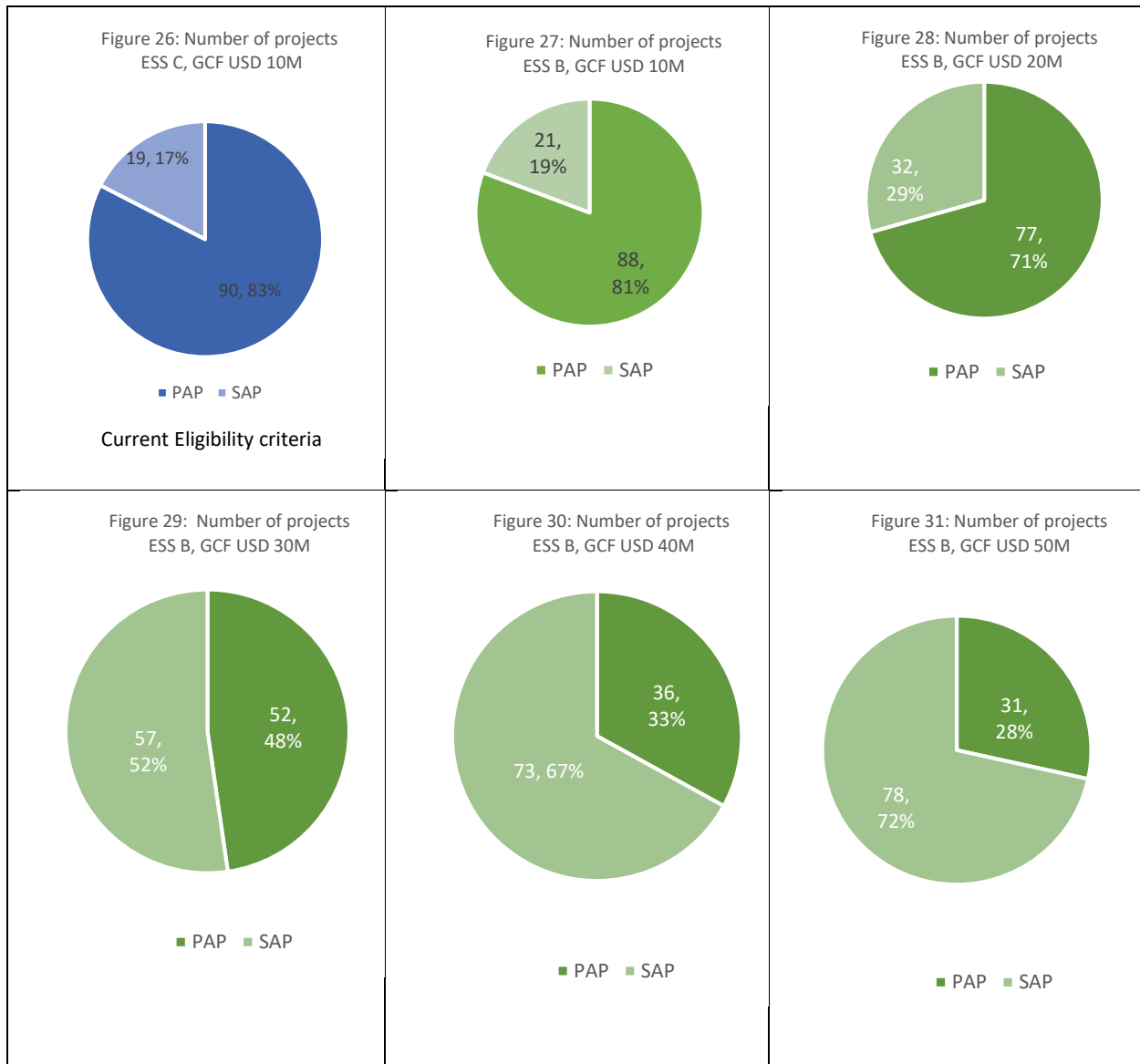
15. **Finding:**

- (a) Increasing only the amount of GCF finance, without a change in the ESS risk category from C/I3 to B/I2, would have had a minimal impact on the amount of SAP adaptation and cross-cutting projects. Expanding the GCF contribution to USD 50 million would increase the number of SAP projects in adaptation and cross-cutting only by 5 per cent, corresponding to just 3 more approved adaptation/cross-cutting SAP proposals over a period of 3 years.



