



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**

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**GCF/B.32/05**

25 April 2022

## Update of the simplified approval process

**Summary:** *This policy package has been prepared for agenda item 8(a) on policy consultations, in line with the B.31 decision by which the Board agreed and confirmed the dates and venue of B.32, noting that the first two days will be sessions for policy consultations.* This document responds to decision B.18/06 and B.25/08 that mandated the Secretariat to further develop the SAP. This document submits for the consideration of the Board a set of options to update the SAP. The document takes into account comments from Board members received on versions of the Update of the SAP that were formally presented to the Board at B.28 and B.30. It takes into account the comments that the Board made during those meetings, as well as the comments received in three formal rounds of Board consultations, comments received in three technical sessions held for all Board members, alternate Board members and advisors, and 20 consultation sessions held with individual Board members or groups of Board members. It also takes into consideration the results of the Secretariat-commissioned review of the SAP, the assessment of the SAP by the IEU and Board comments thereon, and the SAP-related mandates included in the GCF's updated Strategic Plan. This draft differs from the version considered at B.30 by, among other things, (a) proposing to increase the level of GCF funding that can be provided for SAP projects/programmes to USD 25 million, while maintaining a discussion of the range of options submitted at B.30 for increasing that level of GCF funding; (b) including a provision noting as a baseline existing key performance indicators for certain SAP-related actions and calling for their annual review, and when feasible, appropriate increases in their ambition; (c) including a discussion on establishing a principle for the presumed existence of climate rationale for SAP adaptation proposals; (d) including as an addendum, a table which compares the SAP versus PAP review processes in terms of the Secretariat/independent TAP review workflow and includes steps relating to post-approval processes; and (e) including an option for removing the reference to a SAP-specific capacity-building programme with the understanding that capacity-building for SAP, PAP and other issues would be dealt within the context of the Readiness Programme.

## I. Background

1. Paragraph 31 of the Governing Instrument for the GCF (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 GI calls on the GCF Board to “develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities.” 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) “are 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 four years. During that time (and through the thirtieth-first meeting of the Board (B.31)), 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), a higher percentage than were approved under the regular proposal approval process (PAP) in terms of the total portfolio. 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) 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
- (a) Measures to further improve efficiency and effectiveness of the SAP.

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 the Board (GCF/B.25/12) along with an initial IEU assessment of that review 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, in June 2020, the Independent Evaluation Unit (IEU) completed its full assessment of the SAP, posted it on its website, and later (in March 2021) formally submitted it to the Board (GCF/B.28/18). In addition, the IEU held two technical sessions<sup>1</sup> for interested Board members and, more recently, the IEU assessment, together with a

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<sup>1</sup> The IEU held a webinar on the independent assessment of the SAP in May 2020 and a co-chairs consultation session on in September 2021.

Secretariat response thereto was discussed by the Board at B.30 where, in decision B.30/02, the Board took note of the IEU's findings and the Secretariat's management response.

6. Also relevant to the SAP, at B.27, the Board approved the Updated Strategic Plan for the GCF for 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.” More recently, at the Glasgow Climate Change Conference (COP 26) the United Nations Framework Convention on Climate Change (UNFCCC) noted the significant number of remaining policy gaps, including the SAP, and urged the Board to prioritize closing the policy gaps as a matter of urgency.

7. As requested in decisions B.18/06 and B.25/08, the Secretariat prepared, consulted and presented at B.28 a proposal to further develop the SAP. In addition, following the Board's discussion and subsequent informal consultations on the draft proposal submitted to B.30 (GCF/B.30/06), the Secretariat has prepared this document and proposal for Board consideration at B.32.

8. In all, over the last two years, the Secretariat has produced at least seven versions of the Update of the SAP and circulated to the Board four versions of it, taking into account three Board meeting engagements (B.25, B.28 and B.30), one Secretariat review of the SAP as called for in the original SAP decision (GCF/B.25/12), one IEU initial assessment of the Secretariat's review of the SAP pilot scheme (GCF/B.25/Inf.12), and one IEU Independent Assessment of the GCF's SAP Pilot Scheme (GCF/B.30/07), and Board comments submitted on those two SAP reviews. This document also takes into account three rounds of formal consultations with all Board Members, Alternate Board members and advisors held in the periods January 25-February 5 2021, July 19-August 10 2021 and April 05-12 2022, respectively. For those formal consultation rounds, three comment response matrixes were prepared (GCF/B.28/08/Add.02, GCF/B.30/06/Add.01, and GCF/B.32/05/Add.03) showing how the comments received were taken into account. In addition, compilations of comments received from Board members were published. Finally, in an effort to support symmetrical board consultation from both constituencies, the Secretariat held three technical sessions on the B.28, B.30 and B.32 versions of the Updated SAP policy, in February and September 2021 respectively. Furthermore, the Secretariat reached out to Board members, alternate Board members and advisors, held over twenty bilateral and group consultation meetings on SAP<sup>2</sup>, and summaries from these meetings are reported in GCF/B.30/06/Add.01 and GCF/B.32/05/Add.02).

9. The SAP review commissioned by the Secretariat, the IEU's assessment of the SAP and the subsequent comments of Board members have 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 to the PAP templates, in practice, the overall SAP requirements are only marginally simplified relative to the PAP. This is also reflected by the IEU Report of the Synthesis Study, which observed that “the goal of the SAP is valued by all major stakeholder groups, but it has not yet achieved its potential to meaningfully streamline the approval process or reach a different audience”<sup>3</sup> In addition, the SAP concept

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<sup>2</sup> Twenty bilateral consultations were carried out between May 2021 and March 2022. They encompassed twelve Board's seats represented by their respective Board Members, Alternate Board Members and Advisors.

<sup>3</sup> GCF/B.31/Inf.14 Annex I page 26 paragraph 76.

note is currently a mandatory and 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).

10. 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 Board consultations, deliberations and reviews.

11. Over the course of consultations and taking into account both comments received and the consideration of evaluations of the SAP, a number of changes have been made to the proposals consulted with the Board and submitted to B.28 and B.30. Specifically, and regarding the proposal being submitted to B.32:

- (a) This version proposes increasing the level of GCF funding that can be provided for SAP projects/programmes to USD 25 million, while maintaining a discussion of the range of options submitted at B.30 for increasing that level of GCF funding;
- (b) This version includes a provision noting as a baseline existing key performance indicators (KPIs) for certain SAP-related actions and calling for their annual review, and when feasible, appropriate increases in their ambition.
- (c) This version includes a discussion and option on establishing a principle for the presumed existence of climate rationale for SAP adaptation proposals based on the existence of the unequivocal evidence and science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge.
- (d) This version includes as an addendum, a table which compares the current SAP Pilot process, the proposed Updated SAP and the PAP review processes in terms of the Secretariat/independent Technical Advisory Panel (TAP) review workflow and includes steps relating to post-approval processes; and
- (e) This version includes an option for removing the reference to a SAP-specific capacity-building programme with the understanding that capacity-building for SAP, PAP and other issues would be dealt within the context of the Readiness and Preparatory Support Programme (Readiness Programme).

12. Over the course of the Board's consultations the number of options presented by Board members has increased, and the areas where there is a lack of consensus have become clearer. In an effort to support the Board in advancing the updated SAP proposal, the Secretariat has prepared the following list of questions covering the key outstanding issues for which there is currently no consensus:

- (a) Should SAP eligibility continue to be limited to risk category C proposals, or should it be expanded to include those with potential limited environmental and/or social risks and/or impacts (category B) and medium level of intermediation (I-2)?
- (b) Should the GCF contribution to SAP proposals be maintained at USD 10 million or be increased to USD 20, or 25 or 50 million, and if raising the limit is agreed, should the USD 50 million allowance be limited to specified circumstances?
- (c) Should the Board adopt the proposed process for the no-objection approval of SAP proposals between meetings?

- (d) Should SAP concept notes be made voluntary?
- (e) Should the Board agree a principle of the presumed existence of climate rationale for SAP adaptation proposals based on the existence of the unequivocal evidence and science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge?

## II. Policy rationale

13. 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 the requirements of the GCF and serve as a launching pad for scaling up their capacity to prepare larger projects and achieving higher levels of accreditation.

14. In terms of implementation, the SAP decision approved by the Board (decision B.18/06) called for proposals under the SAP Pilot 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 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 called for the post-approval process for approved SAP proposals to be undertaken in an expeditious manner where possible, including in relation to the clearance of any conditions and disbursements.

15. 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 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.

16. 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 states 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.

17. On the other hand, both the Secretariat-commissioned review and the IEU assessment (GCF/B.30/07) 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 was only 8–15 per cent faster than the PAP (median of 365 days compared with a median of 395 days);
- (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;
- (c) The Secretariat-commissioned review also noted that the SAP is not perceived to have improve the predictability and transparency of the project cycle; and
- (d) During interviews, all stakeholders 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.

18. Given the above, many AEs/DAEs (including private sector AEs/DAEs) have not seen the benefits of using the SAP. In fact, the IEU 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.

19. In summary, the SAP Pilot has attracted a higher percentage 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 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.

20. Both the Secretariat-commissioned review and the IEU 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 has not had the benefit of an “approved between meetings” approval modality, the possibility of which was suggested in the Board’s initial SAP decision (B.18/06);
- (b) The SAP has not benefited from a rolling independent TAP review of projects, as was called for in the guidance approved with the SAP Pilot decision. In addition, the March 2022 IEU Report of the Synthesis Study: An IEU deliverable contributing to the Second Performance Review of the Green Climate Fund (GCF/B.31/Inf.14) highlighted that the independent TAP reviews of SAP Funding Proposals are “insufficiently aligned with the SAP”, in particular the IEU noted that “the level of detail requested by iTAP on climate rationale seems high for the size, ESS level and type of the projects”;
- (c) The SAP 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.

21. On this latter point, it is important to stress that **as long as the SAP 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>4</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.**

22. One comment that appeared in a number of submissions from Board members was related to the IEU’s recommendation to the Board to 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 the GCF investment criteria for SAP or any programme. 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 16 Board meetings<sup>5</sup>. While the Secretariat had considered trying to evaluate the potential for SAP specific investment criteria in those papers, those papers had their own mandate. Given that, and the fact that the IEU related recommendation on investment criteria was directed to the Board<sup>6</sup>, the Secretariat has not included any specific provision on this issue in this paper and defers to the Board.