(ii) Scenario 2 – ESS Category B/I2 and increased levels of GCF contribution within the limit of the small-scale activities (USD 20M, USD 30M, USD 40M and USD 50M)

16. Figure S2/ 26–31: Changes in all SAP proposals approved in the reference period (2018–2020) if ESS category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million

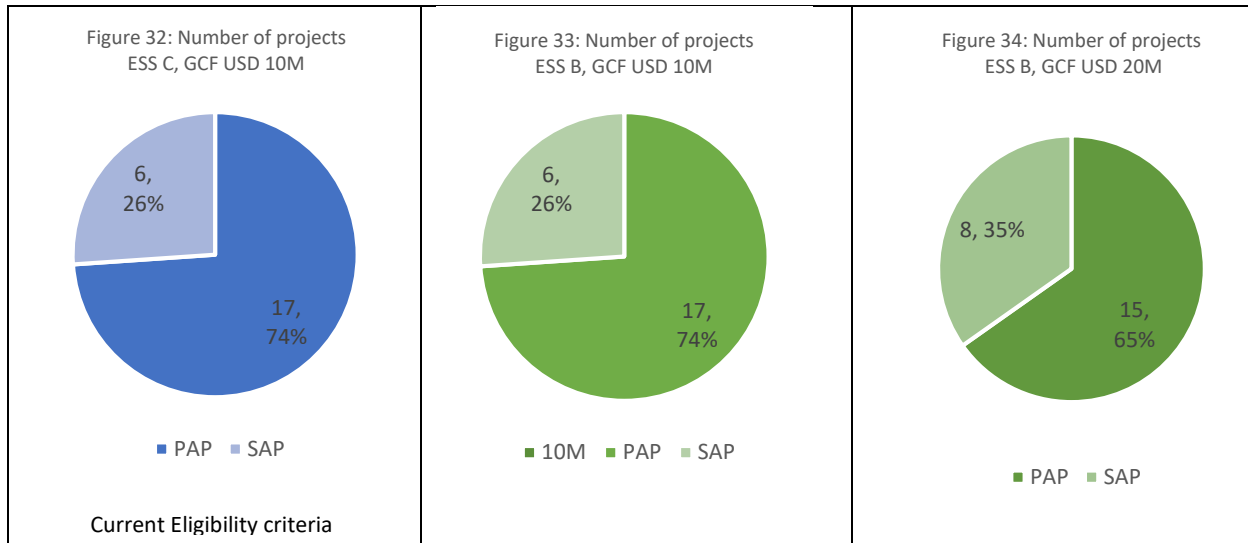


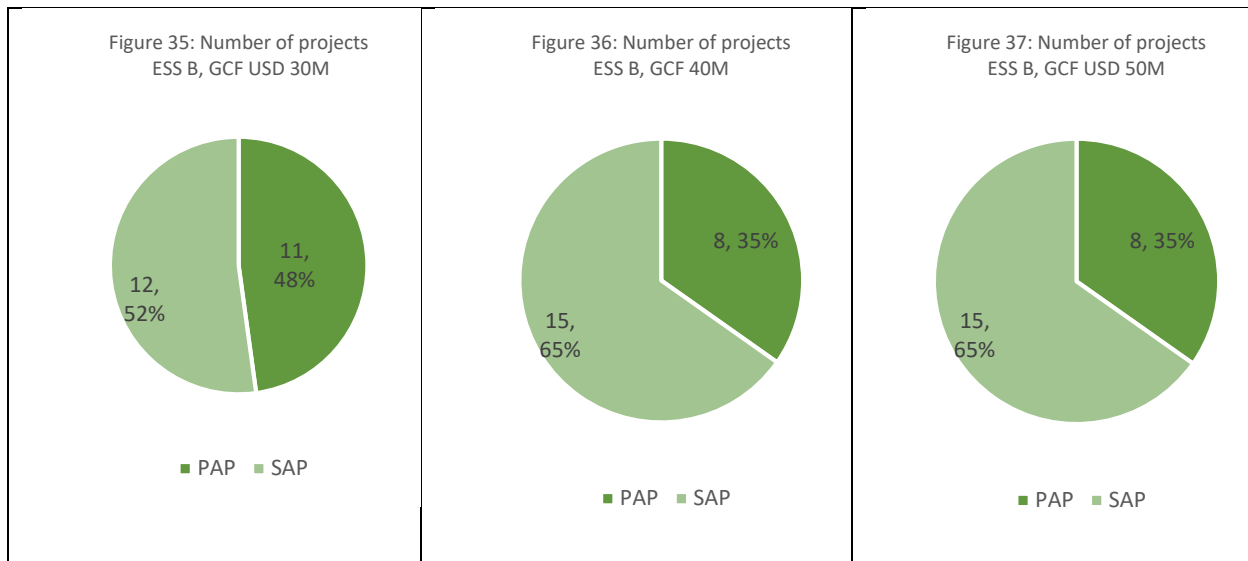
Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

17. **Findings:**

- (a) Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding, would have entailed a minimal impact on the amount of approved SAP. Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding, would have caused minimal impact on the number of approved SAP proposals. The increase would be only two more approved SAP proposals over a period of three years.
- (b) On the other hand, the expansion of the ESS risks/impacts from Category C/I3 to B/I2, coupled with the increase of the amount of GCF funding would have significantly impacted the number of proposals that would have been approved under the SAP.
- (c) Increasing the amount of GCF finance to USD 20 million, the number of approved SAP proposals would have been 32, with an increase of 13 funding proposals (68 per cent increase). With an increase in GCF finance to USD 30 million, the amount of approved SAP would have increased from 19 to 57, representing 38 additional SAP proposals approved (200 per cent increase). At the maximum GCF funding increase of USD 50 million for small-scale activities the amount of approved SAP would have increased by 59 additional proposals (311 per cent increase).

18. **Figure S2/32–37:** Changes in SAP proposals approved submitted by **DAEs** in the reference period (2018–2020) if the ESS category is expanded to limited risks (Category B/I2) and the GCF financing is increased to USD 20 million, USD 30 million, USD 40 million and USD 50 million



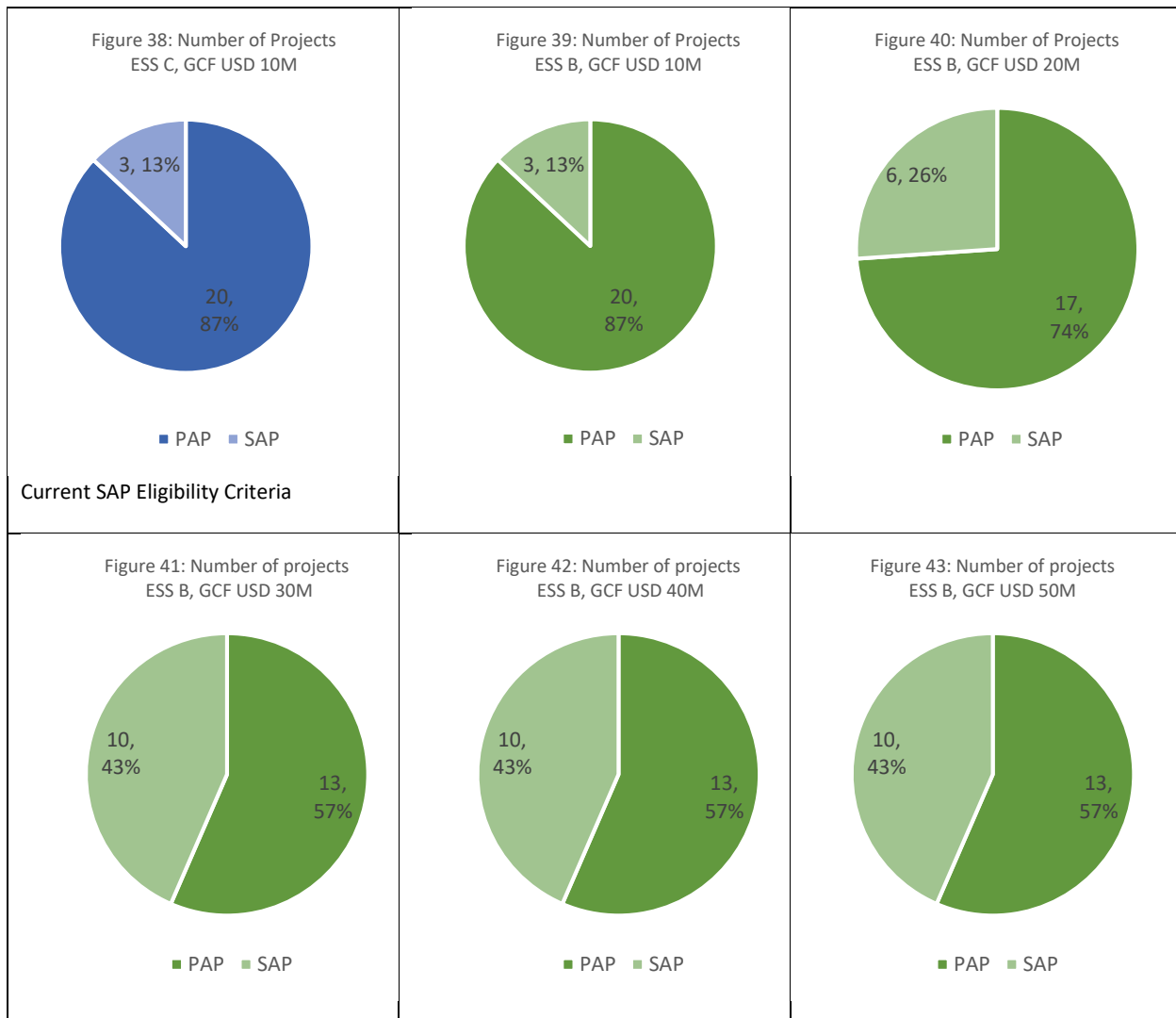


Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

19. **Findings:**

- (a) Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have entailed no impact on the number of approved SAP proposals from DAEs.
- (b) On the other hand, the expansion of the ESS risks/impacts from Category C/I3 to B/I2 coupled with the increase in the amount of GCF funding would have impacted the number of proposals approved as SAPs. With an increase in GCF finance to USD 30 million, the number of approved SAP proposals would have doubled. With an increase in GCF finance to USD 40 million and above, the number of approved SAP would have increased from 6 to 15, which means that 65 per cent of all approved DAE proposals would have been SAPs.

20. **Figure S2/38–43:** Changes in SAP proposals approved for **sector** in the reference period (2018–2020) if the ESS category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million.