23. Beyond the review criteria itself, during Board consultations many<sup>7</sup> 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 to the SAP 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.

24. Section III of this document reviews the key proposed changes to the SAP that could require Board approval. Section III also reviews in greater detail a number of actions to develop SAP-related appraisal standards and enhance the efficiency and effectiveness of the SAP in line with decision B.18/06 and the direction articulated in the updated Strategic Plan (decision B.27/06).

25. 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 projected updated Strategic Plan programming capacity of approving 20–25 SAP proposals per year by the end of the first replenishment of the GCF (GCF-1) (decision B.27/06), and in fact, the SAP may face a continued reduction in its rate of utilization. This is because, as noted, if the core SAP and its information requirements remain largely unchanged, project proponents will continue to see little benefit from using the SAP, rather than the more broadly applicable PAP. Indeed, until B.30, the pipeline of SAP funding proposals was decreasing. In particular, due to the similarity in requirements, it currently takes a similar effort to prepare and review a micro-

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<sup>4</sup> Decision B.18/06, annex X, paragraph 1.

<sup>5</sup> Relevant decisions: decision B.07/06, decision B.09/05, decision B.19/07, and decision B.22/15

<sup>6</sup> Recommendation 2a page XXV “Independent assessment of the GCF Simplified Approval Process (SAP) Pilot Scheme”

<sup>7</sup> For more information on the consultations, please refer to documents GCF/B.28/08/Add.02, GCF/B.30/06/Add.01, GCF/B.30/06/Add.02, and GCF/B. 32/05/Add.03.

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.

26. On the other hand, the Secretariat projects that if 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<sup>8</sup> 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

27. 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.

28. In line with the structure of the Board's SAP decision points outlined above, the Secretariat is presenting a menu of proposals and potential changes for the Board to consider in crafting an update for the SAP. While some of those potential changes include suboptions, the presence or absence of suboptions 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:

- (a) Under paragraph 27(a) above:
  - (i) Expansion of SAP activities to those that entail limited adverse environmental and/or social risks and impacts; and
  - (ii) Increasing the GCF funding limit for individual SAP proposals to USD [20] [25] [50]<sup>9</sup> million from the USD 10 million GCF funding limit that was established by the Board for the SAP Pilot; and
- (b) Under paragraph 27(b) above, and as requested by the Board in decision B.18/06:

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<sup>8</sup> GCF/B.32/05 Add. 01 presents a comparative analysis of the indicative appraisal timelines of the PAP, SAP Pilot and the Update of the SAP. Given the proposed simplification, acceleration and facilitation measures, of the Update of the SAP policy, and with the assumption that SAP proposals would still entail only minimal or no environmental and social risks/impacts and require an overall GCF funding amount up to 10 million US dollars, the analysis estimates a potential 30-32 per cent reduction of the appraisal time of the Update of the SAP compared to the PAP. The analysis considers the indicative best-case scenarios for each stage of the Secretariat/independent TAP reviews and post-approval stage (as indicated in the Programming Manual and Operations Manual) and does not account for the submissions/turnaround time needed by the AEs.

<sup>9</sup> Following B.30, during further Secretariat consultations with the Board, one Board member indicated there was convergence among Board members on increasing GCF financing for SAP to USD 25 million. The options presented here and throughout the rest of this paper reflect the outcomes of those consultations.

- (i) An option for the approval of SAP funding proposals without a Board meeting on a no-objection basis.
- (c) In addition, the following items address paragraph 27 (c) above: (iv) A proposal for the optional submission of SAP concept notes. Which would have to be approved by the Board; (v) a proposal from a group of Board members aimed at “targeting a higher % of direct entities in the SAP”; (vi) A proposal from one Board member to establish a principle for the presumed existence of climate rationale for adaptation projects and for the requirement for pre-feasibility studies to be aligned with this principle;
- (d) Finally, items addressing paragraph 27(c) above will be addressed in section III (vii) 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. 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.” One limitation of the SAP Pilot 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.

30. One option presented for the Board’s consideration to update the SAP has been to expand SAP 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 Revised Environmental and Social Policy. In terms of impact, this proposal was seen by the Secretariat commissioned review as a way to incentivize the use of SAP and facilitate an expansion of access, including for private sector entities. On the other hand, and as noted by several Board members, this expansion would lead to increased risk and elevate the complexity of the preparation, review and implementation of related Category B proposals compared with the current SAP. Because the option of expanding SAP eligibility to category B/I2 projects still has the support of some Board members, it is being retained in the proposal for consideration by the Board at B.32. In addition, during consultations of the draft Update of the SAP policy paper, a Board member suggested a phased approach in which eligibility would be expanded at a later point, after SAP had demonstrated its ability to further reduce times associated with Category C/I3 projects. A review of the potential implications of expanding the environmental and social risk and impact category for SAP is included in paragraphs 53 and 54.

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

31. In accordance with the SAP Pilot 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-scale activities.<sup>10</sup> In addition, the Secretariat had received Board member proposals to lift the GCF funding threshold to USD 50 million but only in cases where the proposal would scale up

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<sup>10</sup> Decision B.08/02 Annex I paragraph 12.

and/or replicate activities proven successful in other contexts, SAPs with an enhanced role for DAE(s), for programmatic SAP proposals or for SAP proposals with a Category C risk designation. During B.30 and in post-B.30 consultations, Board discussions seemed to suggest convergence on increasing the GCF contribution level to USD 20–25 million. However, given the absence of consensus on this issue, an analysis of the range of options formally proposed and their potential implications is included as annex III of this document. A review of the potential implications of expanding the GCF contribution for the preparation of SAP proposal is presented in paragraph 54.

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

32. 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.” 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>11</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 endeavours to maintain consistency with the Rules of Procedure for no-objection decisions taken without a Board meeting.

33. 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 with their related individual 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. If the Board decides to enable the approval of projects or programmes where the environmental and social risks and impacts are classified as limited, the relevant environmental and social safeguards 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

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<sup>11</sup> Decision B.18/06 (c)(ii).

12 projects or programmes. During the 21-day review period, the Secretariat can receive objections for approving the funding proposal without a meeting of the Board and/or written comments from Board members, alternate members and active observers and, time permitting, the Secretariat will facilitate a response to such comments, 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 an objection for approving the funding proposal without a meeting of the Board 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 requests 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 for approving the funding proposal without a meeting of the Board or request for a 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 decision on the SAP proposed would, consistent with paragraph 43 of the Rules of Procedure, “be considered by the Board at the following meeting.”

34. 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, including any conditions related to specific proposals. Further, any objection raised would not result in the proposal’s rejection; consistent with paragraph 43 of the Rules of Procedure, the decision on the proposal 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-related 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>12</sup> and save Board meeting time.

35. During the discussions among the Board at B.30, some Board members expressed disagreement with the proposal, stating, among other things that, the use of a in between Board meetings process for SAP approvals was not consistent with the GCF Rules of Procedure. While it is up to the Board to take related decisions, the Secretariat notes that paragraph 42 of the Rules of Procedure already anticipates Board action in this area, stating that “the Board will adopt guidelines to determine in which cases decisions without a Board meeting may be requested.” In addition, the draft decision in annex I of this document includes a provision making clear that the Board’s agreement to take SAP decisions through the proposed procedure does not prejudice any other decisions that the Board may take pursuant to paragraph 42 of the Rules of Procedure and the Board’s mandate to adopt guidelines on cases in which decisions without a Board meeting may be requested. Finally, in decision B.18/06, the Board took a consensus decision that specifically requested the Secretariat to “Develop a proposal for

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<sup>12</sup> As elaborated in GCF/B.28/08, paragraph 32, page 8.

approving funding proposals brought forward under this Pilot Scheme between meetings of the Board.” With this proposal, the Secretariat has fulfilled that mandate.

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

36. As presented at B.30 in the policy paper Update of the simplified approval process (GCF/B.30/06) and noted in the IEU 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 proposal’s environmental and social 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 project’s 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 choose to submit a shorter concept note. In contrast, proponents wishing to skip the concept note stage will submit related requirements in their funding proposal submissions. However, these proponents might face some risks related to the lack of an early feedback from the Secretariat on the eligibility of their proposals for SAP. 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**

37. 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>13</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.”

38. 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 has proposed the deployment of a SAP-tailored capacity-building programme which, in coordination with the Readiness Programme and the Project Preparation Facility (PPF), would 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. Whether these actions take place in the context of the Readiness work programme or the SAP policy, 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

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<sup>13</sup> GCF/B.28/08/Add.02.

project submissions and approvals, with the potential to consistently maintain the amount of SAP proposals in the pipeline above 50 per cent.

**(vi) Establishment of a principle for the presumed existence of climate rationale for adaptation projects and for the requirement for pre-feasibility studies to be aligned with this principle**

39. As an option for updating the SAP, one Board member submitted a proposal calling for the establishment of a principle for the “presumed existence of climate rationale for SAP adaptation projects”, where the basis for such a presumption would be, inter alia, the existence of unequivocal evidence and scientific opinion from the Intergovernmental Panel on Climate Change, and local and traditional knowledge. Consequently, this option is being included in this document and in the annex that follows. The Secretariat interprets the proposal as meaning that where there is clear international scientific consensus over the current climate and future climate projections for a specific target region, combined with local evidence and knowledge of the related impacts, that there should be no requirement for unnecessary additional analysis to demonstrate said impact. This is entirely consistent with guidance in development within the ‘Steps to enhance climate rationale’ policy paper.

40. Consistent with the Board’s workplan and decision B.19/06, the issue of climate rationale in the review and approval of funding proposals, an updated proposal on that issue is expected to be put forward for the consideration at a future Board meeting. The Board Member’s proposal will be linked to, and integrated into, the Board’s consideration of the ‘Steps to enhance climate rationale’ paper, as they requested.

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

41. 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>14</sup> Many of those comments also raised particular issues noted in the IEU and Secretariat-commissioned reviews of the SAP.

42. **Develop a SAP capacity-building and project development programme:** In its B.30 proposal, the Secretariat had framed the Readiness work it is doing in support of SAP as a capacity-building and project development programme targeting, in particular, DAEs and NDAs and private sector AEs, to facilitate their access to the SAP, and supporting the acceleration and development of the SAP proposals. Moreover, the Secretariat noted that its work with AEs, and particularly DAEs, will provide specific project preparation technical assistance to SAP funding proposals, in coordination with the PPF. This assistance will support, in particular, DAEs in both the development and finalization of their SAP proposals. The Secretariat will continue to carry out this work. That said, one Board member requested that this discussion be excluded from the SAP proposal and should instead be integrated in the wider PAP support provided under the Readiness Programme, so the Board may wish to consider whether it wants to retain this provision in the policy.