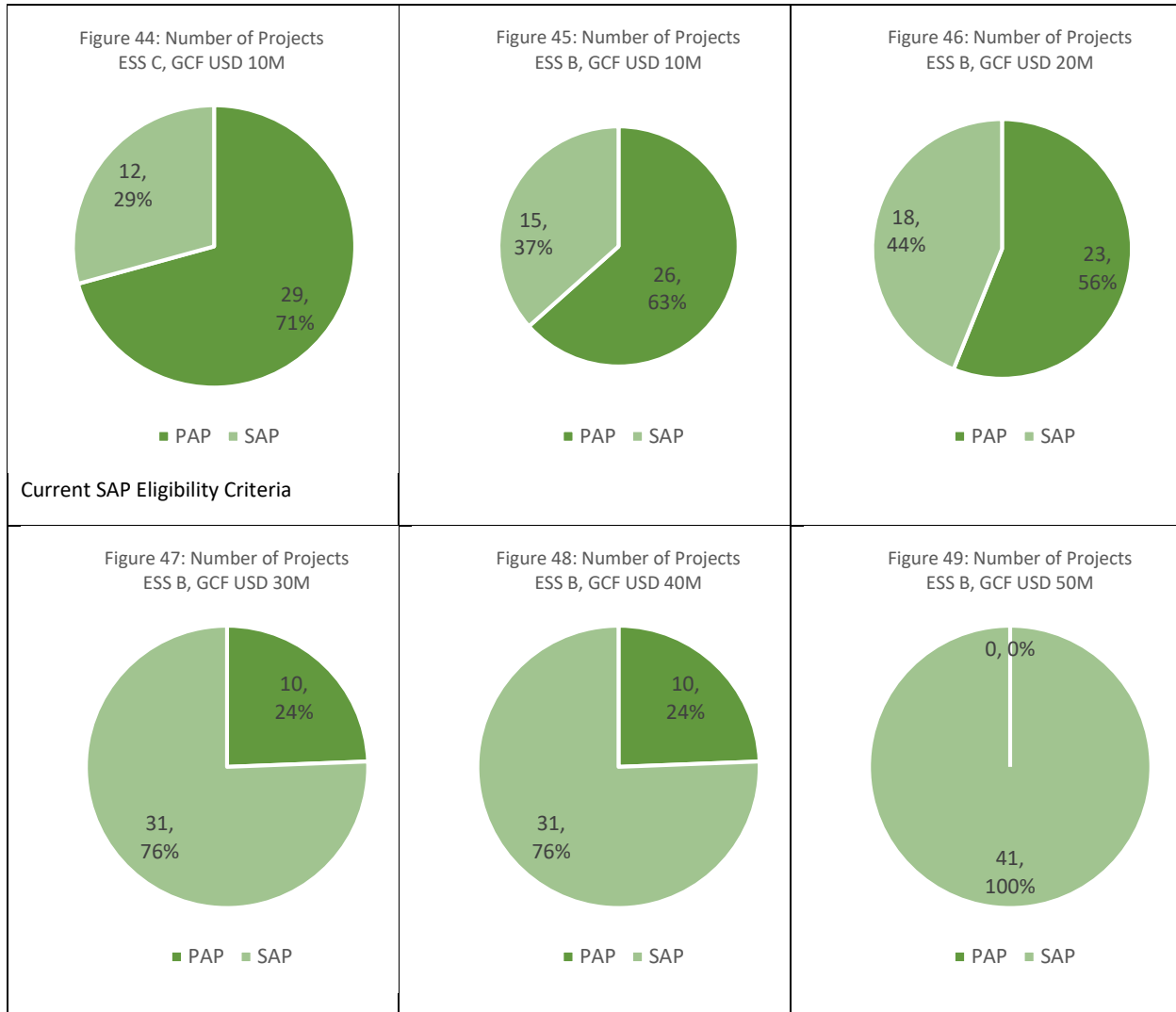
Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

21. **Findings:**

- (a) Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have entailed no impact on the number of approved SAP.
- (b) On the other hand, the expansion of the ESS risks/impacts from Category C/I3 to B/I2 coupled with the increase of the amount of GCF funding would have impacted the number of private sector proposals approved as SAP. With an increase in GCF finance to USD 20 million, the number of approved private sector SAP proposals would have doubled. With an increase in GCF finance to USD 40 million or USD 50 million, the amount of approved SAP would have increased from 3 to 10, which means that more than 40 per cent of all approved GCF private sector proposals would have been SAPs.



22. **Figure S2/44–49:** Changes in SAP proposals approved in **adaptation** in the reference period (2018–2020) if the ESS category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million