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<sup>14</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).

43. **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, as noted above, if agreed by the Board, the Secretariat would make concept note submission for SAP projects voluntary. Further, the Secretariat will deploy a more focused and streamlined concept note template for AEs or NDAs opting to submit a SAP concept note.

44. **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 to 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.)

45. **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.

46. **Develop guided templates to fast-track preparation and review of SAP proposals:** 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, resilient 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 for both the development and review processes; and
- (b) Identify certain small-scale activities with proven-record of implementation under Climate Funds ready to be scaled up or replicated, in coordination with other climate funds including other entities of the UNFCCC financial mechanism, such as the Global Environment Facility, the Least Developed Countries Fund, Special Climate Change Fund (SCCF), and the Adaptation Fund<sup>15</sup>, while ensuring no duplication of activities in individual countries. This should accelerate the preparation stage because pre-

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<sup>15</sup> In alignment with the GCF "Operational framework for complementarity and coherence" set by decision B.17/04.

feasibility studies could be updated to address the specific project context rather than developed from scratch.

47. **Developing SAP programming 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) financing innovative approaches and implementation modalities; (2) clarify what scaling up means in the context of the SAP; (3) identify the opportunity to unlock private sector finance; 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.

48. **Simplifying the review criteria for the SAP and developing different and tailored investment criteria.** Regarding IEU recommendation 2(a)<sup>16</sup>, 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 subcriteria under the impact potential and paradigm shift potential criteria of the GCF investment framework,<sup>17</sup> and their analysis can be further strengthened as recommended by the IEU. As regards tailored investment criteria, and as noted above (paragraph 22), this recommendation was directed to the Board rather than to the Secretariat.

49. **Developing and enforcing transparent and predictable business standards for every step of the SAP 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 responses to the IEU assessment of the SAP (GCF/B.28/18/Add.01; GCF/B.30/07/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 the IEU. Regarding this recommendation and recommendation 6(b) calling for the establishment of KPIs, the Secretariat has established and the Board through decision B.30/09 approved KPIs and related targets for key SAP milestones. These KPIs should be considered as a baseline, and they will be reviewed annually to consider both the feasibility of increasing their related ambition and lessons learned from the implementation of the Update SAP with a view to ensuring its continued improvement over time. As these KPIs relate to incentivizing the Secretariat’s staff to efficiently processing SAP proposals, it should be noted that all approved KPIs in the annual Secretariat’s work programme are reflected in the relevant Secretariat’s staff annual delivery plans and, consequently, achieving those KPIs, including the existing KPIs on SAP, is embedded in individual and divisional annual performance evaluations.

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<sup>16</sup> Page XXV “Independent assessment of the GCF Simplified Approval Process (SAP) Pilot Scheme”

<sup>17</sup> Decision B.09/05.

50. **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 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.

51. Table 1 below summarizes the actions that the Secretariat intends to complete in 2022 to further simplify the SAP and outline the benefits for the applicant AEs and NDAs/focal points 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 simplified approval process**

	Updated simplified approval process	Proposal approval process	Expected benefit for the applicant 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 FP templates and requiring only a pre-feasibility study; and (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 with the PAP translates to less time and resources needed for project preparation and appraisal.
	SAP guided templates to fast-track preparation: (i) SAP FP guided templates by sector/type of projects that are in demand for SAP-sized interventions; and (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	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



	Updated simplified approval process	Proposal approval process	Expected benefit for the applicant using SAP
	preparation of all studies from scratch.		factors that will make the Secretariat and independent TAP reviews faster.
Appraisal	Simplification of the SAP review achieved through a checklist-based review tool that identifies and makes the essential appraisal elements clear.	PAP review completed as per the GCF Programming Manual	A simplified checklist-based review tool accelerates the appraisal of SAP compared with PAP proposals and contributes to more streamlined assessments. In addition, it provides the AEs with clarity on the expected level of quality at entry and type of information required when developing a SAP proposal.
	SAP-specific expansion of the Secretariat review capacity for SAP proposals through the support of technical experts provided by reputable firms.	Secretariat review completed as per the Programming Manual, with GCF divisions leading the appraisal	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.
Approval	Approval of SAP funding proposals at Board meetings and via between Board meeting decisions	Approval of PAP FPs at Board	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
Disbursement	Expedited clearance of SAP FAA conditions to signing, effectiveness and first disbursement by: (i) Developing templates for legal opinion/s that the AEs issue and other post-approval templates such as FAA templates <sup>18</sup> . (ii) Implementing in a fit-for-purpose manner the requirement pertaining to the issuing authority of legal opinion/s; (iii) Developing for each SAP proposals with the AEs transparent timelines for the fulfilment of conditions related to FAA signing, effectiveness and first disbursement, and standardizing the fiduciary and operational conditions to expedite their review and clearance; and	As per the GCF Programming Manual the first disbursement to be made within maximum 360 days after approval	The AEs can expect that approved SAP FPs are expedited for FAA effectiveness and can enter the implementation stage shortly after approval provided that the AEs themselves have approved the relevant SAP project/programme prior to submitting the FP to the GCF Board.

<sup>18</sup> For the avoidance of doubt, GCF will not develop or provide subsidiary agreement templates because GCF is not a party to subsidiary agreements.

	Updated simplified approval process	Proposal approval process	Expected benefit for the applicant using SAP
	(iv) Develop and monitor a post-approval service standard to track how the timelines agreed for each SAP FP are met.		
	The preparation and review of the 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.	APRs and the subsequent disbursements are completed as per the GCF Programming Manual	The SAP-specific results-based reporting system is expected to simplify the AEs' reporting requirements while allowing a faster verification by the Secretariat that the conditions for subsequent disbursements have been achieved.

*Abbreviations:* AE = accredited entity, AF = Adaptation Fund, APR = annual performance report, CN = concept note, DAE = direct access entity, FAA = funded activity agreement, FP = funding proposal, PPF = Project Preparation Facility, PAP = regular proposal approval process, SAP = simplified approval process, TAP = independent Technical Advisory Panel.

**(ix) 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 B.32 version of the Update of the SAP 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. 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 preparation and review process, and that raising the risk profile and/or significantly raising the level of GCF funding eligible for SAP consideration inevitably carries with it increased complexity for the SAP proposals' preparation and overall risk to the GCF relative to the existing SAP eligibility criteria. In such a situation, consideration might be given to accompanying those changes with a change in the GCF 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. Table 2, below, summarizes the main proposed changes of the Update of the SAP and the implications of these changes in relation to project risks and simplifications for the preparation and review of SAP projects/programmes. For example, the mechanism for the approval of SAP proposals by no-objection between Board meetings is a simplification action without any impact on project risk, as SAP proposals will undergo the appropriate level of due diligence while the Secretariat and independent TAP can review and the Board can approve more frequently through a process that mimics the current approval procedure during Board Meetings. While a simplification action with an impact on project risk would be to make the SAP CN an optional step. Making SAP concept notes voluntary raises the risk that AEs will spend time and resources on SAP FPs where project activities might be classified as being ineligible for SAP.

56. 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 environmental and social risks and impacts classified as "minimal to none". These actions could be linked to many of the simplification actions reviewed above, including the guided templates to fast-track the preparation 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 GCF. 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.

57. 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 guided templates to fast-track preparation 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 GCF. 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.

58. 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.

**Table 2: Proposed actions and potential impacts on simplifications or project risks for the preparation and review of SAP projects/programmes**

	<b>Options considered</b>
Simplification without impact on project risk	No-objection approval without a Board Meeting (paragraph 32-35)
Simplification with impact on project risk	Optional submission of Concept Notes (paragraph 36);
Expansion of project GCF funding without impact on simplification	N/a
Expansion of project GCF funding with impact on simplification	Up to 50 million (paragraph 31, 53, and 54)
Expansion of project E&S risks without impact on simplification	N/a
Expansion of project E&S risks with impact on simplification	Expansion of SAP eligible activities to limited environmental and social risks/impacts (Cat B/12) (paragraph 29, 30, 53, and 54)

*Abbreviations: E&S = environmental and social, N/a = not applicable, SAP = simplified approval process.*

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

59. 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;
- (a) Enhance access to GCF climate finance, especially for DAEs, LDCs and SIDS;
- (b) Expand the number of projects that can be approved under the SAP modality – if coupled with an accelerated approval modality; and
- (c) Increase the speed of deployment of GCF funding.

60. It should be noted that the potential development, review and approval of up to 20–25 SAP proposals a year<sup>19</sup> 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 (60-70), considering the current 4-year average<sup>20</sup> of 35 submissions of SAP concept notes per year. 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 an on-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 coordinating appraisal of proposals in order to ensure maintenance of the high appraisal

<sup>19</sup> Decision B.27/06, Annex VI, paragraph 16 (b), footnote 8.

<sup>20</sup> The period considered is from January 2018 to December 2021.

standards set by the GCF. In addition, final review of all proposals will remain within the Secretariat.

61. 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 re-designation 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.

62. 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.32, the Secretariat would expect to include an early report on lessons learned through the implementation of the SAP in its last 2022 report on the activities of the Secretariat.

## V. Budgetary implications

63. **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 take into account SAP implementation needs.

64. **Staffing:** The degree to which changes in the SAP may 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 and approved by the Board based on review of the Secretariat's capabilities (decision B.30/06) 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.

## **VI. Recommendations to the Board**

65. The Secretariat proposes that the Board considers the draft decision in Annex I.

## Annex I: Draft decision by the Board

The Board, having considered document GCF/B.32/05 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 update of the simplified approval process as set out in annex II and confirms that this decision supersedes decision B.18/06;
- (b) [Stresses that the procedure for the consideration of simplified approval process funding proposals in between Board meetings as included in annex II applies only to the simplified approval process and also 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 of the Board and related Board decisions calling for continued consultations on guidelines for the review of proposals without a Board meeting;]
- (c) Requests the Secretariat in close consultation with the independent Technical Advisory Panel and considering the rolling review procedure outlined in decision B.28/03, to simplify the process and reduce the information required for the review of the simplified approval process proposals in a manner that takes into account their smaller size and lower environmental and social risk category; and
- (d) [Also requests the Secretariat to consider and, where feasible, propose under the Secretariat’s annual work programmes new and progressively ambitious key performance indicators for the simplified approval process (including for the post-approval stage) taking into account, among other things, the recommendations provided in the Independent Assessment of the Simplified Approval Process Pilot Scheme (GCF/B.30/07) carried out by the Independent Evaluation Unit and the Secretariat’s management response thereto (GCF/B.30/07/ADD.01);]
- (e) [Agrees to a principle for the presumed existence of climate rationale for the review of adaptation funding proposals under the simplified approval process, approved under paragraph (a), based on the existence of unequivocal evidence and science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge. This work should be linked to, and integrated into, the ‘Steps to enhance climate rationale’ paper to be considered in an upcoming meeting of the Board.]

## 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 of certain activities, in particular 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 for 2020–2023.<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 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;
- (d) The modality for the review and monitoring of project/programme under 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> The SAP activity cycle has the same stages and steps approved by the Board for the proposal approval cycle.<sup>3</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. SAP proposals are expected to be 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:

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<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.

<sup>3</sup> Decision B.17/09.

- (a) Projects or programmes with a GCF contribution of up to USD [10 million] [20 million] [25 million] [50 million] [50 million, if such projects or programmes [scale up projects previously 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>4</sup>
5. The Secretariat shall take appropriate measures to encourage and provide support to direct access entities (DAEs) to submit projects or programmes under the SAP with the aim of ensuring that submissions from such entities constitute over time at least 50% of all approved SAP proposals.

### III. Origination, preparation and review

6. 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.
7. To further simplify, accelerate and facilitate access to the SAP, especially for 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:
- (i) The Secretariat will develop a further simplified template for SAP concept notes [and the submission of a SAP concept note will become an optional step]. The simplified template 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. AEs and NDAs wishing to get a clear early read from the Secretariat regarding project eligibility for SAP can choose to submit a shorter concept note. In contrast, AEs and NDAs wishing to skip the concept note stage will submit related requirements in their funding proposal submissions;

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<sup>4</sup> Decision B.19/10.

- (ii) 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 funding proposal, it can request the AE to provide additional information to ensure an appropriate appraisal;
  - (iii) 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; and
  - (iv) The Secretariat shall develop a specific simplified template for the SAP assessment findings report with the standards 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; and
- (c) **Develop a simplified review process:** The Secretariat will develop a review checklist/tool that will streamline the review of SAP proposals. This will accelerate and facilitate the review process and simplify the preparation of such proposals while providing clarity to the AEs on the expected quantity and quality of information in SAP funding proposals, as follows:
- (i) While reviewing a SAP funding proposals, 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 environmental and social risk and impacts of SAP proposals, and to present succinct assessment findings reports. The Secretariat and the independent TAP shall review SAP funding 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.
  - (iii) [While reviewing SAP funding proposals in adaptation, the Secretariat and independent TAP will apply a principle for the presumed existence of climate rationale based on the existence of unequivocal evidence and science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge. The Secretariat will update the guidelines for the SAP pre-feasibility studies in line with such principle of presumed existence of climate rationale for SAP adaptation funding proposals.]
- (d) **Developing SAP programming guidance:** This programming document will guide the GCF, NDAs and AEs on how to identify interventions that can (1) financing innovative approaches and implementation modalities; (2) clarify what scaling up means in the context of the SAP; (3) identify the opportunity to unlock private sector finance; and (4) promote the use of the SAP to address urgent climate change needs in developing countries, in particular in small island developing States (SIDS), least developed countries (LDCs) and African States; and

- (e) **Develop guided templates to fast-track preparation and review of SAP proposals:**  
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, resilient agriculture, access to clean energy and energy efficiency among others); and
  - (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**

8. 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.
9. In order to facilitate and expedite the start of project implementation, for each SAP funding proposal the Secretariat will work with the relevant AE to establish clear timelines for the fulfilment of conditions related to signing and effectiveness of the funded activity agreement and the first disbursement, and apply standardized fiduciary and operational conditions to the extent possible having regard to the specific structure or circumstances of the funding proposal. Towards this goal, SAP funding proposal packages are recommended to include certificates of internal approvals from the AEs. Standardized and fit-for-purpose post-approval templates will be developed by the Secretariat.
10. 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 monitoring of implementation progress of the simplified approval process**

11. 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.
12. [The Secretariat's key performance indicators (KPIs) for the SAP will be reviewed annually, and when feasible, the Board may agree increasingly ambitious KPIs to further incentivize the Secretariat staff's performance and improve, overtime, the SAP. In that regard, the following KPIs, which were approved by the Board in decision B.30/09 will serve as an initial baseline: (i) Total number and volume of SAP proposals submitted to independent TAP and, (ii) Percentage of SAP proposals reviewed within target service standards (concept notes and funding proposals).]

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

13. 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 and which have not been approved by the Board. AEs with proposals in the regular proposal 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.

14. 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	National designated authority (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 the country's nationally determined contributions, to the Secretariat, considering how the small-scale activities eligible for the SAP could 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 RFPs 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 (optional)</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/focal points can submit concept notes using the simplified SAP concept note 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 online submissions portal or other means made available to the AEs and NDAs/FP 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	On receipt of a concept note submission from an accredited entity, the Secretariat will seek confirmation from the national designated authority or focal point that the concept note fits under national priorities and country ownership.

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. The SAP pipeline will be presented with the regular pipeline report to the Board.
3.4	Feedback and recommendations on the concept note	Secretariat, NDA/focal point, AE	In consultation with the NDA/FP, the Secretariat will provide feedback and recommendations to the AE, and advises if the concept is endorsed, not endorsed with possibility of resubmission or rejected. At this stage, the Secretariat will confirm whether 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 that could be financed 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	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.

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 online submissions portal or other means made available to the AEs with all the mandatory and requested annexes (including the no-objection letter)</li> <li>2. The Secretariat will acknowledge the submission of the funding proposal package.</li> </ol>
4.4	Information disclosure	AE, Secretariat	In accordance with the information disclosure policy of the GCF
<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 the GCF environmental and social safeguards, Revised 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 a technical assessment of the SAP project or programme funding 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 its assessment findings and indicate whether or not it recommends the submitted SAP funding proposal for approval. The independent TAP review of SAP funding proposals 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 that 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 in their 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 completed funding proposal template as submitted by the AE;</li> <li>(b) No-objection letter(s);</li> <li>(c) Environmental and social report(s) disclosure (if applicable);</li> <li>(d) Gender assessment and action plan;</li> <li>(e) Term sheet; and</li> <li>(f) Other relevant annex.</li> <li>(g) 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 recommendation by the Secretariat;</li> <li>(h) Independent TAP assessment;</li> <li>(i) Response of the AE to the independent TAP assessment;</li> <li>(j) List of proposed conditions resulting from the review process;</li> </ol> </li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
<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> <li>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 funding proposals to be considered between Board meetings will be submitted not more than three times per year around the midpoint of the time frame between regular Board meetings.]</li> <li>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: <ol 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> </ol> </li> <li>4. <b>[Consideration between Board meetings.</b> In respect of SAP funding proposals to be considered between Board meetings: <ol 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 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 submitted to the Board, those individual proposals and their related individual decisions will be submitted together as a batch between meetings of the Board;</li> </ol> </li> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			<ul style="list-style-type: none"> <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 accordance with the requirements under the Information Disclosure Policy and the Environmental and Social Policy for Category B or I2 projects or programmes]];</li> <li>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 facilitate a response to the comments undertaking efforts to coordinate such responses with the relevant AE, and the independent TAP as needed. The submissions and responses will be shared with all Board members, alternate members and active observers;</li> <li>e. If, during the 21-day review period, Board members submit objections for approving the funding proposal without a meeting of the Board 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 requests. 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; and</li> <li>f. If, at the end of the 21-day review period, no Board member has an outstanding written objection for approving the funding proposal without a meeting of the Board or request for a condition to a SAP funding proposal, the funding proposal will be deemed as approved by the Board. If, at the end of the 21-day review period, there is an outstanding written objection or request for a 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.]</li> </ul>
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> </ol>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			<p>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. The Secretariat will also communicate the approval decision to the Trustee and publish the decision on the GCF website.</p> <p>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.</p>
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	<p>1. The Secretariat will work with AEs to conclude any necessary legal arrangements between GCF and the AE.</p> <p>2. Legal agreements will be signed by the GCF Executive Director and the AE.</p> <p>3. The Trustee will be notified.</p> <p>4. The NDA/focal point will be informed of the outcome of the funded activity agreement.</p>
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)).

*Abbreviations:* AE = accredited entity, DAE = direct access entity, NDA = national designated authority, PPF = Project Preparation Facility, RFP = request for proposal, SAP = simplified approval process, TAP = independent Technical Advisory Panel.