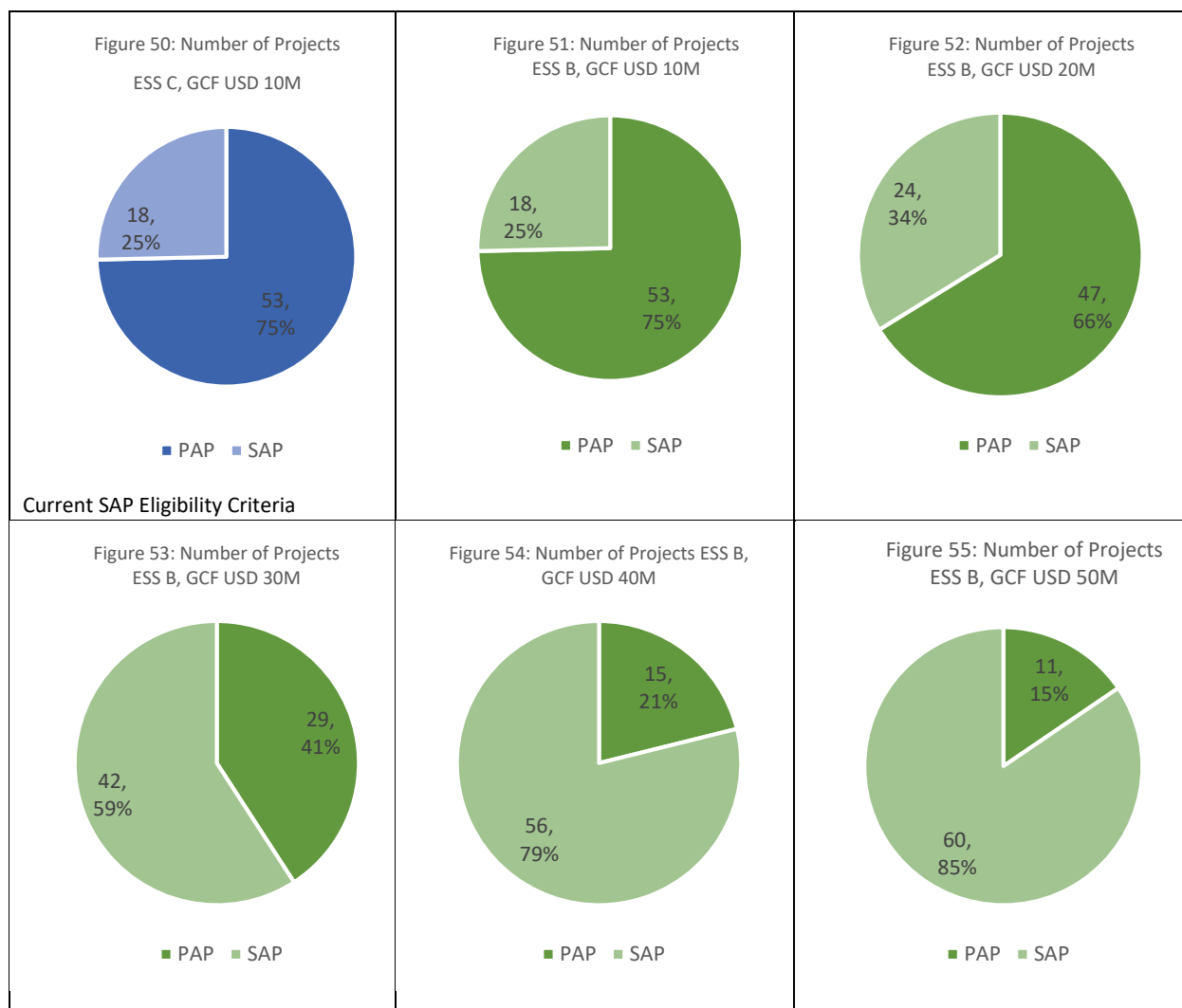
Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

23. **Findings:**

- (a) Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would create a minimum impact on the number of approved SAP adaptation proposals, which would increase only by three projects.
- (b) On the other hand, the expansion of the ESS risks/impacts from Category C/I3 to B/I2 coupled with the increase of the amount of GCF funding would have a major impact on the

number of proposals that would have been approved as SAP. With an increase in GCF finance to USD 20 million, the number of approved adaptation SAP proposals would have increased 50 per cent, from 12 to 18. With an increase in GCF finance to USD 30 million, most of GCF approved adaptation proposals would have been SAPs and with a GCF contribution increased to USD 50 million, the entire portfolio of GCF-approved adaptation proposals would have been SAP.

24. **Figure S2/50–55:** Changes in SAP proposals approved in **adaptation/cross-cutting** in the reference period (2018–2020) if the ESS category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 30 million, USD 40 million and USD 50 million



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*Abbreviations: ESS = Environmental and Social Safeguards category, M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process*

25. **Findings:**

- (a) Expanding only the ESS risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have entailed no impact on the number of approved adaptation/cross-cutting SAPs.
  - (b) On the other hand, the expansion of the ESS risks/impacts from Category C/I3 to B/I2, coupled with the increase of the amount of GCF funding would have a remarkable impact on the number of adaptation/cross-cutting proposals approved as SAP. Already with a rise in GCF finance to USD 30 million, most of GCF-approved proposals would have been SAPs (59 per cent of the entire GCF approved adaptation/cross-cutting portfolio) and with a GCF contribution increased to USD 40 million or USD 50 million, almost the entire portfolio of GCF-approved adaptation and cross-cutting proposals would have been SAP.
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