## Annex III: 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 proposal approval process (PAP) projects between 1 January 2018 and 31 December 2021. This period covers the four full calendar years throughout which the SAP has been implemented alongside the PAP.
2. The analysis considers two scenarios and reports how many more projects could have been eligible for SAP consideration if the eligibility criteria were to have been changed (substituting PAP with SAP in the GCF portfolio). The analysis considered the following variables:
  - (a) The GCF contribution limit had been raised to USD 20 million, USD 25 million, USD 30 million, USD 40 million<sup>25</sup> and USD 50 million, maintaining the level of environmental and social risks and impacts to minimal to none (Category C/I3); and
  - (b) If the environmental and social 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 environmental and social risks and impacts were expanded to limited risks (Category B/I2) while raising the GCF contribution to USD 20 million, USD 25 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 above-mentioned 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 environmental and social 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 environmental and social risk category had been expanded to limited risks/impacts (B/I2), with an increase of GCF finance from USD 10 million to USD 20 million, this would have led to an increase of 16 more SAP proposals approved during the observed period, which in percentage terms corresponds to a 66 per cent increase.
  - (i) **Scenario 1 – Environmental and social Category C/I3 and different levels of GCF contribution within the limit of the small-scale activities (USD 20 million, USD 25 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 (2018–2021) if the environmental and social risk and impacts category is unchanged (Category C/I3) and the GCF**

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<sup>25</sup> The GCF contribution funding limit to USD 30 million and USD 40 million are added for enhancing the sensitivity of the analysis and it is not one of the proposed options for the increase of the GCF funding among for SAP proposals reported in Annex II paragraph 4 (a).



financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



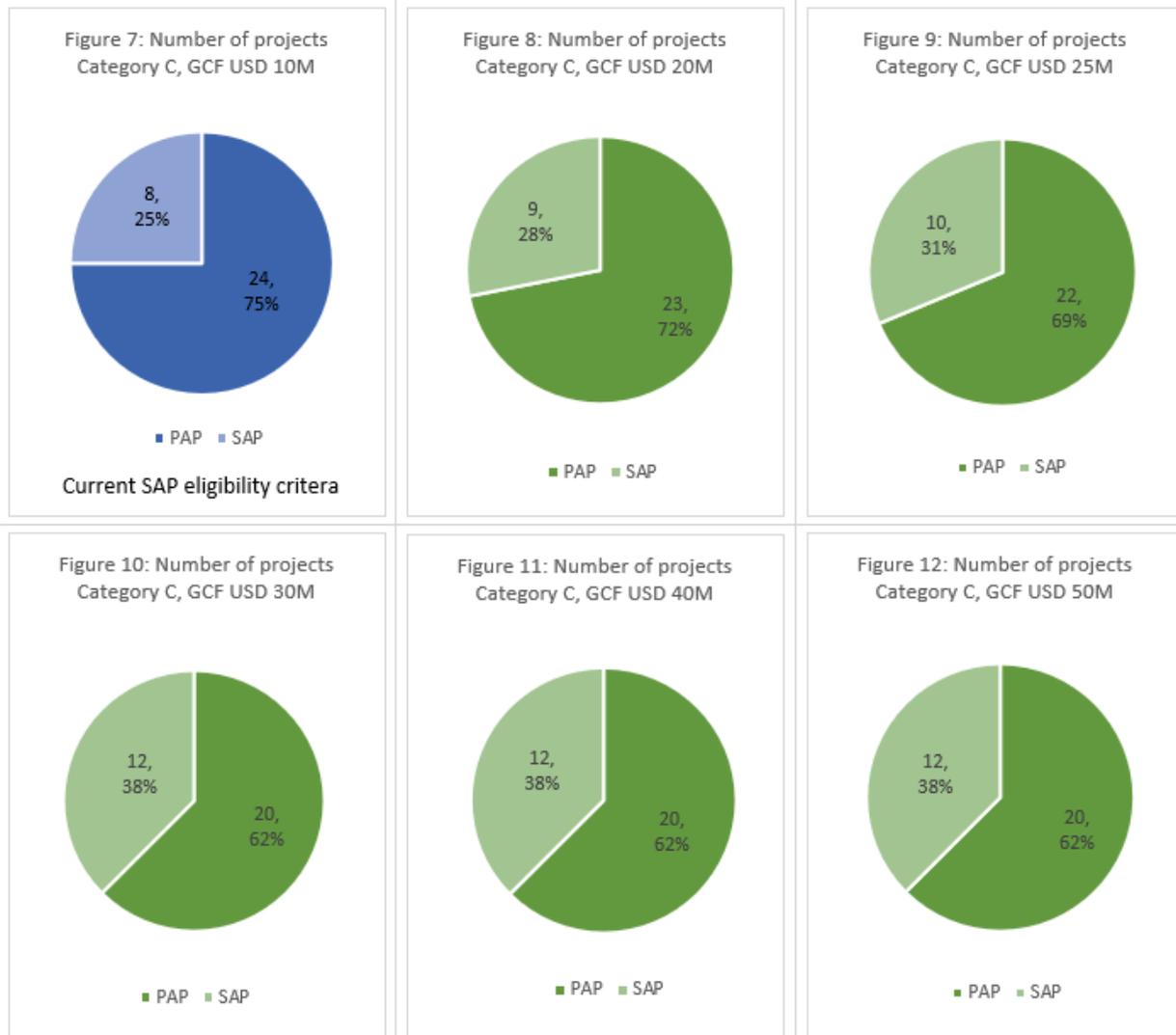
Abbreviations: M = million, PAP = proposal approval process, SAP = simplified approval process.

7. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the environmental and social risk category from Category C/I3 to B/I2 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 for small-scale activities (USD 50 million), the increase of approved SAP proposals relative to the size of the total portfolio would have been only six per cent over the baseline.



8. **Figure S1/7–12:** Changes in SAP projects submitted by DAEs approved in the reference period (2018–2021) if environmental and social risk category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



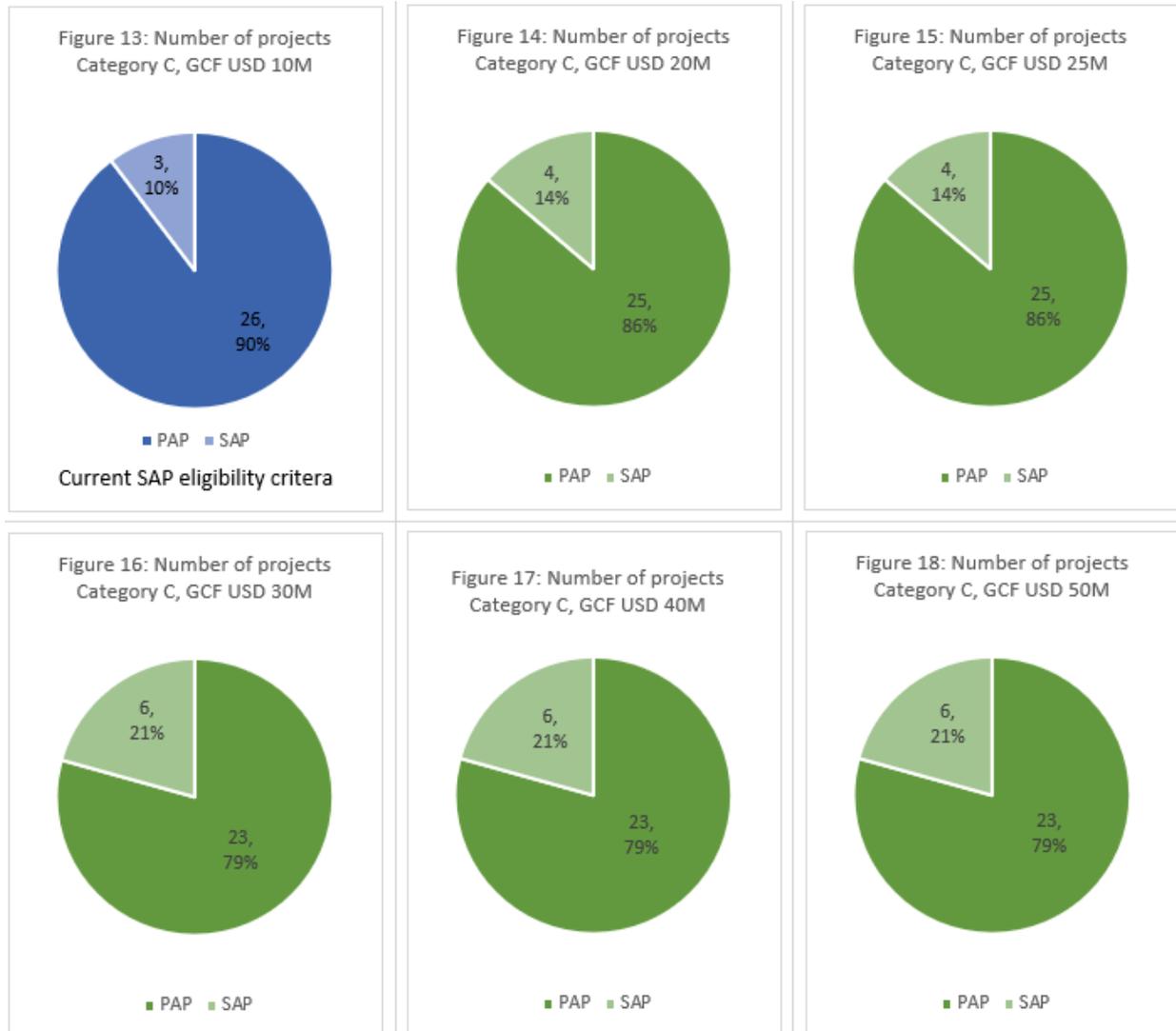
Abbreviations: M = million, PAP = proposal approval process, SAP = simplified approval process.

9. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the environmental and social 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 thirteen per cent over the baseline. However, given the overall limited

amount of approved GCF DAE proposals over the four years under consideration, the actual increase in terms of number of SAP proposals approved from DAEs would have been only four funding proposals over the four years under consideration.

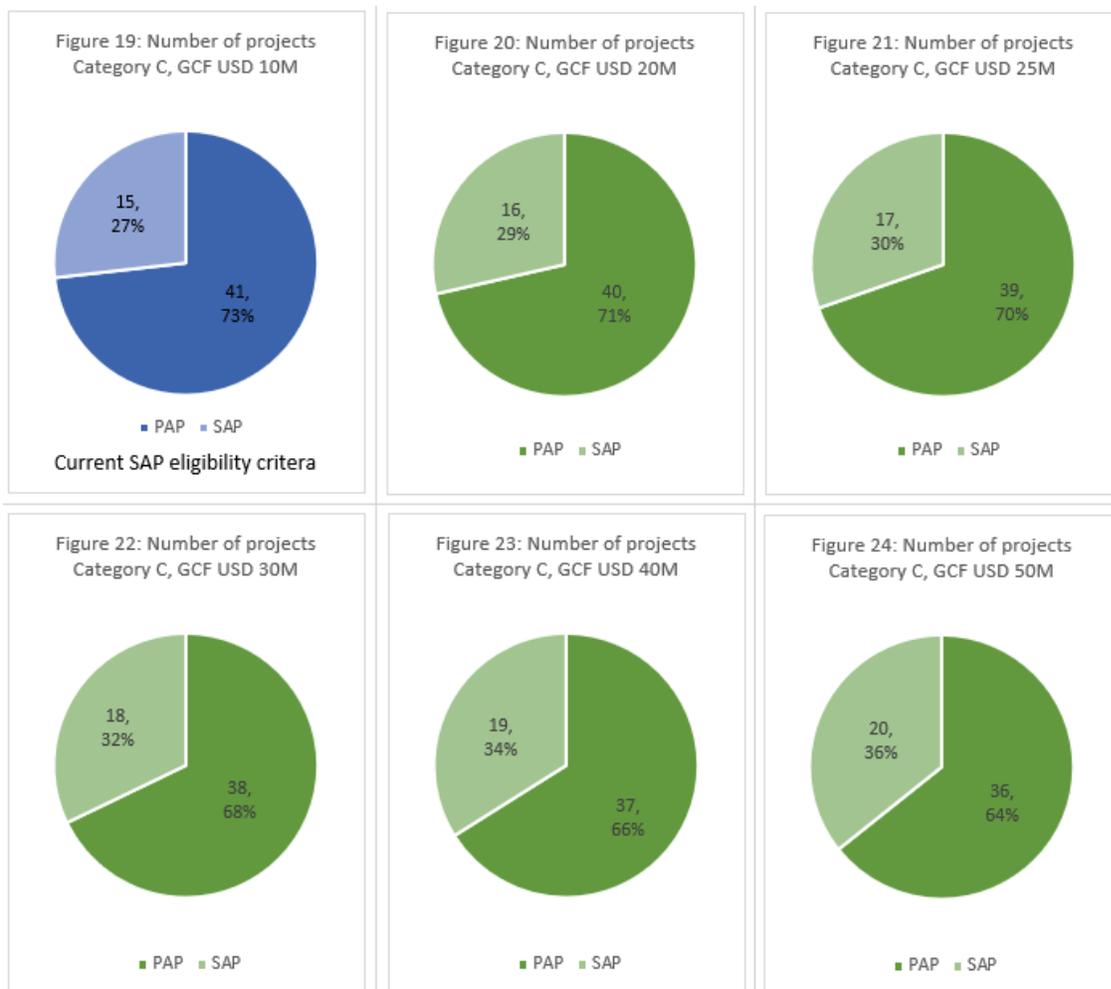
10. **Figure S1/13–18:** Changes in **private sector** SAP projects approved in the reference period (2018–2021) if the environmental and social risk category is unchanged (Category C/13) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



*Abbreviations:* M = million, PAP = proposal approval process, SAP = simplified approval process.

- (a) **Finding:**
- (b) Expanding only the amount of GCF finance, without an expansion of the environmental and social risk and impacts category from C/I3 to B/I2, would have had an impact on the amount of private sector SAP proposals. Only when 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 29 private sector projects were approved in the four years, therefore the extrapolation of this finding might be limited.

11. **Figure S1/19–23:** Changes in **adaptation** SAP projects approved in the reference period (2018–2021) if the environmental and social risk and impacts category is unchanged (Category C/I3) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.

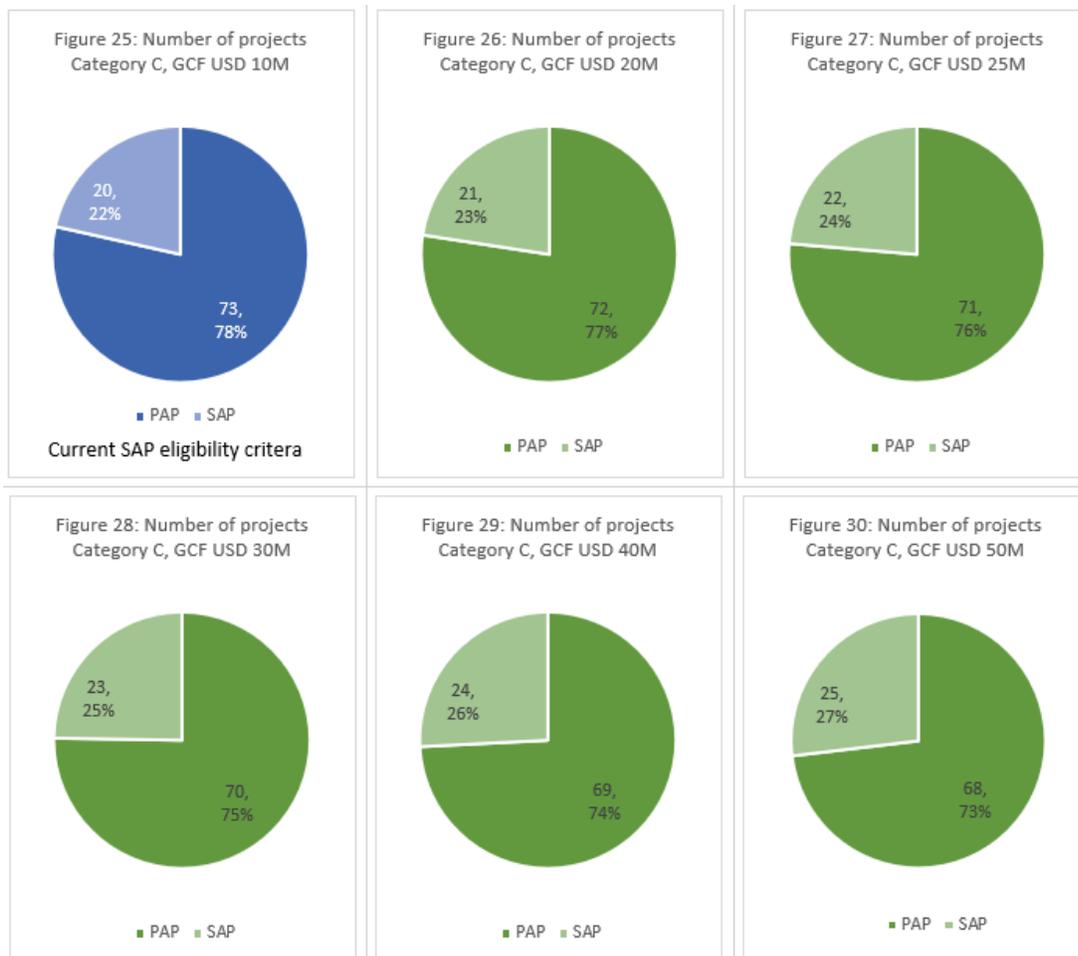


Abbreviations: M = million, PAP = proposal approval process, SAP = simplified approval process.

12. **Finding:**

- (a) Expanding only the amount of GCF finance, without an expansion of the environmental and social 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 have increased the number of SAP projects in adaptation in the portfolio by nine per cent, (5 more approved SAP adaptation proposals over four years). The rate of increase also seems in proportion with the rise in the amount of GCF funding.

13. **Figure S1/25–30:** Changes in SAP projects classified as **adaptation/cross-cutting** approved in the reference period (2018–2021) if environmental and social risk category is unchanged (category C/I3) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



Abbreviations: M = million, PAP = proposal approval process, SAP = simplified approval process.

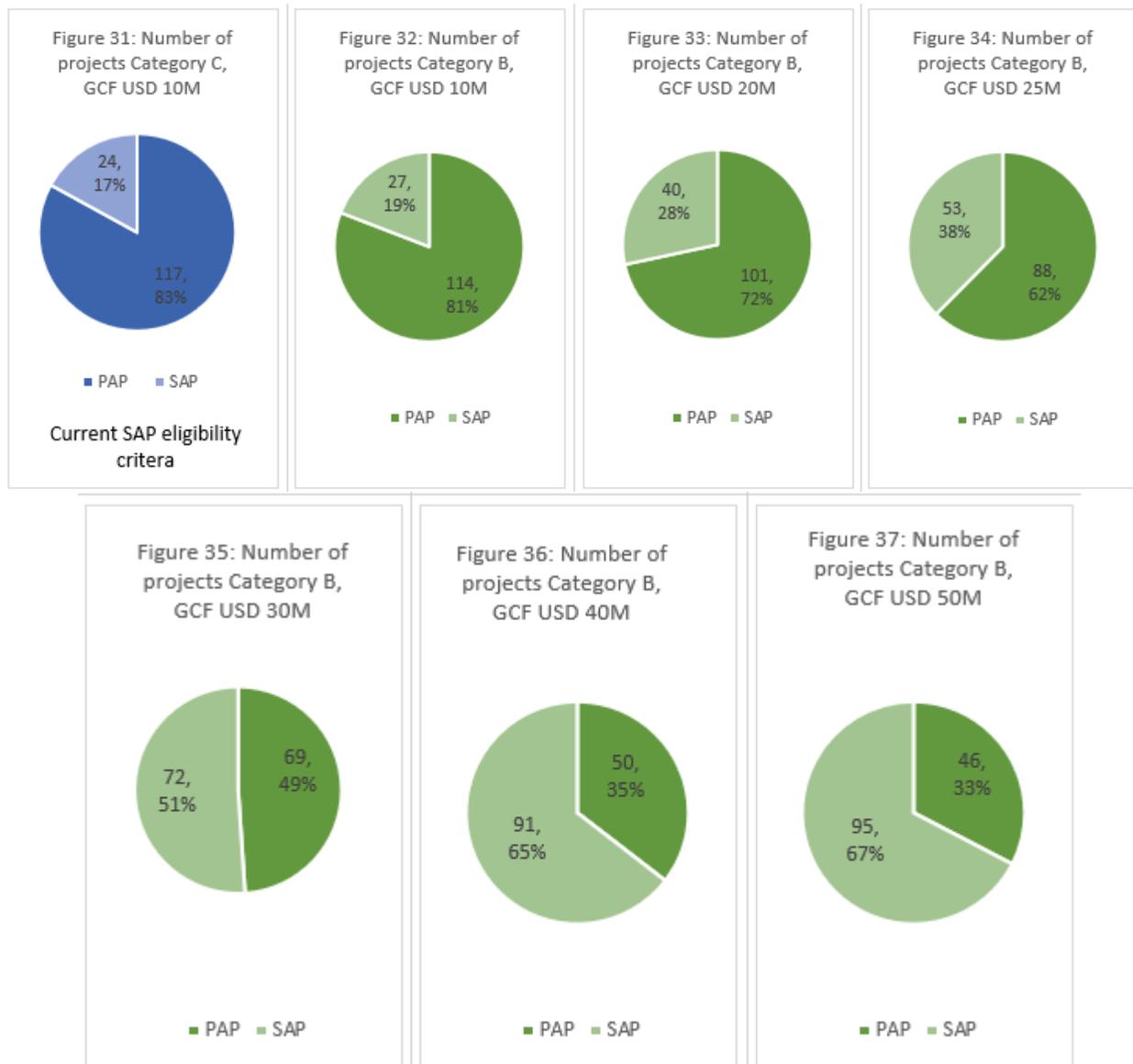


1. **Finding:**
  - (a) Increasing only the amount of GCF finance, without a change in the environmental and social risk category from C/13 to B/12, would have had a minimal impact on the amount of SAP adaptation and cross-cutting projects. Expanding the GCF contribution to USD 50 million would have increased the number of SAP projects in adaptation and cross-cutting in the portfolio only by five per cent, corresponding to just five more approved adaptation/cross-cutting SAP proposals over a period of four years.



(ii) **Scenario 2 – Environmental and social 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 S2/31–37:** Changes in all SAP proposals approved in the reference period (2018–2021) if environmental and social risk category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.

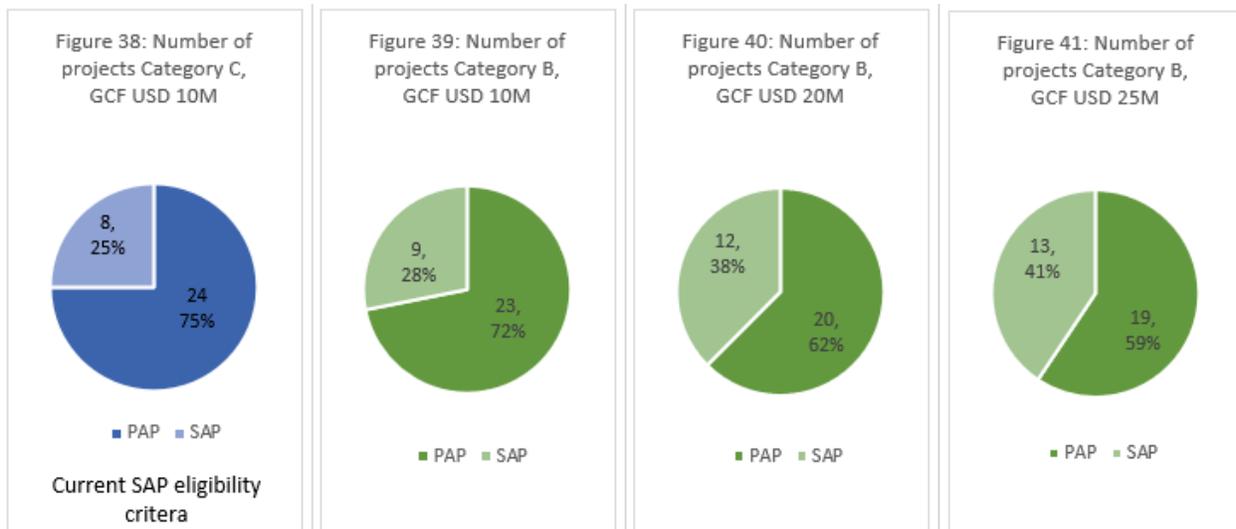


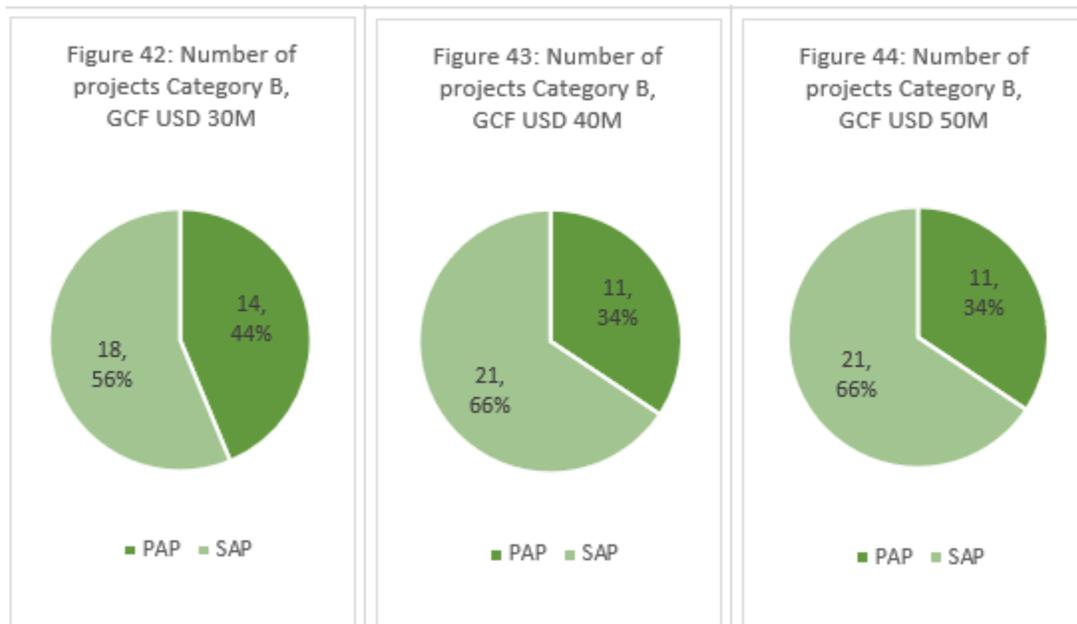
Abbreviations: M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process.

17. **Findings:**

- (a) Expanding only the environmental and social 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 proposals. The increase would be only three more approved SAP proposals over a period of four years;
- (b) On the other hand, the expansion of the environmental and social risks/impacts from Category C/I3 to B/I2, coupled with the increase of the amount of GCF funding would have had a significant impact on the number of proposals that would have been approved under the SAP; and
- (c) Increasing the amount of GCF finance to USD 20 million, the number of approved SAP proposals would have been 40, with an increase of 16 funding proposals (67 per cent increase). With an increase of GCF finance to USD 25 million, the number of approved SAP proposals would have increased from 24 to 53, representing 29 additional SAP proposals approved. With an increase in GCF finance to USD 30 million, the number of approved SAP funding proposals would have increased from 24 to 72, representing 48 additional SAP proposals approved (200 per cent increase). At the maximum GCF funding increase of USD 50 million for small-scale activities the number of approved SAP funding proposals would have increased from 24 to 95, representing 71 additional proposals (295 per cent increase).

18. **Figure S2/38–44:** Changes in SAP proposals submitted by **DAEs** approved in the reference period (2018–2021) if the environmental and social category is expanded to limited risks (Category B/I2) and the GCF financing is increased to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



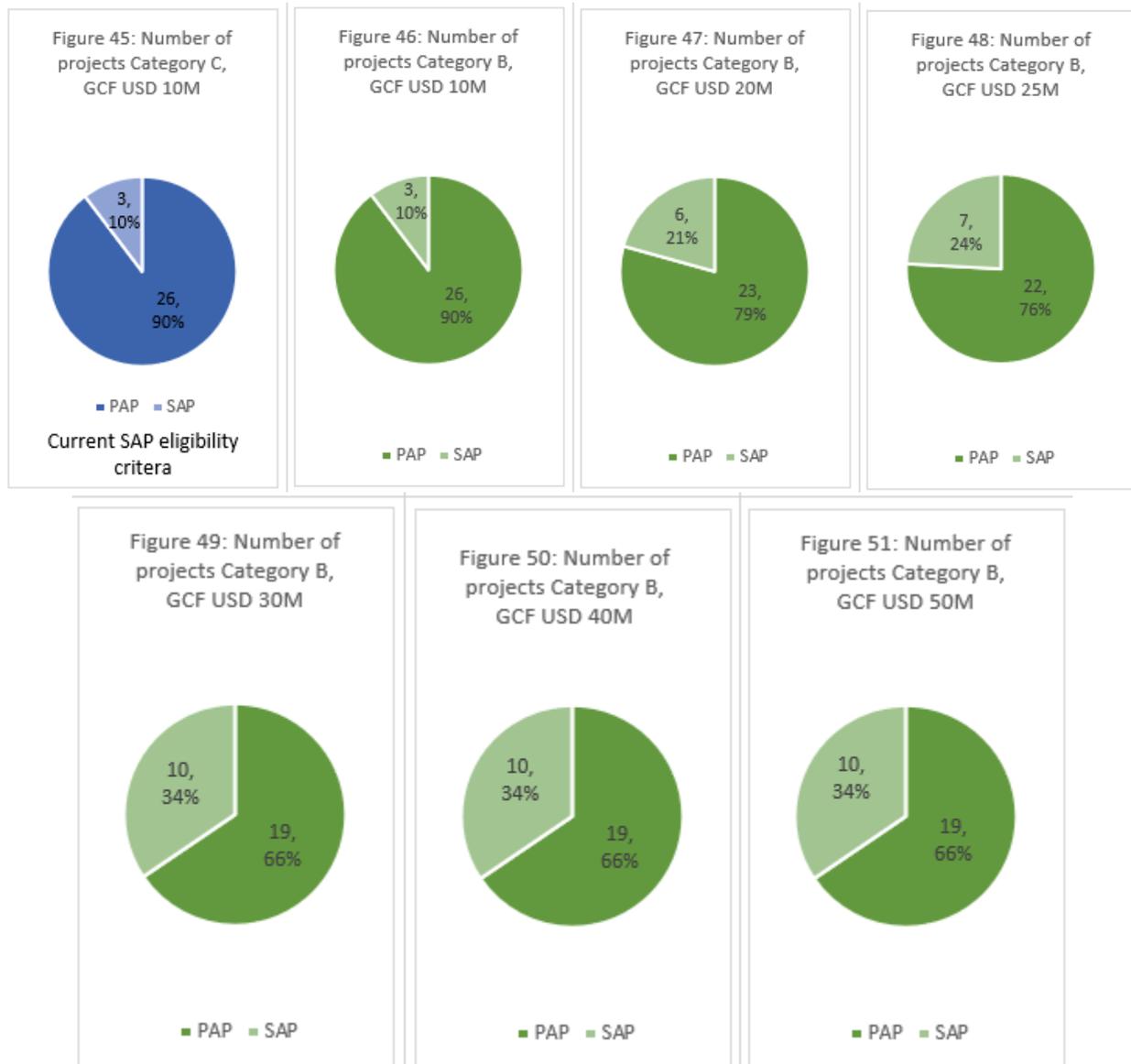


Abbreviations: M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process.

19. **Findings:**

- (a) Expanding only the environmental and social risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have minimal impact on the number of approved SAP proposals from DAEs, from 8 to 9 in a four years period.
- (b) On the other hand, the expansion of the environmental and social risks/impacts from Category C/I3 to B/I2 coupled with the increase in the amount of GCF funding would have increased the number of approved SAP proposals. With an increase in GCF finance to USD 30 million, the number of approved SAP proposals would have more than doubled. With an increase in GCF finance to USD 40 million and above, the number approved would have increased from 8 to 21, which means that 66 per cent of all approved DAE proposals would have been under the SAP.

20. **Figure S2/45–51:** Changes in **private sector** SAP proposals approved in the reference period (2018–2021) if the environmental and social category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.



Abbreviations: M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process.

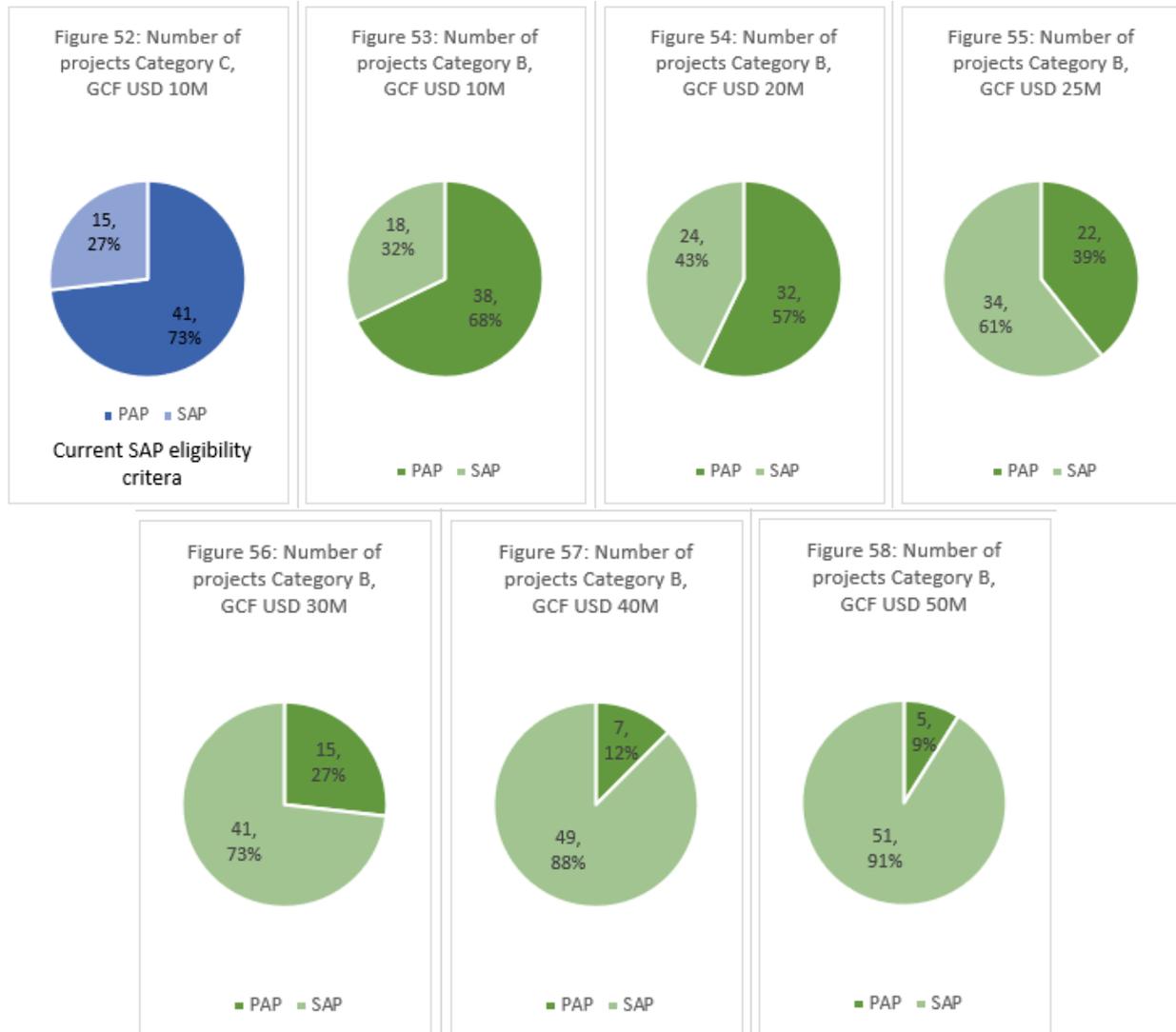
21. **Findings:**

- (a) Expanding only the environmental and social 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;
- (b) On the other hand, expanding the environmental and social risks/impacts from Category C/I3 to B/I2 coupled with increasing the amount of GCF funding would have increased the number of approved private sector SAP proposals. With an increase in GCF finance to USD 25 million, the number of approved private sector SAP proposals would have slightly more



than doubled. With an increase in GCF finance to USD 30 million, 40 million or USD 50 million, the number approved would have increased from 3 to 10, which means that more than 30 per cent of all approved GCF private sector proposals would have been under the SAP.

22. **Figure S2/52–58:** Changes in **adaptation** SAP proposals approved in the reference period (2018–2021) if the environmental and social risk category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.

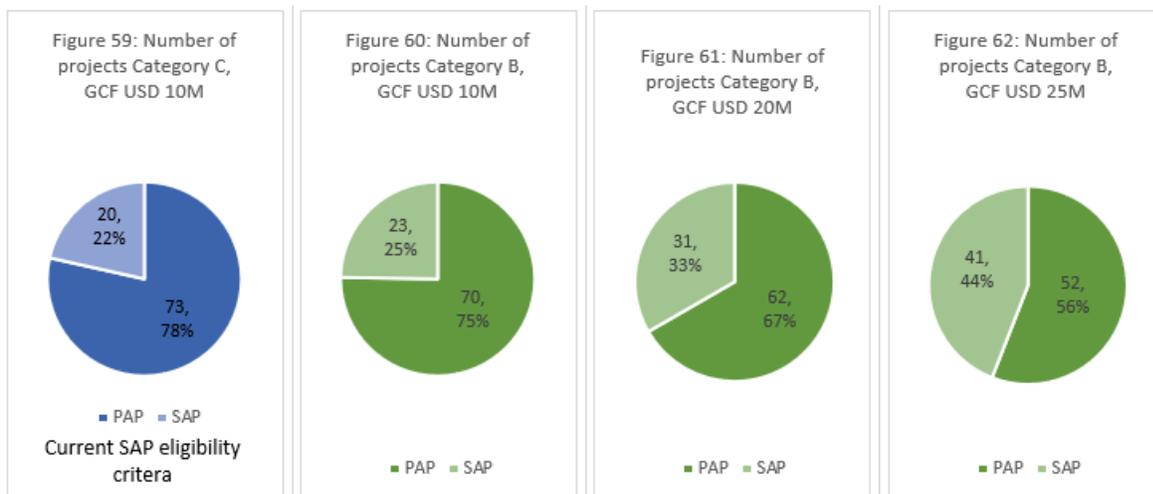


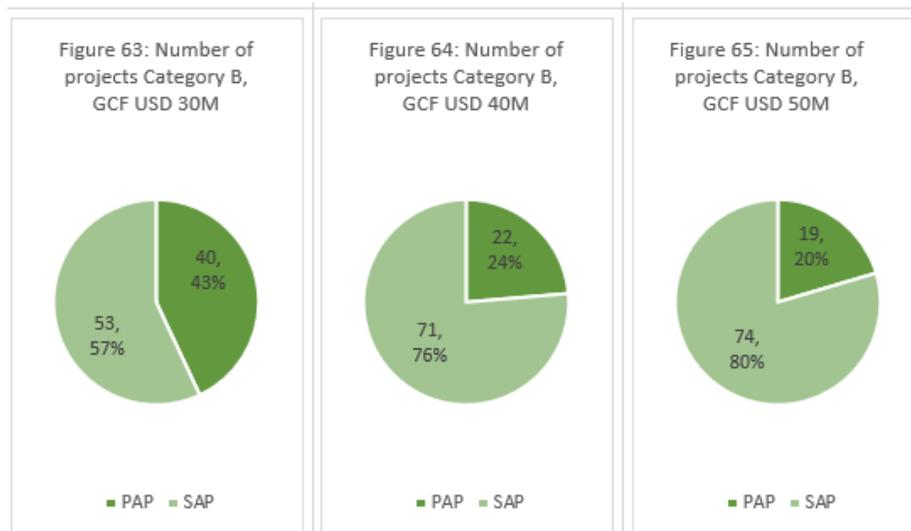
Abbreviations: M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process

23. **Findings:**

- (a) Expanding only the environmental and social risks/impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have a minimal impact on the number of approved SAP adaptation proposals, which would increase only by three projects;
- (b) On the other hand, expanding the environmental and social 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 SAP adaptation proposals that would have been approved. With an increase in GCF finance to USD 20 million, the number of approved SAP adaptation proposals would have increased by 60 per cent, from 15 to 24. With an increase in GCF finance to USD 25 million, more than half of the GCF approved projects (61 per cent) would have been under the SAP. With an increase in GCF finance to USD 30 million, most of GCF approved adaptation proposals would have been under the SAP, 73%, and with a GCF contribution increased to USD 50 million, 91% of GCF-approved adaptation proposals would have been under the SAP.

24. **Figure S2/59–65:** Changes in **adaptation/cross-cutting** SAP proposals approved in the reference period (2018–2021) if the environmental and social category is expanded to limited risks (Category B/I2) and GCF financing amount is expanded to USD 20 million, USD 25 million, USD 30 million, USD 40 million and USD 50 million.





Abbreviations: M = million, PAP = Proposal Approval Process, SAP = Simplified Approval Process.

25. **Findings:**

- (a) Expanding only the environmental and social risks and impacts from Category C/I3 to B/I2 without increasing the amount of GCF funding would have minimal impact on the number of approved adaptation/cross-cutting SAP proposals, increasing from 20 to 23 in a four-year period; and
- (b) On the other hand, expanding the environmental and social risks and impacts from Category C/I3 to B/I2, coupled with increasing the amount of GCF funding would have a remarkable impact on the number of adaptation/cross-cutting SAP proposals approved. With a rise in GCF finance to USD 30 million, more than half of the GCF-approved proposals would have been under the SAP (59 per cent of the entire GCF approved adaptation/cross-cutting portfolio) and with the 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 under the SAP (71 and 74 percent respectively).